



1200 North Seventh Street, Harrisburg, PA 17102

**Meeting of the Board of Directors
January 18, 2018 – 10:00 AM**

A meeting of the Board of Directors was held on January 18, 2018 at 10:00 a.m. in the Boardroom.

Those in attendance were:

Representative Michael Peifer, Chairman
Senator Wayne D. Fontana, Vice Chairman **(via teleconference)**
Senator John P. Blake
Representative Matthew D. Bradford
Representative Mike Carroll
Representative Paul Costa **(via teleconference)**
Representative Sheryl Delozier
Senator John Eichelberger, Jr. **(via teleconference)**
Representative Bernie O'Neill **(via teleconference)**
Honorable Roy Reinard **(via teleconference)**
Representative James Roebuck, Jr. **(via teleconference)**
Chancellor Timothy R. Thyreen **(via teleconference)**
Senator Robert M. Tomlinson **(via teleconference)**
Secretary Robin Wiessmann
James L. Preston, President and CEO
Jim White, General Counsel

Those absent were:

Senator Ryan Aument
Senator Arthur Haywood
Representative David Hickernell
Senator Vincent Hughes
Senator Mario Scavello
Secretary of Education Pedro Rivera
Dr. Noe Ortega, Deputy Secretary Postsecondary Education

Also in attendance:

Liz Craig, Office of Senator Hughes ; Alan Flannigan, Secretary Wiessmann's Office; Alycia Laureti, Representative Roebuck's Office; (via teleconference); Jen Smeltz, Senator Tomlinson's Office; Steph Applegate, Senator Aument's Office; Rob Borsk, PA Treasury; Mike Dotts, PA Dept of Education; Joseph Torsella, PA Treasurer, Jack Stollsteimer, Deputy Treasurer, PA Treasury; and Liana Walters, Esq., Senator Haywood's Office (via teleconference) ; and the following PHEAA staff: Nathan Hench, Stephanie Martella, Keith New, James Steeley, Mubashar Hameed, Linda Randby, Amanda Foster, Jim Jarecki, Todd Mosko, Elizabeth McCloud, Will Lindsey, Judith Bines, Kristen Smeltz, Mike Garman, Dan Weigle, William Fisher, Dana Hepner, Lisa Gipe, and Karen Garbacik

Upon establishing the presence of a quorum, Chairman Peifer called up Agenda Item #1.

1. **Minutes**

On a motion by Representative Carroll, seconded by Senator Blake, the minutes of the November 16, 2017 meeting were unanimously approved.

Chairman Peifer called up Agenda Item #2.

2. **Nominating Report**

Chairman Peifer called on Mr. Reinard. Mr. Reinard thanked the Chairman and reported that the Nominating Committee met on January 4, 2018 for the purpose of developing its nominees for the offices of Chairman and Vice Chairman of the Board, and the members of the Executive Committee, including its Chairman and Vice Chairman.

By unanimous vote of the Nominating Committee, the Committee placed into nomination the following Board members:

Chairman, Board of Directors
Vice Chairman, Board of Directors

Representative Michael Peifer
Senator Wayne D. Fontana

Chairman, Executive Committee
Vice Chairman, Executive Committee
Committee Members:

Senator Robert M. Tomlinson
Representative James R. Roebuck, Jr.
Representative Sheryl DeLozier
Senator Vincent J. Hughes
Honorable Roy Reinard
Chancellor Timothy R. Thyreen

Hearing no questions, Chairman Peifer closed the nominations and said the Board will vote on this at the February 15, 2018 Board Meeting. Chairman Peifer thanked Mr. Reinard and called up Agenda Item #3.

3. **Keystone Accounts**

Chairman Peifer welcomed and called on Pennsylvania State Treasurer Joseph Torsella. Treasurer Torsella thanked the Chairman and also thanked PHEAA for the education opportunities he received through grant scholarships to attend the University of PA. Treasurer Torsella stated that three fourths of jobs after high school require more education – even manufacturing careers. Tuition has risen beyond earned wages. Treasury has found that students are three to four times more likely to go to college if they have some kind of savings accounts. Treasurer Torsella said he remembered receiving \$25.00 savings bonds as gifts growing up and thought they were the worst gifts at the time. But he later found them to be valuable.

Treasurer Torsella said other states working on doing universal college savings accounts for children include Nevada, Rhode Island, Maine and Massachusetts; states that have already done college savings accounts include Texas, Tennessee and Oklahoma. Treasury's idea is to make Pennsylvania the next state with a PA Keystone Account.

Treasurer Torsella said that this program will take on two tracks: 1) Permanent Program (which will be discussed in the General Assembly); and 2) A 2 year Pilot Program. Treasury

would like to establish accounts for 15,000 kids born in six counties chosen based on current 529 savings levels. Treasury would persuade families to accept the account and hope the families will have the incentive to save for college. Treasury is hoping, with PHEAA's help, to begin in May of 2018 for January 1, 2019 births. Treasury would need \$2.25 million from PHEAA, of which \$1.5 million would be used for account deposits. Treasury has \$500,000 from a Southeast philanthropic funder that is committed to contribute. Also committed is Duke University, University of Pennsylvania, National Trust as well as several others. Treasury is asking PHEAA to help and be the lead partner with a \$1.5 million contribution. Treasurer Torsella said this program is achievable.

Representative Roebuck asked if this program is for non-PA residents – a lot of people give birth in Philadelphia that are not residents of PA. Treasurer Torsella said the intentions are for PA residents. Representative Delozier asked if the PA 529 accounts are only for college or trade schools. Treasurer Torsella said it is for other education, not only traditional four-year. Representative Delozier asked if no general funding will be used. Treasurer Torsella advised that is correct, that we believe we can do without general funding. Representative Delozier asked how long families have to opt in. Treasurer Torsella answered within one year; if they do not, funds will be rolled back for scholarships. Representative Delozier asked what counties will be targeted. Treasurer Torsella noted that they have not yet publicly announced, but hope to with PHEAA: Delaware, Westmoreland, Indiana, Luzerne, Mifflin and Elk. Senator Fontana asked how much would they need from PHEAA. Treasurer Torsella said \$2.25 million for the two year pilot. Senator Fontana asked if the \$100.00 account deposits will grow, like interest. Treasurer Torsella said absolutely, they will have a return. Representative Bradford asked if the federal provision program would be impacted. Treasurer Torsella said families will not be allowed to pull out money for other funding reasons. Representative Bradford asked about the \$100.00 startup of an account – have other states done a match or do they only provide the jump start of funds? Treasurer Torsella said several things are being tried; for example, Tennessee is doing a matching program for low income families. Representative Bradford asked where the default investment will be. Treasurer Torsella said at the state system level of tuition or credit. Representative Bradford said that a Guaranteed Savings Plan (GSP) has a certain rate of return – any idea of what our rate of return is on institutional savings? Mr. Preston said that our funds are invested in Treasury and will probably be pretty similar to their rates. Secretary Wiessmann asked if this was in the jurisdiction of PHEAA's authority – Chairman Peifer said yes. Secretary Wiessmann asked if the Governor was supportive. Treasurer Torsella said the Governor is absolutely supportive. Secretary Wiessmann said that she is extremely supportive of this, and asked what study was sourced for early savings accounts leading to students becoming more likely to attend higher education, and what the cost state wide is. Treasurer Torsella responded that for 140-150 thousand births the cost would be \$140 to \$150 million and that we have literature reviews in Oklahoma where they have experimented for years with K-12. Senator Blake echoed Secretary Wiessmann's comments. Representative Carroll asked if they are using hospital records or residence. Treasurer Torsella said we will be using county of residence.

Chairman Peifer called on Nathan Hench to read the resolution. Mr. Hench thanked the Chairman and walked Members through the Resolution. Secretary Wiessmann made a motion, seconded by Representative Carroll, and the Resolution was unanimously passed and attached to these minutes.

Chairman Peifer called up Agenda Item #4.

4. **Committee Reports**

Chairman Peifer asked Representative Roebuck to give the Executive Committee Report. Representative Roebuck thanked the Chairman and said the first order of business was to adopt the minutes from the November 15, 2017 Committee meeting. The Committee then moved into Executive Session to receive a Compliance and Legal update, provided by Acting General Counsel Linda Randby. Following Executive Session, the Committee then reviewed the proposed Resolution to provide funding for Treasurer Torsella's Keystone Accounts Demonstration Project. Representative Roebuck said that concluded his report and he would be happy to answer any questions the Members may have.

Following the Executive Session, the Committee moved back into Regular Session.

Chairman Peifer called up Agenda Item #5.

5. **President and Chief Executive Officer's Report**

Chairman Peifer called on Mr. Preston, who thanked the Chairman and said that with Jason Swartley's retirement announced, he introduced Ms. Linda Randby, Interim Senior Vice President and Chief Legal and Compliance Officer. A search process has begun with a firm in Philadelphia.

Mr. Preston then called for an Executive Session to discuss Legal and Contractual Matters.

On the return to Regular Session, Chairman Peifer called up Agenda Item #6.

6. **Entry Orders of Default**

Chairman Peifer called on Mr. Preston, who reported that there are several orders of default that require Board action. The borrowers outlined on the attached spreadsheet have been notified several times by PHEAA that they need to repay certain obligations to the Agency. In all of these cases, recipients received a grant for college but did not fulfill their obligations for receiving the grant. Board action is necessary in order for PHEAA staff to continue to attempt to collect on these grants - now converted to loans – as required by the program's statutes.

Mr. Preston suggested to Chairman Peifer that the Board adopt the attached Resolution in order to authorize PHEAA staff to continue to collect on the loans.

Hearing no questions, Chairman Peifer called for a motion to adopt the Order of Default Resolution, as presented. Representative Carroll made the motion, seconded by Senator Blake, and the Resolution was unanimously adopted and attached to these minutes.

Chairman Peifer called up Agenda Item #7.

7. **Other Business**

Hearing no other business from the Board Members, Chairman Peifer adjourned the meeting.

**Resolution of the Board of Directors
of the Pennsylvania Higher Education Assistance
Agency Concerning the Keystone Accounts
Demonstration Project #2
ADOPTED: January 18, 2018**

WHEREAS, the Board of Directors acknowledges that it is in furtherance of the Agency's statutory purposes and powers set forth under the Act of August 7, 1963, P.L. 549, as amended (the "Act") for the Board to authorize the Agency to, from time to time, establish programs designed to assist students and/or parents in meeting their expenses of attending approved institutions of higher education in the Commonwealth of Pennsylvania or elsewhere; and

WHEREAS, the cost of higher education continues to exceed education financing available to students under the federal student aid programs; and

WHEREAS, the Board of Directors has learned that research has shown that low and moderate income children who have a college savings account established for them are three times more likely to attend college or other source of higher education, and are four times as likely to graduate; and

WHEREAS, the Treasurer of Commonwealth has sought the assistance of the Pennsylvania Higher Education Assistance Agency ("PHEAA" or the "Agency") in the establishment of a demonstration project whereby a savings account will be established for each qualifying child born in the Commonwealth in the sum of \$100.00 (the "Keystone Accounts Demonstration Project") and the Board of Directors has determined that it is in furtherance of PHEAA's statutory purpose to improve the higher educational opportunities of persons who are residents and to enter into an Inter-Agency Agreement with the Office of the Treasurer of the Commonwealth of Pennsylvania (the "Inter Agency Agreement") to undertake the Keystone Accounts Demonstration Project; and

WHEREAS, PHEAA will negotiate the terms of the Inter Agency Agreement, to, in conjunction with the Office of the Treasurer, establish, undertake, and administer the Keystone Accounts Demonstration Project; and

WHEREAS, the Board of Directors of the Agency has determined that, pursuant to Sections 5104(3) and 5105(10) of the Act, in connection with and in furtherance of the Keystone Accounts Demonstration Program, it is advisable to authorize the Agency to (1) use up to \$2,250,000 of available funds of the Agency to (a) make contributions of \$100.00

per child born in the Commonwealth to one or more accounts established to receive such deposits (the aggregate of such deposits not to exceed \$1,500,000.00), and (b) to fund outreach programs, research, and financial literacy education program for parents in conjunction with the Office of the Treasurer in an amount not to exceed \$750,000.00; and (2) to administer the Keystone Accounts Demonstration Program in accordance with the terms of the Inter Agency Agreement subject to the approval of the Board.

NOW, THEREFORE, IT IS RESOLVED, that the Agency is authorized and directed to assist the Office of the Treasurer in establishing the Keystone Accounts Demonstration Project and all actions taken or to be taken in connection therewith are hereby authorized, ratified, confirmed and approved; and

FURTHER RESOLVED, that the Agency is, and the President, for and on behalf of the Agency be, and he hereby is, authorized negotiate, the Intra Agency Agreement with the Office of the Treasurer.

FURTHER RESOLVED, that the President be, and he hereby is, authorized to negotiate and establish all of the terms and conditions of, the Keystone Accounts Demonstration Program and the Intra Agency; and

FURTHER RESOLVED, that the President shall be authorized to allocate and systematically transfer, as needed and agreed to by the Office of the Treasurer and the President up to \$1.5 million of Agency resources to an account as designated and agreed to by the Agency and Treasury pursuant to the executed Intra-Agency agreement; and

FURTHER RESOLVED, that if it is determined by both the Office of the Treasurer and the President, that an additional \$750,000 may be transferred from Agency resources pursuant to the Intra Agency Agreement, provided that the President notifies the Board of Directors collectively within 30 days of such transfer; and

FURTHER RESOLVED, that no transfer shall occur after December 31, 2019.

FURTHER RESOLVED, that no funds transferred pursuant to the Intra Agency Agreement shall be used for administrative costs for the Keystone Accounts Demonstration Program unless agreed to by the President.

FURTHER RESOLVED, that any and all actions taken by any officer or representative or agent of the Agency in connection with any of the transactions described in the foregoing whereas clauses or elsewhere in these resolutions are hereby ratified, confirmed and approved; and

FURTHER RESOLVED, these resolutions shall become effective immediately; and

FURTHER RESOLVED, in the event any provision, section, sentence, clause or part of these resolutions shall be held to be invalid, such invalidity shall not affect or impair any remaining provision, section, sentence, clause or part of these resolutions, it being the intent of the Agency that such remainder shall be and shall remain in full force and effect.

**Resolution of the Board of Directors
Pennsylvania Higher Education Assistance Agency
Order of Defaults
Adopted January 18, 2018**

WHEREAS, Act 102 of 1982 authorized an Administrative Loan Collection Process for the Pennsylvania Higher Education Assistance Agency, including use of a Statement of Claim; and

WHEREAS, this legislation provides that the Agency "may initiate action against borrowers whom it deems to be indebted to it by filing a statement of claim in the records maintained by the Agency"; and

WHEREAS, a Statement of Claim has been filed against each of the borrowers whose names appear on the List of Recommended Cases for Entry of an Order of Default dated January 18, 2018; and

WHEREAS, a summary of the Statement of Claim has been served on each such borrower by first-class mail in compliance with the requirements of Act 102; and

WHEREAS, 30 days from the date of service have elapsed and none of these borrowers has filed a response to the Statement of Claim as required by Act 102; and

WHEREAS, the President and Chief Executive Officer has recommended to the Board of Directors of the Agency that an Order of Default against these borrowers be entered by the Board to be lodged in Agency records;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of the Pennsylvania Higher Education Assistance Agency enters an Order of Default to be lodged in Agency records against each borrower whose name appears on the List of Recommended Cases for Entry of an Order of Default dated January 18, 2018.