

UTAH HIGHER EDUCATION ASSISTANCE AUTHORITY
BOARD OF DIRECTORS MEETING
MINUTES

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

December 8, 2022

Members Present

Ms. Lisa-Michele Church, Chair
Ms. Lori Chillingworth
Mr. Palmer DePaulis
Mr. John Lunt
Dr. Stephen Nadauld
Mr. Arthur Newell
Commissioner Woolstenhulme

Ms. Kerry Stack
Ms. Juliette Tennert
Ms. Mollie Weisman
Mr. Randy Willardsen
Ms. Jessica Williamson

Staff Present

Ms. Brenda Adams
Ms. Camille Anthony
Ms. Dorothy Bailey
Mr. Robbie Beckstead
Mr. Greg Dyer
Mr. Richard Ellis
Mr. Troy Groo
Mr. Todd Mortensen
Mr. Michael Nemelka
Ms. Stephanie Norman
Ms. Kristie Pederson
Ms. Alison Adams-Perlac
Mr. Troy Runnels
Mr. Paul Smith

Others Present

Mr. Stewart Duffield
Vanguard
Mr. James Duffy
CapTrust
Ms. Christy Miller
Vanguard
Mr. Kevin Olsen
Assistant Attorney General
Ms. Adam Schickling
Vanguard
Ms. Smitha Walling
Vanguard
Ms. Emily Wrightson
CapTrust

Chair Church called the meeting to order at 10:04 a.m. and declared the presence of a quorum. Chair Church announced that Mr. Newell is the new chair of the UHEAA Board of Directors and will chair the next meeting.

The first agenda item discussed was Tab 1.1, Minutes of the September 22, 2022, Meeting.

It was moved by Commissioner Woolstenhulme and seconded by Dr. Nadauld to approve the minutes for the UHEAA Board of Directors meeting held on September 22, 2022. The motion carried unanimously.

The next agenda item discussed was Tab 1.2, Audit Committee Report. Mr. Lunt stated the Audit Committee reviewed the financial statement audits for my529 and UHEAA. He indicated two internal audits

were recommended to stay open, which are my529 Business Continuity Management and my529 Information Security Third Party Vendor Review audits. He reported three internal audits were closed: my529 Withdrawals, my529 NAV Process and UHEAA Annual Money Management audits.

Chair Church asked how long the internal audits will remain open. Mr. Ellis responded it should be closed by the end of Q1 2023, with the launch of the Enterprise Risk Management software.

It was moved by Mr. Newell and seconded by Dr. Nadauld to approve the Audit Committee Report as presented. The motion carried unanimously.

The next agenda item discussed was Tab 1.3, UHEAA and my529 Investment Reports. Mr. Runnells reviewed UHEAA Investment Reports and asked if the board had any questions regarding the investment activity for the period of August 2022 through October 2022. Mr. Runnells noted the swings in UHEAA market value is due to payment claims, which will end March 2023.

Mr. Runnells continued by reviewing my529 Investment Report for the period of August 2022 through October 2022. Mr. Runnells added the fluctuation in assets is due to market volatility. Chair Church emphasized the importance of the board of being informed of the performance of my529 funds as part of the board's fiduciary responsibility.

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 1.4, my529 Investment Advisory Committee Member Appointments. Mr. Ellis stated the my529 Investment Advisory Committee ("IAC") is composed of up to six members appointed by the UHEAA board. Mr. Ellis recommended the reappointment of Mr. Clint Stone and Dr. Stephen Nadauld to serve a second four-year term.

It was moved by Mr. Newell and seconded by Mr. Lunt to reappoint Mr. Stone and Dr. Nadauld to the IAC for a second term. The motion carried unanimously.

The next agenda item discussed was Tab 1.5, my529 Policy – Procurement. Mr. Dyer stated my529 is subject to and complies with the Utah Procurement Code along with internal guidelines and procedures. Due to the restructuring of the Utah Board Higher Education, Policy R981 – Procurement was eliminated. Mr. Dyer said there was a technical change to my529 Policy – Procurement to refer to Utah Board of Higher Education R571 – Purchasing.

It was moved by Commissioner Woolstenhulme and seconded by Dr. Nadauld to approve my529 Policy – Procurement as presented. The motion carried unanimously.

The next agenda item discussed was Tab 1.6, Proposed FY 2024 Meeting Schedule. Mr. Newell reviewed the proposed FY 2024 meeting schedule for the UHEAA Board.

It was moved by Ms. Chillingworth and seconded by Dr. Nadauld to approve the Proposed FY 2024 Meeting Schedule as presented. The motion carried unanimously.

The next agenda item discussed was Tab 1.7, Executive Director's Report. Mr. Ellis provided an update on my529, noting it received the Gold rating from Morningstar for 2022. The board expressed appreciation for Mr. Ellis and his team for their hard work. Mr. Ellis stated the my529 Access Card program and the gifting platform credit card acceptance program are a first for the 529 industry and are set to launch by the end of Q1 2023.

Mr. Ellis moved to his report on UHEAA. Regarding the Loan Guaranty transition, Mr. Ellis indicated that it is tracking to meet the March 1, 2023, target deadline. Mr. Ellis noted the Complete Student Loans portfolio that sold to Kentucky has fully transitioned, and UHEAA continues to support Kentucky with getting payments that continue to be made to the previous loan servicer.

Mr. Ellis announced that my529 is consolidating its operations to the fourth floor and said the construction drawings are underway but final costs are still unknown.

The next agenda item discussed was Tab 1.8, my529 Information Report. Mr. Ellis noted my529 has over 500,000 accounts. Mr. Ellis highlighted the results of Employee Net Promoter Score ("eNPS") and Account Owner Net Promoter Score ("AONPS"). He added the AONPS was down for Q4 2022 compared to previous scores. Mr. Ellis indicated this is most likely due to the market volatility.

Chair Church requested for Mr. Ellis to continue updating the board on my529's work with underserved communities.

The next agenda item discussed was Tab 2, Report from Vanguard. Mr. Ellis introduced the Vanguard representatives: Smitha Walling, Christy Miller, Stewart Duffield and Adam Schickling and turned the time over to them. Mr. Duffield discussed my529 growth and industry trends. Mr. Duffield noted my529 is the third-largest 529 program by assets as of September 30, 2022. Mr. Duffield indicated my529 is growing faster than its peers and the rest of the industry due to low fees, great investments and ease of use of the plan.

Mr. Newell inquired what the key factors are driving the growth of my529. Mr. Duffield replied that growth factors include the state tax benefits, low fees, the funds offered, and the reputation of the plan. Mr. Duffield reviewed the trends of the 529 industry, stating the conversions to target enrollment glide paths are slowing, ESG discussion continue to happen, and California almost passed a 529 tax deduction. The board discussed the potential of the federal government adding assists for families or for employers using 529 plans.

Mr. Schickling presented Vanguard's economic and market overview. Mr. Schickling stated there is a probability of recession in 2023 for the developed markets, including the United States. He added the primary drivers for the recession are the Federal Reserve raising interest rates and inflation eroding consumer purchasing power. Mr. Schickling discussed the market forecast for U.S. equities and global equities, stating Vanguard is predicting high returns over the next 10 years.

The next agenda item discussed was Tab 3, Report from CAPTRUST. Mr. Ellis introduced the CAPTRUST consultants: Emily Wrightson and James Duffy, and turned the time over to them. Ms. Wrightson gave an overview of the content in the Investment Program Analysis Quarterly Review that is provided to the IAC. Ms. Wrightson announced that State Street will be joining as the fund's fifth wrap provider on December 9,

2023. Ms. Wrightson noted this addition increases fund diversification from an insurance perspective and signals wrap provider confidence.

Mr. Duffy highlighted the 2022 Capital Market Assumptions ("CMA") for the target enrollment funds. Mr. Duffy stated the CMAs are discussed with the IAC quarterly to see if any investment strategies or asset allocations need to be adjusted. Chair Church asked if the IAC provides feedback, and Mr. Duffy replied that the IAC is heavily involved. He continued by stating the IAC chooses a topic for each quarterly meeting outside of the normal due diligence process.

Mr. Duffy reviewed the scoring process for the underlying investment scorecard. Mr. Duffy indicated investments scoring an 80 or above are in good standing and investments scoring 70 to 80 are marked for review. Mr. Duffy concluded by stating investments marked for review for several, consecutive quarters or drop below 70 are added to the watch list and marked as considered for termination.

Mr. Duffy discussed the quantitative and qualitative scoring criteria. Mr. Duffy noted quantitative score includes risked-adjusted performance and versus peers performance for 3-year and 5-year time periods, with weighting the 5-year performance heavier. Qualitative score criteria consist of fund management and fund firm.

Mr. Duffy said CAPTRUST has a different method for reviewing passive funds, stating they focus on the investment having tracking errors close to benchmark, cost competitive in relation to other index options in its class, and the quality of management.

Mr. Duffy concluded his presentation by discussing the investment funds currently on the watch list including DFA Five Year Global Bond and DFA US Large Cap Value I.

Chair Church stated that the performance of the investment funds is a key part of the board's oversight of my529.

The next agenda item discussed was Tab 4, Closed Session to Discuss Fiduciary and Commercial Information.

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

The next agenda item discussed was Tab 5, Proposed Removal of Two Funds.

It was moved by Dr. Nadauld and seconded by Mr. DePaulis to approve the removal of the DFA Global Allocation 60/40 and the DFA Global Allocation 25/75 funds from the Customized investment options. The motion carried unanimously

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



Executive Director, my529 and UHEAA

3/9/2023

Date

