

MINUTES

RHODE ISLAND HIGHER EDUCATION ASSISTANCE AUTHORITY BOARD OF DIRECTORS' MEETING

April 25, 2014

The 337th meeting of the Rhode Island Higher Education Assistance Authority was held Friday, April 25, 2014. Chairwoman Ms. LaSalle called the meeting to order at 9:40 a.m.

Board Members in Attendance:

Ms. Faith LaSalle, Chairwoman

Dr. William Croasdale

Mr. John Howell

Mr. Daniel Egan

Mr. Christopher Feisthamel, designee for General Treasurer Gina Raimondo

Members Absent:

Mr. Robert Delaney

Mr. Dennis Duffy

Also Attending:

Ms. Gail Mance-Rios, Acting Executive Director

Mr. Joseph Palumbo, Legal Counsel

Mr. Charles Miller, CIO

Mr. Marc Lacroix, CFO

Ms. Linda Makhlouf, HR
Mr. Thomas Pearce, Account Resolution
Ms. Dana Peterson-Fatuda, RIHEAA
Mr. Michael Joyce, RIHEAA
Ms. Patia Bertram, RIHEAA
Ms. Lisa Shevlin, RIHEAA
Ms. Winnie Antos, RIHEAA
Mr. Gregory Stack, Budget Analyst
Mr. Ben Chandhok, Legislative Analyst
Ms. Beth Cotter, House Oversight Analyst
Ms. Laurie Brayton, Senate Analyst
Mr. Bruce Leach

1. The Minutes of the Board of Director's Subcommittee Agency Strategic Plan Meetings held on March 19, 2014 and March 27, 2014 were unanimously approved. The Minutes of the Board of Director's Meeting held on March 28, 2014 were unanimously approved. Chairwoman LaSalle thanked the Subcommittee members and RIHEAA staff for their efforts with putting together a Strategic Plan. Ms. LaSalle stated that she will add the Strategic Plan to the agenda each Board meeting, in order to guide us through the plan.

Ms. Mance-Rios stated we did not have a Hearing to present the plan, but she did provide a copy to Beth Cotter, in hopes of presenting it to the House Oversight Committee at a later date.

2. Ms. LaSalle moved the agenda up and began with the financials. Ms. LaSalle asked Mr. Lacroix to provide an update on the financials. Mr. Lacroix began with the Scholarship and Grant Program Budget vs. Actual and stated the asset based fees and direct purchased commissions are slightly higher and overall revenue is about \$350k higher than projected. Of the \$8 mil supplement to support the Tuition Savings Program is all been expended except a little over \$600k (unspent). Mr. Joyce stated unspent is closer to \$300k as of the end of March 31, 2014. Mr. Feisthamel asked is the plan to spend the entire \$8 mil, Mr. Lacroix stated yes.

Mr. Lacroix stated that, at the next board meeting we should determine what to do with the funds from the Academic Promise cohort; we have unspent dollars from previous cohorts that we can use to back-fill the \$800k. They are currently invested in a PPI account.

Mr. Lacroix provided an overview of the Guaranty Agency Operating Fund. Mr. Lacroix stated when the Legislature reduced our FTE cap, they left the dollars in, and that is why there is a difference with the Enacted Budget of personnel and personnel expenses. Mr. Lacroix stated that collection activities are down a bit. Sallie Mae adjusted

commissions paid to some of the vendors. Their portfolio management fee is up a little partly because if they reduce commissions to vendors, it increases net revenue from which they derive their percentage. Mr. Lacroix stated that web portal expenses are higher because the Enacted Budget did not reflect the addition of the expenses associated with service and maintenance on the enhancements.

Dr. Croasdale asked about the difference in the insurance. Mr. Lacroix stated we budgeted \$25k for insurance, when we pay the insurance expense it gets amortized over a twelve month period and the expense for officers, directors and the building, there was a slight increase over an eight month period.

Mr. Feisthamel asked about the depreciation. Mr. Lacroix explained we have not started to depreciate the \$900k of enhancements. Mr. Lacroix stated that the Budget Office has asked that we remove that line item from the budget submittal. Mr. Lacroix stated that the miscellaneous expense is banking fees and includes the uncashed checks from the reconciliation project that were going to schools, which will be recycled through the Grant program. When Mr. Joyce does his year end settlement, he will portion out these funds over and above the General Revenue Appropriation and the Tuition Savings Supplement stated Mr. Lacroix.

Ms. LaSalle asked for a motion to accept the Financial Reports made

by Mr. Howell, and seconded by Mr. Feisthmal.

Voted in favor: Mr. Howell, Dr. Croasdale, Mr. Feisthamel, Mr. Egan and Ms. LaSalle.

Voted against: None

3. Investment Report: Dr. Croasdale reported that the CDARs under the Agency Operating Fund, one matures on April 10, 2014, we have extended it for six months at the same rate.

Mr. Howell asked in connection with the Strategic Plan, where do we go for a higher yield on investments. Dr. Croasdale stated we need to call a meeting of the Finance Committee.

Mr. Feisthamel stated the Finance Committee may have to look at it similarly in the direction of the Strategic Plan. If we plan to pursue an Endowment, we need to determine who is going to manage it, the philosophy of the investment and perhaps we put it the hands of a third party that is experience with endowments. Ms. LaSalle stated we could schedule a Finance Committee meeting, or “what to do with the reserves” on the next Board meeting agenda.

Dr. Croasale suggested having a meeting an hour before the board meeting.

Mr. Feisthamel asked if there are any legal requirements to pursue an endowment. Mr. Palumbo stated the legislature could have some say, or direct us in a different direction, but we don't need legislative approval to create an endowment.

Ms. LaSalle stated that she would like a meeting of the Finance Committee scheduled to discuss options for where we could put the endowed money. Dr. Croasdale suggested the Finance Committee meet on May 9, 2014 at 8:30 a.m. and in his absence he will have Mr. Feisthamel chair the meeting.

Ms. LaSalle stated the next Board meeting will be on Friday, May 16, 2014, at 8:30 a.m.

Ms. LaSalle asked for a motion to accept the Investment Report made by Mr. Howell, and seconded by Mr. Feisthmal.

Voted in favor: Mr. Howell, Dr. Croasdale, Mr. Feisthamel, Mr. Egan and Ms. LaSalle.

Voted against: None

4. Acting Executive Director's Report: Ms. Mance-Rios reviewed the departmental reports. Mr. Feisthamel stated we as a Board and the SIC are duty bound to respond to AllianceBernstein before June 30, 2014 our intent. Mr. Feisthamel stated he wants to give the board

something to think about, perhaps we should give an extension to AllianceBernstein for a year, to allow the new fund offerings to generate performance, as well as giving the new administration the ability to make their own selection of a provider. Ms. LaSalle and Ms. Mance-Rios agreed. Ms. LaSalle asked the Board to begin thinking about that. Ms. LaSalle stated she would like to see a Universal Child Savings Account established, and the board should consider it.

Ms. LaSalle suggested putting together a small subcommittee with Mr. Feisthamel as chair to oversee the AllianceBernstein renegotiation contract. Mr. Feisthamel stated yes, and he would like to have other board members and representation by someone from the SIC.

Ms. Mance-Rios explained the Life Long Learning Accounts proposed by the Senate. Ms. Mance-Rios stated that the Senate would like RIHEAA to participate in a study that compliments our work with college savings account. It is used for short term training as opposed to a 529 Plan, which is strictly for higher education funding. The request to the board is, should we along with the Governor's Workforce Board participate in the study. The proposal has not been approved yet, it still requires legislative approval. Ms. LaSalle stated this request is from Senator Paive-Weed's Office, and she thought it should come before the board. Ms. Mance-Rios stated this would be a good opportunity for RIHEAA and helps us give back to the State with improving the workforce. Ms. LaSalle told Ms. Mance-Rios to

respond to Senator Paiva-Weed's office yes, we are happy to assist.

The Action Item was withdrawn.

Ms. LaSalle stated she would like a motion to go into executive session pursuant to RIGL 42-46-5 § (a) (4) which involves an investigation proceedings matter of the US Department of Education letter, was made by Dr. Croasdale and seconded by Mr. Howell.

Executive session began at 10:20 a.m.

It should be noted that Mr. Egan left the meeting at 10:30 a.m.

Dr. Croasdale left the meeting at 11:10 a.m.

Public session resumed at 11:25 a.m.

Ms. LaSalle stated that there were no votes taken in executive session.

Ms. LaSalle made a motion to keep the minutes of the executive session sealed, seconded by Mr. Feisthamel and Mr. Howell.

Voted in favor: Mr. Feisthamel, Mr. Howell and Ms. LaSalle.

Voted against: None

There being no further business to come before the Board of Director's, the meeting adjourned.

Adjournment was at 11:25 a.m.

Mr. John Howell

Secretary