

Please be advised that these unofficial minutes have not been approved by the RIHEAA Board of Directors and may contain incorrect and/or misleading information. These minutes are being submitted in accordance with the time requirements as specified in the Open Meetings Act. Official minutes will be submitted promptly after they have been approved and adopted by the Board of Directors at its next official meeting.

MINUTES  
RHODE ISLAND HIGHER EDUCATION ASSISTANCE AUTHORITY  
BOARD OF DIRECTORS' MEETING  
OCTOBER 19, 2007

The 279th meeting of the Rhode Island Higher Education Assistance Authority was held on Friday, October 19, 2007 in the McKenna Conference Room of the Authority, 560 Jefferson Boulevard, Warwick, RI. Chairman McKenna called the meeting to order at 9:04 a.m.

Board Members in Attendance:

Dr. Robert J. McKenna, Chairman  
 Dr. Anthony J. Santoro, Vice Chairman  
 Dr. William Croasdale, Treasurer  
 Mr. John Howell, Secretary  
 The Honorable Frank T. Caprio, General Treasurer  
 Dr. Brenda Dann-Messier  
 Mr. J. Michael Costello  
 Mr. Solomon A. Solomon

Board Members Absent:

Ms. Patricia A. Doyle

Also Attending:

Mr. William H. Hurry, Jr., Executive Director, RIHEAA  
 Ms. Gail Mance-Rios, Deputy Director, RIHEAA  
 Mr. Marc Lacroix, Chief Financial Officer, RIHEAA  
 Ms. Nancy Ann Dooley  
 Mr. Michael Joyce  
 Ms. Mary Ann Welch  
 Ms. Marisol Garcia  
 Mr. Greg Silva  
 Ms. Sue Zube  
 Ms. Paula Dominguez, House Education Policy Advisor  
 Ms. Michelle Gleason, Masters Degree Program,  
 Brown University  
 Ms. Liza Pinto, House Fiscal Advisory Staff  
 Ms. Meredith Holderbaum, Senate Fiscal Office

Mr. Peter Kerwin, Office of the General Treasurer  
Mr. Chad Pastorius, RISLA  
Mr. Noel Simpson, RISLA  
Ms. Gail Walker, RISLA

1) Approval of the Minutes of the Board of Directors Meetings Held on August 17 and September 21, 2007.

On motion duly made by Dr. Croasdale and seconded by Dr. Dann-Messier it was

**VOTED:** That the minutes of the RIHEAA Board of Directors Meetings held on August 17 and September 21, 2007 be approved and placed on file.

Voting in favor: Chairman McKenna, Dr. Santoro, Dr. Croasdale, Mr. Costello, Dr. Dann-Messier, Mr. Howell, and Mr. Solomon. Voting against: none.

Dr. Croasdale suggested that the meeting move to the action items on the agenda as some of the Board members need to leave early.

2) Chairman's Report: Chairman McKenna mentioned that he attended a reunion of the Garrahy administration last night. It was a wonderful evening.

4.a) Dr. Croasdale reported that he and Dr. Santoro reviewed the RIHEST Audit and communications for FY 2007. They have not had a chance to meet with the audit firm but will do so on Thursday. Both Drs. Croasdale and Santoro recommended approval of the audit with the condition that they will meet with the auditor for any suggestions that may be made.

9.a) Action Item:

On motion duly made by Dr. Croasdale and seconded by Dr. Santoro it was

**VOTED:** To approve the RIHEST Financial Statement Audit for FY 07 with the condition that the Audit committee will meet with the Auditors for any suggestions.

For the record, Mr. Hurry reported that the audit, as presented, reflects no findings or recommendations.

Voting in favor: Chairman McKenna, Dr. Santoro, Dr. Croasdale, Dr. Dann-Messier, Mr. Costello, Mr. Howell and Mr. Solomon. Voting against: none.

5) Investment Committee Report: Dr. Croasdale reported that the authority is still committing on the Agency Operating Funds to investing in Treasury Bills. The total operating fund for month ended July 31, 2007 is \$17,731,878. The percentage on the yield is being maintained.

Dr. Croasdale noted that when we changed over to Sovereign Bank we had a much higher percent on the investments.

Mr. Howell asked about the length of the agreement with Sovereign Bank.

Mr. Hurry explained that it is open ended and there is no time limit. Dr. Croasdale stated that the committee will look at it after three years.

Mr. Hurry recommended that the meeting move to agenda item 8. There were no objections.

8.a) Ms. Jenifer DeLong from Alliance/Bernstein introduced Ms. Patricia Roberts who just joined Alliance/Bernstein on *CollegeBoundfund* approximately three weeks prior.

Ms. DeLong presented brief updates on the Program, then specifically an update on the Rhode Island Marketing, and the status of the RFP process along with a recommendation for the new pricing option for use by investors who buy the program through Rhode Island advisors.

*CollegeBoundfund* is at about \$8.5 billion nationally and there is over \$232 million invested by Rhode Islanders. Year to date sales is \$720 million which is an increase over last year of approximately 13%-14%. \$28 million has been invested in Rhode Islanders.

In terms of overall assets the Rhode Island program is still the second largest 529 plan in the country.

The program continues to be ranked by "Savingforcollege.com" as the number one ranked performing 529 program in the country based on a three year performance.

Regarding the in-state marketing since Rhode Island joined with Alliance/Bernstein in 2000 there has been over \$200 million added in Rhode Island investments in *CollegeBoundfund* and over 17,000 accounts.

As of September 30, 2007 56% of the investments have been made by people who are buying the program directly and 44% have been sold through financial advisors.

It is noted for the record that Dr. Croasdale left the meeting at 9:25 a.m.

Ms. DeLong explained that the reason for doing an RFP is that the marketing committee being made up of Alliance, RIHEAA and the Treasurer's Office, the overall goal is to grow the entire percentage in the state of Rhode Island and strive to have an account open for every beneficiary in the state. The first strategy is to re-energize the marketing approach by doing a search for new marketing agencies. She reported that the team worked together and AllianceBernstein put out two RFP's in the spring. One RFP was for an advertising agency and the other was for grassroots marketing. The goal was to obtain a fresh perspective, to bring the advertising and media buying business back to Rhode Island and to allow and establish a centralized structure to run these different organizations. Four firms responded on the advertising RFP and four firms responded on the grassroots RFP in which one firm responded on both. The result of the process was a collective decision by AllianceBernstein, RIHEAA and Treasurer's Office to leverage the strengths of three experts. The three firms are Nail Communications who will be playing the quarterback roll, PriMedia and Vision Strategies.

The second strategy is to strengthen the commitment to Rhode Island financial advisors by offering competitive

compensation for their services, at a reduced cost to Rhode Island residents.

The proposal of AllianceBernstein is to offer an additional pricing option for Rhode Island residents and advisors. Basically stating, volume discounts depending on how much is invested (e.g. the more invested the less the sales charge to the participant), a higher commission paid to the advisor, no annual service charge to the participant and a lower annual trail commission paid to the advisor equal to what advisors are paid outside the state of Rhode Island.

It is noted for the record that General Treasurer Caprio arrived at 9:50 a.m.

AllianceBernstein is recommending that this new pricing option is offered in addition to the RA shared class.

After further discussion, the General Treasurer commented that he does endorse the option/proposal as presented by AllianceBernstein. He also clarified that the direct option has not changed.

Mr. Hurry noted that the proposal comes to the Board with the support of both the RIHEAA staff and the General Treasurer's staff.

9.b) Action Item: On motion duly made by General Treasurer Caprio and seconded by Mr. Solomon, it was

**VOTED:** To approve the proposed revision to Rhode Island Financial Advisor Fee Structure.

Voting in favor: Chairman McKenna, Dr. Santoro, Dr. Brenda Dann-Messier, General Treasurer Caprio, Mr. Costello, Mr. Howell and Mr. Solomon. Voting against: none.

8.c) Mr. Hurry stated that the response to the "5 & 10 Matching Grant Program" has not received the participation as was anticipated and in reviewing comparable programs in other states a proposal has been developed to change the program.

Mr. Joyce explained that the program was one of the first matching grant programs developed nationwide in 2002. It resulted from the benefit of a partnership with Alliance funded by proceeds from sales marketing on the 529 plan.

It was a means to encourage low to moderate income Rhode Islanders to save in the 529 plan for college. Two tiers were developed, one a \$2 for \$1 match and the other \$1 for \$1 match. At the time the income cap was determined to be a median Rhode Island family income as developed by the national numbers. Mr. Joyce explained that as a first step to get more people in the program they are proposing to open up the income guideline and eliminate the poverty guideline to determine who falls into the two tiers.

Ms. Garcia also explained that they are proposing to change the name of the program where they will be tagging it along with all the advertising for the CollegeBound*fund* program. It will be another tool to encourage more Rhode Islanders to begin saving for college.

9.c) Action Item: On motion duly made by General Treasurer Caprio and Dr. Santoro, it was

**VOTED**: To approve the proposed change in the name of the program and proposed modifications to the current "5&10 Matching Grant Program" as indicated in the materials with the consequence of that, that RIHEAA will go through the rulemaking process within the next 30 days to modify the rules in accordance with the proposed changes.

Voting in favor: Chairman McKenna, Dr. Santoro, Dr. Brenda Dann-Messier, General Treasurer Caprio, Mr. Costello, Mr. Howell and Mr. Solomon. Voting against: none.

3) Executive Directors Report:

Regarding the budget vs. actual report for year ended June 30, 2007, item 4.b on the agenda, Mr. Hurry noted the report is in the Board packets. If there are any questions on the report please contact Mr. Lacroix.

3.b) With respect to the RIHEAA 30<sup>th</sup> Anniversary event, Ms. Garcia reported that it will be held on November 16, 2007. The invitations will be mailed on October 22. A preliminary notice was sent out and there is a lot of interest.

The Governor will be doing a presentation on the new diploma requirement. A presentation will be given on the new "Way to Go Rhode Island" and two national speakers will

be talking about college access for underrepresented students as well as a national perspective of the status of college access.

The event will take place at the Crowne Plaza in Warwick.

10) There were no communications.

11) The next meeting is scheduled for November 16 which is also the date of the 30<sup>th</sup> Anniversary event. Therefore, the event will be in lieu of the regularly scheduled Board Meeting.

There being no further business to come before the Board, on motion duly made by General Treasurer Caprio and seconded by Mr. Solomon, it was

**VOTED:** To adjourn the meeting.

Voting in favor: Chairman McKenna, Dr. Santoro, Dr. Brenda Dann-Messier, General Treasurer Caprio, Mr. Howell, and Mr. Solomon. Voting against: none.

The meeting adjourned at 10:35 a.m.

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Mr. John Howell  
Secretary