

MINUTES

RHODE ISLAND HIGHER EDUCATION ASSISTANCE AUTHORITY BOARD OF DIRECTORS' MEETING

October 25, 2013

The 327th meeting of the Rhode Island Higher Education Assistance Authority was held Friday, October 25, 2013 in the McKenna Conference Room at 560 Jefferson Blvd., Warwick, RI. Chairperson LaSalle called the meeting to order at 8:35 a.m.

Board Members in Attendance:

Ms. Faith LaSalle, Esq.

Dr. William Croasdale

Mr. John Howell

Mr. Christopher Feisthamel, designee for General Treasurer Gina Raimondo

Mr. Dennis Duffy, Esq.

Mr. Daniel Egan

Mr. Robert Delaney

Members Absent:

Ms. Patricia Doyle

Also In Attendance:

Ms. Gail Mance-Rios, Deputy Director

Mr. Charles Miller, Chief Information Officer

Mr. Marc Lacroix, Chief Financial Officer

Mr. Joseph Palumbo, Legal Counsel

Ms. Dana Peterson-Fatuda, Administrative Assistant

Ms. Linda Makhoul, Director of Program Administration

Mr. Michael Joyce, Director of Program Administration

Mr. Thomas Pearce, Interim Director of Program Administration

Ms. Winnie Antos, Union Steward

Ms. Lisa Shevlin, WaytogoRI

Ms. Jill Holloway, Adult Education

Ms. Jennifer DeLong, Alliance Bernstein

1. Approval of the Finance Committee Meeting minutes held on September 10, 2013, and the Personnel Committee Meeting minutes held on September 10, 2013 were unanimously approved.

Minutes of the Board of Directors' meeting held on September 20, 2013 and the Board of Directors' meeting held on September 30, 2013 were unanimously approved.

2. Chairwoman's Report– Ms. LaSalle stated that she would like to discuss the Board Retreat. Ms. LaSalle stated that RIHEAA has been a very successful agency. Ms. LaSalle stated that what she learned is

that the Federal Higher Education Act states that guaranty agencies must do more outreach with educational programs, and WaytogoRI is a reflection of how the agency is doing that.

Mr. Duffy asked for a copy of the Federal Higher Education Act. Mr. Palumbo stated he would provide that to all of the board members.

Ms. LaSalle stated that RIHEAA has been doing positive things that help Rhode Islanders to achieve their educational goals. Ms. LaSalle stated she thinks right now, RIHEAA has a lot on its plate this year, and she wants to focus on getting the job done. We have made a major investment with WaytogoRI. RIHEAA created it, developed it, and is the agency that is most familiar with it. Ms. LaSalle asked the board to consider giving RIHEAA some direction on how to implement it into the school system.

Ms. LaSalle stated that the CollegeBoundfund contract is coming up; we have to begin thinking about that.

Ms. LaSalle stated that she attended the SIC Committee hearing and the SIC did approve the investment changes to the CollegeBoundfund. At the next board meeting the changes will be put on the agenda for a vote.

3. Deputy Director's Report: Ms. Mance-Rios reported that the

MorningStar rankings were released. Although ratings are suppose to be forward looking, it is apparent that Morningstar has looked at prior performance, and what is projected to occur with the program.

Ms. Mance-Rios introduced Jennifer DeLong of Alliance Bernstein to explain the SIC Hearing and the Morningstar article. Ms. DeLong stated that the Morningstar article is nothing new; and it really does not reflect the strength of the program. Ms. DeLong stated that Morningstar ranks all 529 plans; it is based on Performance, Parent, Process, People and Price. We do get positive ratings on the national program and RI programs on price; unfortunately, we do get an overall negative rating on the rest. Ms. DeLong stated that the RI Direct Program is very low cost, provides a lot of options, flexibility and a lot of benefits for Rhode Islanders and so it is very disappointing that they don't rate it more positively. Last year we had \$82 billion in gross sales, the stability of our leadership, but that doesn't seem to be reflective.

Ms. DeLong provided the board with a write-up of each category and the positives of the program. Ms. DeLong continued to discuss the investment options and the new enhancements. Ms. DeLong explained what the Rhode Island plan benefits are: it has the lowest cost options, variety of investment options, on-line enrollment system, on-line gifting tool, waiving of account minimum, and waiving of account fees.

Ms. LaSalle asked when will the new investment options become available. Ms. DeLong stated it should be available by the first quarter.

Mr. Feisthamel stated as a reminder, the fund hired an outside consultant with a 529 expertise, the firm's name is PCA.

Dr. Croasdale asked Chairwoman LaSalle to invite AllianceBernstein back in February once the investment changes are implemented.

4. Review of the RIHEST Audit: Mr. Lacroix stated that the RIHEST audit has gone under review by Alliance Bernstein, and Braver. The financials are clean the changes are wordsmithing. Mr. Lacroix stated this is the same circumstance as the main audit. The report is due on November 1st.

Mr. Palumbo stated, what should be done is consider voting to approve the document presented, subject to final review of the Finance Committee with Braver's participation.

A motion was made to approve the audited document in substantially the form that was presented to the Board subject to final review by the Finance Committee was made by Dr. Croasdale.

Dr. Croasdale asked for the Management letter.

Mr. Palumbo stated that another meeting needs to be scheduled with the Braver group in order to review and approve this document.

5. Action Item: Approval of the RIHEST Audit: Ms. LaSalle stated that we are not going to take any action today on the audited document, but an emergency Board meeting will be called on Thursday, October 31st at 8:30 a.m., which will include the Braver Group solely to address this issue.

6. Schedule of Cash & Investments: Dr. Croasdale stated that the cash and investments are doing fine. Mr. Feisthamel asked for a copy of an investment policy.

7. Continued Discussion of Agency Options: Ms. LaSalle reported that the House Oversight meeting has been postponed to November 6th. At that meeting, Ms. LaSalle stated that she would communicate that the board is still exploring the future of RIHEAA and are communicating with other agencies and how we can work together.

Dr. Croasdale stated he does not want us to forget the \$20 mil set aside for scholarships and grants.

8. Financial Glidepath Projections: Mr. Lacroix stated that the report shows the condition of the Administrative Fund and the AllianceBernstein contract fund. In the Administrative Fund, the supplement to the State Grant Program and the funding for

Academic Promise has exceeded the revenues, and will be over a million dollars in 2014. Mr. Lacroix stated there were reserves that covered those expenses, but will not be possible in 2015 and beyond. Mr. Lacroix stated that we will fund Academic Promise in this proposal, but will reduce the supplement to the Grant Program.

Ms. Mance-Rios stated that in the case of reduced RI State funding we could use an Expected Family Contribution (EFC) cut-off at a certain point based on the information on the FAFSA form.

Ms. LaSalle asked how much does our neighboring states award in their state grant to students. Mr. Joyce replied he would get that information to the board.

Mr. LaSalle stated that she likes the idea of using funds for the Universal College Savings Account.

Mr. Lacroix provided an overview of the projection document distributed to the board.

Adjournment was at 10:15 a.m.

John Howell

Secretary