

UTAH HIGHER EDUCATION ASSISTANCE AUTHORITY
BOARD OF DIRECTORS MEETING
MINUTES

Board of Regents Building, The Gateway
60 South 400 West
Salt Lake City, UT 84101-1248

March 11, 2021

Members Present

Mr. Ed Alter
Ms. Lori Chillingworth
Ms. Lisa-Michele Church, Chair
Mr. Arnie Combe
Dr. Steve Nadauld
Mr. Arthur Newell
Ms. Becky Potts
Dr. Norm Tarbox
Commissioner Woolstenhulme

Mr. Justin Powell
Ms. Ashley Reyes
Mr. Steve Rogers
Mr. Troy Runnells
Mr. David Schwanke
Mr. Paul Smith
Mr. Nathan Swensen
Ms. Teri Vig
Ms. Mollie Weisman
Mr. Randy Willardson
Ms. Jessica Williamson

Staff Present

Mr. Rich Amon
Ms. Camille Anthony
Ms. Birdie Bianchi
Mr. Vincent Casciato
Mr. Scott Dansie
Mr. Greg Dyer
Mr. Richard Ellis
Mr. Preston Garbett
Mr. Geoff Landward
Ms. Ashlynn McCarter
Mr. Bob McRae
Mr. Todd Mortensen
Mr. Michael Nemelka
Mr. Paul Packard
Ms. Kristie Pederson

Others Present

Mr. James Duffy
CapTrust
Mr. Kevin Olsen
Assistant Attorney General
Mr. Eric Petersen
Assistant Attorney General
Mr. Mike Sanders
CapTrust
Ms. Emily Wrightson
CapTrust

Chair Church called the meeting to order at 10:01 a.m. and declared the presence of a quorum.

The first agenda item discussed was Tab 1.1, Minutes of the January 7, 2021 Meeting.

It was moved by Dr. Nadauld and seconded by Mr. Newell to approve the minutes for the Board of Directors meeting held on January 11, 2021. The motion carried unanimously.

The next agenda item discussed was Tab 2, Report of the Audit Committee. Dr. Tarbox noted the internal audit team now has three full-time internal auditors again with the hire of Justin Powell, who replaced

Charles Downer after he retired. He indicated the committee heard reports on the SOC 1 reports conducted for UHEAA and reviewed and approved the internal audit schedule for the next year. He reported internal audit completed four internal audits the previous quarter and closed three, with one staying open for follow-up. He noted reports provided on information security and business continuity.

It was moved by Mr. Alter and seconded by Ms. Potts to approve the Audit Committee report as presented. The motion carried unanimously.

The next agenda item discussed was Tab 3, UHEAA & my529 Investment Reports. Mr. Schwanke summarized the investment reports for December 2020 through January 2021.

It was moved by Dr. Nadauld and seconded by Ms. Chillingworth to approve the investment reports as presented. The motion carried unanimously.

The next agenda item discussed was Tab 4, Fiscal Year 2022 Meeting Dates. Mr. Schwanke presented the proposed meeting dates for the upcoming fiscal year.

It was moved by Mr. Newell and seconded by Mr. Combe to approve the Fiscal Year 2022 meeting dates as presented. The motion carried unanimously.

The next agenda item discussed was Tab 5, UHEAA Strategic Plan. Mr. Schwanke pointed to UHEAA's new draft strategic plan, including mission and vision statements, values, and goals, which was developed by the UHEAA executive team with input from staff. He reviewed the themes from the staff feedback and the stakeholders UHEAA had considered when developing the plan. He turned to the new mission and vision statements, which the Board discussed. Chair Church suggested the addition of language in the mission statement to more closely align with the Utah Board of Higher Education (UBHE). Mr. Newell and Commissioner Woolstenhulme made other minor suggestions. Mr. Schwanke presented UHEAA's new set of core values – DIRECT: do it right, innovative, results driven, equitable, customer focused, and transparency. Ms. Potts and Chair Church suggested changing equitable to equity.

Mr. Schwanke provided a summary of UHEAA's goals as presented in the strategic plan. Regarding the goal related to community partnerships, Chair Church suggested UHEAA build upon already established UBHE partnerships. Mr. Newell provided support for the idea of building bridges and partnering with other groups. He noted the UBHE is the leader for higher education initiatives in Utah with UHEAA fulfilling a supportive role. Ms. Potts suggested adding language to indicate UHEAA will continue existing partnerships while developing new ones.

Mr. Newell noted the importance of measurability for each goal UHEAA will undertake. Commissioner Woolstenhulme suggested UHEAA's plan include priorities with measurable tactics. Chair Church suggested rearranging the order of the priorities to better signify the importance of each.

The Board discussed ways in which UHEAA could include more equity-driven language in its plan. Mr. Newell suggested expanding the strategy focused on culture to be externally- as well as internally-focused. Commissioner Woolstenhulme suggested UHEAA meet with the Chief Diversity Officers at the USHE institutions for feedback.

Mr. Schwanke pointed to the priority to expand brand awareness, which he noted would include a rebranding effort for UHEAA to consolidate brands and build brand awareness. Chair Church indicated that initiative would be good to pursue in the future, after UHEAA's strategy is more solidified. Mr. Newell suggested UHEAA consider product awareness over brand awareness.

Turning to a discussion about the priority for profitability, Chair Church provided a summary of five pillars she believes should be incorporated into UHEAA's plan: maintain bonding authority and associated financial reserves; acquire and service student loan portfolios that match the acceptable revenue needs and risk profiles; support and assist Utah institutions of higher education in default prevention and loan repayment goals; develop and sustain right-sized, targeted student loan programs that prioritize needs of Utah students; and perform outreach to Utah families to inform them of financing options, including support for increasing Utah's FAFSA completion rate.

It was moved by Mr. Newell and seconded by Ms. Potts to convene in closed session for the purpose of discussing fiduciary or commercial information as authorized in Utah Code Section 52-4-205. The motion carried unanimously.

It was moved by Mr. Newell and seconded by Dr. Nadauld to reconvene the UHEAA Board in open session. The motion carried unanimously.

The next agenda item discussed was Tab 7.1, UHEAA Strategic Plan.

It was moved by Dr. Nadauld and seconded by Mr. Newell to approve the UHEAA Strategic Plan in concept subject to input from the Utah Board of Higher Education and subsequent revisions. The motion carried unanimously.

The next agenda item discussed was Tab 7.2, Complete Student Loans Eligibility Criteria.

Mr. Schwanke presented the proposed revised Complete Student Loans school eligibility criteria. He noted the proposal would allow for the inclusion of private, for-profit institutions with a sub-five percent Cohort Default Rate among other risk-related controls. Mr. Newell remarked on the discussions he and Mr. Schwanke had with the Board to expand the program to allow more students to have a good funding source based on program and school choice, particularly in the health services area. Dr. Tarbox noted the Federal Family Education Loan Program (FFELP) portfolio UHEAA built over time included loans to students of all school types. Mr. Combe asked if the more stringent requirements for for-profit institutions would be allowable. Mr. Olsen indicated it would be, but he would need to do more research about whether issuing bonds in the future would affect this decision. The Board discussed the approval of the proposed school eligibility change and asked the motion be held until the UBHE and UHEAA Board approve the UHEAA Strategic Plan in the coming months. Chair Church indicated UHEAA should bring the plan to the UBHE for approval at its May meeting.

The next agenda item discussed was Tab 7.3, UHEAA Quarterly Update.

Mr. Schwanke referred the Board to the materials in the interest of time.

The next agenda item discussed was Tab 8, my529 Executive Director's Report. Mr. Ellis pointed to the my529 2020 Year in Review report, which provides a high-level summary of my529's accomplishments and key metrics. He announced my529 is negotiating a contract with State Street Bank to provide Net Asset Value (NAV) calculation and custodial services. He indicated my529 will continue to act as a record keeper. He elaborated on the benefits of moving to a Unitized NAV such as greater efficiencies, shifts the calculation risk to State Street, and aligns with 529 industry best practices.

Mr. Ellis reviewed the results of the recent employee survey noting the Employee Net Promoter Score (eNPS) dropped in the first quarter of 2021 compared to the previous quarter. He indicated the my529 senior management team discussed the results and how they will address employees' concerns. He noted regarding account owner net promoter score, the cumulative score increased to 70.96.

The next agenda item discussed was Tab 8.1, my529 Information and Consent. Mr. Ellis reviewed changes made to the following my529 policies: Policy – Information Security and Policy – Safeguarding Customer Information. Mr. Ellis indicated the Policy – Information Security only had technical corrections or clarifications. He indicated there is one substantive change to Policy – Safeguarding Customer Information, which is the Information Security Officer and my529 management will keep the UHEAA Board and/or the Audit Committee updated on changes to my529's System Security Plan and provide annual training to my529 employees.

It was moved by Mr. Alter and seconded by Ms. Potts to approve the proposed changes to my529 policies. The motion carried unanimously.

The next agenda item discussed was Tab 8.2, my529 Enrollment Date Investment Option. Mr. Ellis discussed the review process regarding whether my529 should transition its age-based investment options to an enrollment date investment option. He stated the proposed enrollment date glide path is positioned between the current aggressive and moderate age-based glide paths and reviewed the allocations of the proposed glide path. Mr. Ellis concluded by explaining the benefits of moving to an enrollment date investment option, which reduces event risk by smoothing the equity tapering with quarterly adjustments of 1.25 percent rather than one-day adjustments on the beneficiary's birthday of 10 to 15 percent.

Dr. Nadauld supported the proposed enrollment date investment option, adding the 529 industry is moving towards enrollment date glide paths and the discussion in my529 Investment Advisory Committee was robust regarding the topic. Chair Church asked how the change to an enrollment date glide path would be communicated to account owners. Mr. Ellis responded my529's goal is to implement this change in July 2021 with communications to account owners beginning in May 2021.

It was moved by Mr. Alter and seconded by Dr. Nadauld to approve the new enrollment date portfolios. The motion carried unanimously.

The next agenda item discussed was Tab 8.3, my529 Strategic Plan. Mr. Ellis reviewed my529's proposed mission, vision, and values statement and how my529 aligns with the UBHE's priorities. Chair Church recommended reflecting how my529 ties into UBHE's priority of affordability in the mission, vision, and values statement. The Board suggested adding language surrounding diversity, equity, and inclusion along with maintaining the reputation of the fund to the values section.

Mr. Ellis discussed my529's proposed priorities which are account growth, our529 culture, and account owner experience. He discussed with the Board the account growth metrics along with goals, strategies, and their associated tactics. He indicated 7.65 percent of Utahns age 17 or younger have a 529 account compared to the national rate of 19.15 percent, indicating there is room for significant growth. Regarding the diversity among Utahn account owners strategy, Ms. Church recommended my529 to meet with the institutions of higher education chief diversity officers and college advisors to discuss how they reach out to different populations. Mr. Newell inquired if there should be incentives for account owners who set up reoccurring contributions when opening an account. Mr. Ellis indicated my529 already offers a range of promotions and noted the tactic about developing my529's promotion match philosophy and commitment level. Regarding creating financial literacy materials to educate prospects tactic, Ms. Church suggested reaching out to financial advisers market that serve non-typical communities. The board concluded their discussion on the account growth priority stating my529 needs to find a solution on how to measure equity and diversity of account owners.

Next, the Board discussed the our529 culture priority. The first goal associated with this priority is employees are personally invested in my529's success. Strategies for the first goal include focusing on professional development efforts, extending accountability for the strategic plan to all my529 employees, and promoting workforce resilience through mental fitness. The second goal is my529 embodies its fiduciary role. Mr. Ellis highlighted its strategies and tactics. Ms. Church suggested my529 should provide a training to employees about the UBHE mission of higher education in Utah and how my529 fits into it.

The last priority focuses on account owner experience. Mr. Ellis highlighted the goals, strategies, and tactics related to this priority. Strategies for this priority include cultivating a premium experience for account owners; improving the account owner journey, touchpoints, and feel; communicating clearly; and providing best-in-class investment options. Mr. Newell indicated the goals, strategies, and tactics are good from an account owner perspective and ensure my529 is focusing on the customer. Ms. Potts added the strategic plan is well thought out. Mr. Newell asked for Mr. Ellis to tie the my529 strategic plan back to the UBHE's affordability and access priorities, and noted my529 is key to those priorities. Ms. Church recommended my529 to review the UBHE's tactics.

It was moved by Dr. Tarbox and seconded by Mr. Combe to approve my529 Strategic Plan in concept subject to input from the Utah Board of Higher Education and subsequent revisions. The motion carried unanimously.

It was moved by Ms. Chillingworth and seconded by Ms. Potts to adjourn the meeting. The motion carried unanimously.

Chair Church adjourned the meeting at 12:36 p.m.

Interim Executive Director, UHEAA

Date