
**MINUTES OF A MEETING OF
THE COMPENSATION COMMITTEE OF
THE MEMBERS OF THE HIGHER EDUCATION LOAN AUTHORITY
OF THE STATE OF MISSOURI
ON JUNE 7, 2007**

The Compensation Committee of the Higher Education Loan Authority of the State of Missouri, a public instrumentality and body politic and corporate under the laws of the State of Missouri (the "Authority"), held a meeting on Thursday, June 7, 2007 at 6:00 p.m. at the office of the Authority, located at 633 Spirit Drive in Chesterfield, Missouri. Proper notice of the meeting was forwarded to the State for publication, mailed and otherwise provided to the Compensation Committee, posted at the office of the Authority and on the Authority's website in advance of and during the meeting and provided to certain other individuals. On a roll call of the meeting, the following members of the Compensation Committee were found to be present in person unless otherwise stated:

Present

Dr. Robert H. Spence
Mr. Gregory Upchurch
Mr. Randy L. Etter

Absent

None

A quorum of the members of the Compensation Committee was present for the purposes of conducting business. Present in person and representing the staff of the Authority were Mr. Raymond H. Bayer, Jr., Executive Director, Chief Executive Officer and Assistant Secretary; Mr. Scott D. Giles, Director of Finance/Chief Financial Officer; Mr. William C. Shaffner, Director of Business Development; Mr. Quentin C. Wilson, Associate Director of Access and Success; Ms. Susan B. Crump, Assistant Director of Administration; Ms. Penny J. Hagan, Assistant Director & Controller; Mr. Harry W. Lohse, Assistant Director of Information Systems and Information Security Officer; Dr. James L. Matchefts, General Counsel; Mr. Daniel DeBoer, Human Resources Coordinator and Ms. Alison Carter, Paralegal. Also present were Messrs. Michael F. Lause and Paul G. Griesemer of Thompson Coburn LLP, Special Counsel to the Authority; Mr. Dennis C. Donnelly of Bryan Cave LLP; Dr. Lynn Walker of Boundary Management Consulting; Mr. Doug Coombs of A.G. Edwards and Mr. Todd Smith of the Governor's Office. Ms. Carter of the Authority staff assisted Mr. Bayer in taking minutes of the meeting. Mr. Etter acted as Chair of the meeting and Mr. Bayer acted as Assistant Secretary.

Call to Order and Scope and Procedures of the Compensation Committee

The Chair called the meeting to order at approximately 6:00 p.m. and asked if there were any public comments. There being none, he stated that this was the first meeting of the Compensation Committee of the Members of the Higher Education Loan Authority (the "Committee") and provided a brief overview of the role of the Committee. He stated that the next item on the agenda was a discussion, review and possible vote regarding the overall scope and procedures for the newly formed Committee. The Committee discussed the Committee Charter (the "Charter") distributed prior to the meeting and agreed that: (i) the

Charter should be revised to state that the Committee should meet “at least” semi-annually; (ii) the Committee meetings should be scheduled near the midpoint between the quarterly board meetings; and (iii) the Committee meetings should initially be conducted in person and at the office of the Authority. The revised Charter is attached hereto as Exhibit A.

Pension Advisor Proposals

The Chair stated that the next item on the agenda was the discussion, review and possible vote on recommendation to Authority Members regarding pension advisor proposals. The Committee generally discussed the pension advisor proposals distributed with the meeting materials and concluded that the recommendation of an investment advisor for the pension plan should be tabled until such time that A.G. Edwards, pension plan trustee, could present an overview of the pension plan’s investment policy, portfolio mix and performance. It was agreed that A.G. Edwards would present such overview at the next meeting of the Committee.

Job Classification and Compensation Grids

The Chair stated that the next item on the agenda was the discussion, review and possible vote on recommendation to Authority Members regarding existing job classification and compensation grids (the “Grids”). Mr. Bayer provided a brief history of the development and implementation of the Grids. He explained that the Authority’s enabling statute provides that the compensation of employees “shall be fixed from time to time by action of the authority.” RSMo §173.370(2). Mr. Bayer stated that in the past, the Members set the employees’ salaries via the budget approval process; however, the staff advised that the Committee review the current Grids and if acceptable, make a recommendation that the Grids be approved by the Members.

The Committee reviewed the Grids, the number of employees in each classification, and the performance evaluation process. The Committee directed staff to present information regarding turnover, retention and performance evaluation metrics at the next Committee meeting. The Committee voted to recommend the Grids to the Authority Members.

Fiscal Year 2008 Personnel Budget

The Chair stated that the next item on the agenda was the discussion, review and possible vote on recommendation to Authority Members regarding Fiscal Year 2008 personnel budget (the “Budget”). The Committee discussed the assumptions used to develop the Budget and the new and vacant positions allocated for the upcoming fiscal year. The Committee voted to recommend the Fiscal Year 2008 personnel budget to the Authority Members.

Mercer Compensation Review Plan

The Chair stated that the next item on the agenda was the discussion, review and possible vote on recommendation to Authority Members regarding proposed Fiscal Year 2008 Mercer Compensation Review plan. Ms. Crump provided a brief overview of the

Authority's engagement of Mercer for the current job classification and compensation grids and the proposed engagement for a compensation review in Fiscal Year 2008. The Committee discussed the current compensation structure, the number of employees who would be capped and the need for adjustments to the compensation grid to allow for inflation. The Committee agreed that the compensation grid should be adjusted for inflation on an annual basis and that the staff present a recommendation to the Committee as individual employees become capped in their grade. The Committee voted to not recommend that Mercer be engaged for the upcoming fiscal year.

Pension Plan Restatement

The Chair stated that the next item on the agenda was the discussion, review and possible vote on a recommendation to Authority Members regarding qualified pension plan and related pending restatement needs. Mr. Bayer provided a brief overview of the Authority's pension plan. He introduced Mr. Griesemer of Thompson Coburn LLP who advises the Authority on pension plan matters.

Mr. Griesemer provided an overview of the development and administration of the Authority's pension plan. He stated that in 2002, the pension plan was amended by a Supplement No. 1 and a Restatement by delegated authority of the Members. Mr. Griesemer stated that the 2002 Restatement contained mainly technical changes to ensure compliance with federal law and also included a provision for lump sum distribution of benefits. Mr. Donnelly stated that in light of the recent decision in Langlois v. Pemiscot Mem. Hosp., 185 S.W.3d 711 (Mo. Ct. App. 2006) it was unclear whether the 2002 Restatement and Supplement No. 1 are enforceable.

The Committee discussed the changes made to the pension plan in the 2002 Restatement, the current number of former employees affected by the benefit distribution provision, and the need for a new restatement to the pension plan. The Committee agreed that the pension plan matters should be further evaluated at the next Committee meeting and directed counsel to (i) provide a factual summary of the history of the development and administration of the pension plan and (ii) draft a resolution regarding the pension plan for the next Authority meeting.

Year-End Employee Recognition

The Chair stated that the next item on the agenda was the discussion, review and possible vote on a recommendation to Authority Members regarding year-end employee recognition compensation. Mr. Bayer stated that the Authority has traditionally awarded employees a monetary recognition at the end of the calendar year. He further stated that he has been advised by legal counsel that retroactive pay is not permissible. Mr. Bayer stated that he would like to preserve the year-end recognition of employees and has allocated \$300,000 in the Fiscal Year 2008 budget. He further stated that this year-end incentive would be conditioned on the Authority meeting or exceeding certain performance goals. The Committee discussed the merits of a year-end incentive and directed staff to further research the feasibility and legality of such a program and provide a recommendation at the next Committee meeting.

New Employee Handbook

The Chair stated that the next item on the agenda was the discussion, review and possible vote on a recommendation to Authority Members regarding a new employee handbook. Mr. Bayer stated that the employee handbook has not been revised in its entirety since 1998 although individual policies have been updated from time to time. He further stated that the employee handbook contains some policies that affect compensation such as vacation, paid time off and tuition reimbursement. The Committee discussed the employee handbook and directed staff to provide a comparison of the proposed policies affecting compensation to the Committee for their review at the next Committee meeting.

Executive Director Evaluation and Adjournment

The Chair stated that the next item on the agenda was the discussion, review and possible vote on a recommendation to Authority Members regarding the Executive Director annual performance evaluation process. Mr. Bayer stated that it was suggested that he provide the Authority Members with a self-evaluation. He further stated that he utilized the Authority's performance evaluation form and distributed the self-evaluation to the Authority Members. Mr. Bayer stated that the senior management group had also been given a survey and that those results had also been distributed to the Authority Members. The Committee discussed the current evaluation process and suggestions for improving the process in the future.

The Chair asked if there were any additional items and, hearing none, he called for a motion to adjourn. Mr. Upchurch moved and Dr. Spence seconded a motion to adjourn the meeting which was unanimously approved by voice-vote. The meeting adjourned at approximately 8:30 p.m.

Approved:



Raymond H. Bayer, Jr.
Assistant Secretary

Exhibit A

Missouri Higher Education Loan Authority Compensation Committee Charter

I. Committee Purpose

The Compensation Committee (the "Committee") of the Board of Directors of the Missouri Higher Education Loan Authority is responsible for advising the Members of the Authority in matters related to employee compensation, benefits, and other Human Resource related matters.

II. Committee Organization

The Committee shall consist of three Members and may be appointed either by the Board Chair or the Board as a whole. One Committee member will serve as the Committee Chair, and will be appointed as Committee Chair either by the Board Chair or the Board as a whole. Unless otherwise directed by the Committee Chair, MOHELA's CEO and Assistant Director of Human Resources will attend all meetings of the Committee.

The Committee may form and delegate authority to subcommittees when appropriate.

III. Committee Structure and Meetings

- The Committee shall meet at least semiannually unless additional meetings are otherwise necessary.
- Consistent with advice of Member's Counsel, all Committee Meetings must be properly noticed.
- Consistent with MOHELA's Policy Governance Manual, legal counsel shall be present during all Committee meetings.

IV. Committee Goals and Responsibilities

In carrying out its responsibilities:

- The Committee shall annually establish subjective and objective criteria to serve as the basis for the Executive Director's next annual performance evaluation and salary consideration for the following year.
- The Committee shall annually review the Executive Director's overall performance and provide the Members with a written performance evaluation and compensation recommendation, subject to the approval of the Members.
- The Committee shall review, research, analyze, and make a final recommendation to the Members on any changes made to the Employee Salary Grid, used to establish the salaries of all staff members other than the Executive Director.
- The Committee shall provide the Members with recommendations on any changes to be made to vacation, holidays, and personal days provided to employees.
- The Committee shall review, research, analyze, and make a final recommendation to the Members regarding any changes to the Authorities Pension and 401k plans.
- The Committee shall retain the services of a Pension Adviser that directly reports to the Members, advising the Committee and Members on all aspects of the Authorities Pension Plans.

V. Committee Resources

The Committee shall have the authority to obtain advice and seek assistance from internal or external legal counsel or other advisors. The Committee shall have available to it such support personnel, including access to staff, management, internal auditors, outside auditors, and consultants as it deems necessary to discharge its responsibilities. The Committee shall have the sole authority to retain and terminate any compensation consultant used to assist the Committee in evaluating executive compensation.