

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

December 12, 2013

**Members Present**

Mr. Edward Alter  
Mr. Dan Campbell, Chair  
Ms. Lisa-Michele Church  
Mr. David Feitz  
Mr. Fred Hunsaker  
Mr. Robert Marquardt  
Dr. Stephen Nadauld  
Dr. Gregory Stauffer  
Mr. Mark Stoddard

Mr. Alex Janak  
Ms. Diane Johnson  
Mr. Clive Killpack  
Mr. Bob McRae  
Mr. Jeremy Morrison  
Mr. Paul Packard  
Ms. Debbie Phillips  
Ms. Ashley Reyes  
Mr. Troy Runnells  
Mr. David Schwanke  
Mr. Jimi Thompson  
Ms. Lynne Ward  
Mr. Randy Willardsen

**Staff Present**

Mr. John Andrus  
Mr. Mike Atkinson  
Ms. Brenda Cox  
Mr. Ronell Crossley  
Mr. Richard Davis  
Mr. Charles Downer  
Mr. Greg Dyer  
Mr. Brian Elcock

**Others Present**

Mr. Kevin Olsen  
Assistant Attorney General  
Mr. Spencer Pratt  
Legislative Fiscal Analyst

Chair Campbell called the meeting to order at 10:07 a.m. and declared the presence of a quorum. Commissioner Buhler, Mr. Combe, Mr. Jensen, and Dr. Tarbox were excused.

Chair Campbell welcomed Lisa-Michele Church as a new member of the UHEAA Board of Directors.

It was moved by Mr. Stoddard and seconded by Mr. Marquardt to move into 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. Stoddard and seconded by Mr. Marquardt to reconvene the UHEAA Board in open session. The motion carried unanimously.

The first agenda item discussed was UHEAA Board Report I-A, Minutes of the September 26, 2013 Meeting.

It was moved by Mr. Marquardt and seconded by Dr. Stauffer to approve the minutes of the September 26, 2013 Board of Directors Meeting. The motion carried unanimously.

The next agenda item discussed was UHEAA Board Report I-B, Investment Reports. Mr. Schwanke summarized investment activity for the months of August 2013 to October 2013.

It was moved by Mr. Hunsaker and seconded by Mr. Stoddard to approve the Investment Reports. The motion carried unanimously.

The next agenda item discussed was UHEAA Board Report I-C, Report of the Audit Committee. Mr. Hunsaker reported a record five Federal audits were completed by the Department of Education (ED) this year. He indicated the State Auditors concluded their annual audit and have delivered a clean audit report. He noted all internal audit follow-up items from the previous meeting have been resolved. He reported on several internal audits completed over the past quarter, all of which produced positive results and found no discrepancies. He remarked information security and business continuity both continue to be strong programs. He commended the staff for their efforts which have made these sustained positive audit results possible.

It was moved by Mr. Alter and seconded by Mr. Hunsaker to accept the Report of the Audit Committee. The motion carried unanimously.

Dr. Nadauld was excused from the remainder of the meeting.

The next agenda item discussed was UHEAA Board Report II-A, Revised Fiscal Year 2014 Student Loan Operating Budget. Mr. Schwanke presented the revised Loan Purchase Program (LPP) operating budget for Fiscal Year (FY) 2014. He remarked ED announced the delay of future allocations to Not-For-Profit servicers until after August 2014. He noted the original FY 2014 LPP operating budget assumed a 200,000 account allocation would be received in February 2014, and the new budget has been revised to remove revenue and costs related to the allocation. He indicated LPP will delay hiring 33 FTEs because of the delayed allocation, although five FTEs have been hired to focus on servicing metrics. Mr. Schwanke summarized the effect of the change on LPP operating revenues and expenses, and reported operating income is expected to decline \$159,000 to \$2.1 million.

Responding to a question from Dr. Stauffer regarding the types of positions being delayed, Mr. Schwanke confirmed they are all full-time call center positions. Responding to another question from Dr. Stauffer about how incremental allocations translate into additional FTEs, Mr. Schwanke indicated the relationship will change as efficiencies are realized.

It was moved by Mr. Marquardt and seconded by Mr. Hunsaker to approve the Revised FY 2014 LPP Operating Budget as presented in Schedule I. The motion carried unanimously.

The next agenda item discussed was UHEAA Board Report II-B, Student Loan Default Rates. Mr. Feitz remarked UHEAA continues to produce a low default rate on its legacy portfolio. He noted UHEAA is not able to affect the default rate on Direct Loans in Utah as UHEAA is not servicing those loans. He indicated several institutions have hired UHEAA to help combat rising default rates using its Borrow Wisely default prevention program.

Mr. Feitz directed the Board to Attachment 3, which shows the trend of rising default rates at schools across the state. Responding to a question from Mr. Marquardt about why the default rate at Dixie State is so high, Mr. Feitz indicated its open enrollment model tends to service more underprivileged students, which combined with the down economy in St. George has led to more defaults. He noted Dixie is one of the schools currently utilizing UHEAA's Borrow Wisely program. Mr. Feitz pointed to several other attachments which compare the default rates of USHE schools with peer institutions. He highlighted Snow College, which ranks first in its peer group. Responding to a question from Ms. Church regarding the schools participating in Borrow Wisely and the progress of the program, Mr. Feitz indicated UHEAA has already contracted with seven schools and the program is showing positive movement in lowering delinquency and default rates.

The next agenda item discussed was UHEAA Board Report II-C, UHEAA Community Outreach Update. Mr. Davis reported on outreach activity for the previous quarter. He indicated UHEAA sponsored 47 events statewide, ranging from Logan to San Juan, attracting over 5,000 people. He highlighted the Outreach Team's social media efforts and the fall scholarship contest which focused on financial literacy and paying for college. He remarked the Outreach Team was able to reach every school district in the state, and noted FAFSA completion would be the focus next quarter.

The next agenda item discussed was UESP Board Report III-A, UESP Executive Director's Report. Ms. Ward requested a motion to approve Endowment Fund benchmark changes to align with Vanguard after it recently changed the benchmark for three of its index funds. Responding to a question from Mr. Stoddard about the timing of the Vanguard change, Ms. Ward confirmed the changes were recent and the investment committee has reviewed them. Responding to a question from Chair Campbell about whether these changes can be made with an automated process rather than Board approval, Ms. Ward confirmed investment policy requires Board approval.

It was moved by Mr. Marquardt and seconded by Mr. Alter to approve the Endowment Fund benchmark changes as outlined in Tab III-A . The motion carried unanimously.

The next agenda item discussed was UESP Board Report III-B, UESP Informational Report. Ms. Ward reviewed the FDIC-insured savings account rate comparison as of October 31, 2013, found on attachment III-B-1. She commented on the rapid growth of the account and indicated the rate Zions Bank pays per the contract is tied to the PTIF rate. She indicated Virginia College Wealth is able to pay a higher rate because it engages in co-marketing with its bank, while UESP does not provide any individual account owner information to Zions.

Ms. Ward pointed to attachment II-B-2 and summarized UESP's outreach activity for the previous quarter. She highlighted the Make Your Mark Bookmark Contest, which received over 3,000 entries, and called the Board's attention to the winning bookmarks distributed at the meeting. She remarked the contest concluded with an annual luncheon hosted by Zions Bank with the contest winners. She noted Zions has been a valuable partner in promoting this contest by sending statement stuffers to its Utah members. Ms. Ward also highlighted the annual UESP/Zions Bank Holiday Promotion, in which Zions provides a match of up to \$25 for new accounts opened by Utah residents with an initial deposit before December 23.

Ms. Ward turned the Board's attention to attachment II-B-3, and remarked UESP was named one of four Gold-Rated plans by Morningstar in October. She noted Morningstar rated at least 75% of the more than 80 plans nationwide. She attributed the ranking in part to the addition of Dimensional funds, the change to the investment lineup, and new, lower fees. She indicated UESP will be named in many publications throughout the year because of this ranking.

Ms. Ward called attention to attachment II-B-6, a U.S. News & World Report article that highlights the advantages of UESP as told by Brad Mortensen, an account owner and Vice President at Weber State University. She pointed to attachment III-B-8, which shows investment option performance through October 31, and II-B-9, a copy of the most recent quarterly newsletter published in October.

Chair Campbell adjourned the meeting at 11:48 a.m.

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Executive Director, UHEAA

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Date