

**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**

**June 24, 2021**

**Members Present**

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

Mr. Todd Mortensen  
Mr. Michael Nemelka  
Mr. Ryan Nilsen  
Mr. Paul Packard  
Ms. Bryn Ramjouw  
Ms. Ashley Reyes  
Mr. Steve Rogers  
Mr. Troy Runnells  
Mr. David Schwanke  
Mr. Nathan Swensen  
Ms. Teri Vig  
Ms. Mollie Weisman  
Mr. Randy Willardson  
Ms. Jessica Williamson

**Staff Present**

Mr. Rich Amon  
Mr. Robbie Beckstead  
Mr. Vincent Casciato  
Mr. Greg Dyer  
Mr. Richard Ellis  
Mr. Geoff Landward  
Ms. Katie Mazzie  
Mr. Bob McRae

**Others Present**

Mr. Kevin Olsen  
Assistant Attorney General

Chair Church called the meeting to order at 10:02 a.m. and declared the presence of a quorum. She reiterated the priorities for UHEAA she outlined in the March meeting.

The first agenda item discussed was Tab 1.1, Minutes of the March 11, 2021 Meeting.

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

The next agenda item discussed was Tab 2, Report of the Audit Committee. Dr. Tarbox indicated Eide Bailly will complete its fifth financial audit for UHEAA, followed by an RFP for the following cycle. He reviewed several internal audits, noting two of them were to remain open to clean up minor findings. He remarked the committee received an extensive information security report along with a review of a major rewrite of information technology security policies. Lastly, he indicated the quarterly business continuity report summarized the many lessons learned over the past 15 months of the pandemic and indicated both organizations intend to embrace remote work in some form ongoing.

These minutes are in draft form and are subject to change before being approved by the UHEAA Board of Directors.

Responding to questions from the board regarding the consolidation and simplification of current information technology security policies, and the risk assessment of the potential for a data security breach, Dr. Tarbox indicated these are topics the committee reviews often and is continually looking at from a risk assessment standpoint. He noted it may be appropriate for an external resource to assess as well. Chair Church asked for additional time for Dr. Tarbox to provide more detail in the September board meeting.

It was moved by Mr. Alter and seconded by Mr. Newell 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 February through May 2021. He noted the new format of the reports aimed at making the information easier to consume. Mr. Newell commented people seem to be moving to less volatile investments in the my529 portfolio. Mr. Ellis confirmed that seems to be the case, but indicated many have moved to the custom static option which makes risk level hard to determine since it is controlled by the account owner individually.

It was moved by Mr. Simmons and seconded by Mr. Newell to approve the investment reports as presented. The motion carried unanimously.

The next agenda item discussed was Tab 4.1, my529 Strategic Plan. Mr. Ellis reviewed my529's mission, vision, and values along with its priorities: account growth, our529 culture, and account owner experience. Mr. Ellis stated the my529 strategic plan is aligned with the Utah Board of Higher Education's (UBHE) priorities for access, affordability, and completion. He discussed my529's goals, strategies, and tactics including increasing diversity among Utah account owners, creating materials that demonstrate the value of education, and ensuring my529 has a diverse workforce. He highlighted the metrics for each strategic priority. Mr. Ellis concluded his report by stating the leadership team is working to embed the strategic plan into my529's culture. Chair Church asked the board to be familiar with my529's strategic plan and to hold my529 accountable for its progress.

It was moved by Mr. Newell and seconded by Mr. Simmons to approve the my529 strategic plan. The motion carried unanimously.

The next agenda item discussed was Tab 4.2, UHEAA Strategic Plan. Mr. Schwanke summarized UHEAA management's process of developing the UHEAA strategic plan, which began in December 2020 and involved staff engagement, consultation with the institutional Chief Diversity Officers, and presentation of a draft to the UHEAA Board and Utah Board of Higher Education. He presented the finalized mission, vision, and values and summarized UHEAA's strategic priorities: 1) profitability: right-size business lines and control costs to achieve profitability to return to students with financial aid and other resources; 2) community partnerships: focus on underserved populations to develop solutions from lessons learned; 3) culture: focus internally and externally to encourage diversity, conduct an equity lens analysis, and achieve specific customer and employee net promoter score goals; 4) technology: invest in technology to optimize customer experience and reduce costs; and 5) brand awareness: in collaboration with the Office of the Commissioner of Higher Education, help educate Utahns about where they can go for resources to pay for college. He pointed to the series of tactics under each strategic priority that UHEAA will use to meet its

goals, which align with the focus and priorities for UHEAA that Chair Church highlighted at the beginning of the meeting.

Commissioner Woolstenhulme thanked Mr. Schwanke for his willingness to collaborate on branding and other priorities. Mr. Simmons remarked how effective the my529 rebranding effort has been and indicated UHEAA may want to do the same if its products and services are direct-to-consumer. Chair Church confirmed that will be considered. Responding to questions from Ms. Maggelet about UHEAA's product offerings, Mr. Schwanke indicated UHEAA is mainly focused on its legacy student loan portfolio, its client services subcontracting unit, and a state-based student loan program.

It was moved by Ms. Chillingworth and seconded by Mr. Simmons to approve the UHEAA strategic plan. The motion carried unanimously.

The next agenda item discussed was Tab 5.1, FY 2022 my529 Operating Budget. Mr. Ellis stated my529 administers a public trust by statute and the UHEAA Board has a fiduciary responsibility for the my529 Trust. He reviewed the three separate funds within the trust: the Program Fund, the Administrative Fund, and the Endowment Fund along with the purpose of these funds. Mr. Ellis provided a budget overview for FY 2022. He indicated \$296,000 from the Endowment Fund is for low-income programs and scholarships.

Mr. Ellis highlighted the FY 2022 revenues noting the budget is based off of \$17 billion average monthly balance—a conservative assumption. He recommended the Board approve a one basis point reduction in the administrative asset fee for Enrollment Date, Static, and Customized investment options with the exception of the Fixed-Income investment option.

Mr. Ellis discussed FY 2022 expenses. He noted salaries and benefits account for 55% of the budget which includes one new position and filling three vacant positions. He reviewed the cost increase in Central Services due to the allocation formulas shifting more costs to my529 due to the closure of CornerStone. my529 leadership is working jointly with UHEAA and Office of the Commissioner of Higher Education (OCHE) to review the formulas. He indicated the my529 FY 2022 budget includes \$500,000 for joint "Value of Education" marketing campaign with OCHE. Mr. Ellis discussed the new contract with State Street to outsource fund accounting and NAV calculation. He indicated the contract allows for better operational efficiencies, outsources some of the risk, and is in the best interest for account owners.

Mr. Ellis reviewed the FY 2022 budget expense detail comparing recommended FY 2022 budget to FY 2021 projections and explaining any significant differences. He discussed the Low Income Programs expense item noting it is mostly for the Transition to Adult Living (TAL) scholarships to assist children exiting the foster care system as well as refugees. He described that recipients are expected to maintain certain grades and are assigned a mentor at their higher education institution. He noted this expense item also includes Make Your Mark, Book Your Summer, and Road-to-Success scholarships. Mr. Ellis stated my529 is looking for new opportunities on how to support Utahns from the Endowment Fund.

Dr. Naudald asked what my529's philosophy is regarding fee reduction versus money moving to the Endowment Fund to benefit Utah students. Mr. Ellis responded my529 builds its expense budget, reviews revenue, and then decides if there is room to decrease fees due to economy of scales. He added fees are important to the 529 industry and are expected to lower fee when possible. Mr. Ellis explained the Endowment Fund is used as a rainy day fund to provide insurance in case of a miscalculation and noted

outsourcing to State Street has helped to mitigate some of the risk. He stated the Endowment Fund is at a point where my529 can identify opportunities to help benefit Utah students and partner with higher education institutions.

Ms. Chillingworth asked about the expense increase for Information Security. Mr. Ellis explained with the closure of CornerStone, more cost has shifted to my529 due to allocation formulas. He added leadership is reviewing the formulas and ensuring my529 is receiving the right level of service.

Mr. Newell asked what my529's strategy is for the Endowment Fund and looking into programs for Utahns. Mr. Ellis stated historically the fund has been viewed as a rainy day fund. He concluded stating my529 and the Board should begin discussing and developing a philosophy for the Endowment Fund.

It was moved by Ms. Chillingworth and seconded by Dr. Nadauld to approve the my529 FY 2022 operating budget including an Administrative Asset Fee reduction by one basis point for Enrollment Date, Static and Customized investment options effective October 1, 2021. The motion carried unanimously.

The next agenda item discussed was Tab 5.2, Client Services Analysis. Mr. Schwanke summarized the situation facing servicers nationwide with a Direct Loan forbearance set to expire September 30, although an extension of the forbearance is possible. He noted UHEAA needs lead time to recruit and train staff to ramp up staffing levels to meet customer needs. He indicated UHEAA can either hire now to be prepared for a September 30 forbearance expiration or wait until more is known about a possible extension, but risk not being able to meet customer needs. Chair Church noted money is at risk by hiring now, but UHEAA's reputation is also on the line if hiring is delayed. Ms. Potts noted the difficulty hiring frontline staff in the current employment market and asked if technology can help with the staffing needs. Mr. Schwanke confirmed some technology is already employed, but much of the work requires human intervention. He indicated the vast majority of the staff is working remotely, which allows for a broader hiring pool. Responding to a question from Mr. Newell about the training timeframe, Mr. Schwanke remarked the hiring process, security clearance process, and training takes about 60 days.

The next agenda item discussed was Tab 5.2, FY 2022 UHEAA Operating Budget. Mr. Schwanke noted this is a transitional year for UHEAA. He discussed the amortization of UHEAA's legacy portfolio and the effects of the low London Interbank Offer Rate (LIBOR) on the operating income. He noted the budget includes an approximate \$2 million in profit in Client Services if the forbearance on Direct Loans happens on schedule, yet the overall budget is breakeven given the repressed interest rates and increased fixed costs amid the closure of CornerStone that are facing the legacy portfolio. He indicated UHEAA will bear some cost of issuance to refinance some bond indentures in order to amend language related to the LIBOR transition as well. Dr. Nadauld commented UHEAA recently made about \$15 million on another bond refinance and managing a portfolio results in both adding to the bottom line and incurring expense as indentures are refinanced.

Mr. Schwanke turned to the budget for the Loan Guarantee Program, which manages a \$90 million collection portfolio of defaulted student loans. He noted the Agency Operating Fund (AOF) represents the activities of that unit and indicated the U.S. Department of Education (ED) recent required all defaulted federal student loan accounts to be given a 0% interest rate and return all payments made since March 2020. He remarked most of the revenue for FY 2022 will come from fees from ED for the rework effort

related to those recent changes. Mr. Schwanke noted the AOF balance is expected to decline from approximately \$11.5 million to approximately \$10 million between FY 2021 and FY 2022.

Speaking to the question of whether to hire in advance for Client Services, Mr. Simmons indicated it needs to be run like a business which can involve risk, but the challenging employment environment necessitate getting ahead of the situation despite the risk. He remarked the real risk is scrambling for staff later on. Responding to a comment from Commissioner Woolstenhulme about whether the wage for incoming staff may be too low, Mr. Schwanke said management will evaluate if an adequate hiring pool is not available at current rates.

It was moved by Mr. Simmons and seconded by Mr. Newell to approve the UHEAA FY 2022 operating budget. The motion carried unanimously.

Due to the time constraint, Chair Church stated my529 will seek approval of the my529 Policies in the September board meeting located under agenda item Tab 6.1, my529 Information and Consent Report. Tab 6.2, UHEAA Quarterly Update was also postponed until September.

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

The next agenda item discussed was Tab 8, UHEAA Updates.

It was moved by Mr. Newell and seconded by Mr. Alter to approve the UHEAA Interim Executive Director to study and prepare a strategic plan for the Guarantor as discussed in closed session. The motion carried unanimously.

It was moved by Mr. Simmons and seconded by Dr. Nadauld to approve the UHEAA Interim Executive Director to enter into a contract with Trellis Company as discussed in closed session. The motion carried unanimously.

Chair Church adjourned the meeting at 12:30 p.m.

---

Interim Executive Director, UHEAA

---

Date