

**AGENDA ITEM 2A.**

**APPROVAL OF MINUTES OF THE JULY 27, 2017 MEETING**

**Submitted for:** Action

**Summary:** This report includes the minutes of the meeting held on July 27, 2017.

**Action requested:** That the Commission approve the minutes of the meeting on July 27, 2017.

**MINUTES OF A JOINT MEETING**  
**OF THE**  
**ILLINOIS STUDENT ASSISTANCE COMMISSION**  
**AND THE AUDIT COMMITTEE**

**James R. Thompson Center**  
**Room 2-025**  
**100 W. Randolph St.**  
**Chicago, Illinois**

**July 27, 2017**

**10:00 a.m.**

**COMMISSIONERS PRESENT:** Niketa Brar, Investment Committee Member  
Miguel del Valle, Vice Chair  
Mark Donovan, Investment Committee Member  
Kevin Huber, Chair and Investment Committee Member  
Claudia Quezada, Audit Committee Member  
Kim Savage, Audit Committee Chair

**STAFF PRESENT:** Eric Zarnikow, Executive Director  
Lynne Baker, Managing Director, Communications  
Ramnath Cidambi, Chief Information Officer  
Kent Custer, Chief Investment Officer  
Kishor Desai, Chief Internal Auditor  
Katharine Gricevich, Director, Government Relations  
Marissa Lowe, Asst. Dir. Budgeting & Financial Analysis  
Shoba Nandhan, Chief Financial Officer  
Roger Rojas, Investment Officer  
Karen Salas, General Counsel  
Debora Calcara, Commission Secretary

**PUBLIC ATTENDANCE:** Ryan Ball, Callan Associates  
Christopher DuBrock, Illinois House Republicans  
Eric Hiatt, Illinois Board of Higher Education  
Sarah Labadie, Women Employed

## **Item 1. Announcements**

Chair Huber brought the July 27, 2017 meeting of the Commission to order at 10:42 a.m. and asked that a roll call be taken, which established a quorum was present. He announced Commissioner Bar-Tura has had to resign his position due to relocating to California and Student Commissioner Walsh's term expired on June 30<sup>th</sup>. He took the opportunity to thank both Dr. Bar-Tura and Mr. Walsh for their service to the Commission.

## **Item 1A. Appointment of Audit Committee Member**

Ms. Savage **MOVED THAT** the Commission appoint Mr. Miguel del Valle as a member of the Audit Committee. Mr. Donovan seconded the motion, which was approved unanimously.

Chair Huber then asked that a roll call be taken of the Audit Committee, which confirmed a quorum was present. He then announced the meeting today is a joint meeting of the Commission and the Audit Committee.

## **Item 2. Approval of the April 12, 2017 Commission Meeting Minutes**

Mr. del Valle **MOVED THAT** the Commission approve the minutes of the April 12, 2017 meeting of the Commission. Ms. Savage seconded the motion, which was approved unanimously.

## **Item 3. State Legislative Update**

Ms. Gricevich provided the Commission with an update of the 2017 legislative session noting that higher education fared well over all with the Monetary Award Program (MAP) seeing a ten percent increase in funding for FY2018. She stated that at ISAC's request, staff will be testifying at a hearing of the House Higher Education Appropriation Committee in August in order to provide an update to the Committee on the College Illinois! Prepaid Tuition Program.

## **Item 4. Approval of Fiscal Year 2018 Monetary Award Program (MAP) Recompute Formula**

Ms. Kleemann presented the FY2018 MAP recompute formula noting this is the first time in 12 years that staff is requesting a change in the MAP formula. The formula deviates from the start-up formula in two ways: the tuition and fees used in the model cost calculations are from FY2010, more recent than the FY2004 tuition and fees that have been used since FY2006. The second change is a smaller reduction factor. The start-up formula had a 5% reduction factor; the recompute formula has only a 2% reduction. These changes were recommended to ISAC by the ILASFAA Formula Committee and would still allow for additional awards to be made, extending the award announcement period. Thus, a portion of the incremental funding for MAP provided in the FY2018 budget would be used to increase the average MAP award size and a portion would be used to provide additional awards.

Mr. del Valle stated a preference to use all the additional funding to extend the award announcement period, so as to serve as many students as possible rather than providing larger awards. Ms. Brar indicated that she didn't feel she had enough information to make a decision and would like to have discussions prior to the meeting when being asked to take action on an item. Other Commissioners expressed support for the formula as presented.

Ms. Savage **MOVED THAT** the Commission approve staff making the changes to the FY2018 MAP formula outlined in Table 5 on page 4-8 of the agenda book and approve the reduction of second-

and third-term claims in the unlikely event that it is necessary to keep claims within the final FY2018 MAP appropriation.

Mr. Donovan seconded the motion. The motion passed with four Commissioners voting yea. Mr. del Valle voted nay and Ms. Brar abstaining from the vote.

#### **Item 5. Fiscal Year 2018 Budget Review and Approvals**

Ms. Nandhan stated this agenda item is asking for approval of the internal budgets for the Student Loan Operating Fund (SLOF), Illinois Designated Account Purchase Program, the College Illinois! Prepaid Tuition Program and the GEAR UP Grant. She then provided a PowerPoint reviewing the FY2018 budgets and briefly discussed the list of contracts in the agenda book.

Mr. Donovan **MOVED THAT** the Commission approve the FY2018 budgets for ISAC's Student Loan Operating Fund (SLOF) Illinois Designated Account Purchase Program (IDAPP), College Illinois! Prepaid Tuition Program, and the GEAR UP Grant as printed in the agenda book.

Ms. Savage seconded the motion, which was approved unanimously.

Due to time constraints Chair Huber moved on to the remaining action items on the agenda.

#### **Item 6B. Investment Policy Asset Allocation**

Mr. Custer briefly reviewed the recommended changes to the Investment Policy Asset Allocation indicating this was approved by the Investment Committee at their meeting held prior to the full Commission meeting today.

Mr. Donovan **MOVED THAT** the Commission approve the proposed Investment Policy Asset Allocation as provided in the agenda book and approved by the Investment Committee at their meeting held prior to this Commission meeting.

Ms. Savage seconded the motion, which was approved unanimously.

#### **Item 6C. Approval of Appointment of Investment Advisory Panel Members**

Mr. Custer briefly reviewed the agenda item as presented in the agenda book. He took the opportunity to thank Mr. Patrick Rea for his service to the Panel noting his term will be ending on September 15, 2017 and for Mr. Louis Paster who has agreed to remain on the Panel filling a vacancy representing ISAC.

Ms. Savage **MOVED THAT** the Commission approve the appointment of Mr. Chasse Rehwinkle to the College Illinois! Investment Advisory Panel for a term beginning September 16, 2017 and expiring November 19, 2018.

That the Commission approve the appointments of Ms. Karen Kissel and Mr. Steven Powell to the College Illinois! Investment Advisory Panel for terms expiring November 19, 2019.

That the Commission approve the appointments of Ms. Janice Reedus and Mr. Louis Paster to the College Illinois! Investment Advisory Panel for terms expiring November 19, 2017 and that the Commission reappoint Ms. Reedus and Mr. Paster to full three-year terms effective November 20, 2017.

Mr. Donovan seconded the motion, which was approved unanimously.

### **Item 7. Audit Committee**

#### **Item 7A. Approval of the Audit Committee Charter**

Mr. Desai briefly outlined the Charter as presented in the agenda book.

Chair Huber asked for a motion from a member of the Audit Committee to approve the following resolution:

**“BE IT RESOLVED** that the Audit Committee has reviewed and approved the revised Audit Committee Charter and recommends it to the Commission for final approval.”

Ms. Savage **SO MOVED** and Mr. del Valle seconded the motion, which was approved unanimously by the Audit Committee.

#### **Item 7B. Approval of the Fiscal Year 2018 Internal Audit Plan**

Mr. Desai briefly explained the plan as provided in the agenda book.

Chair Huber asked for a motion from a member of the Audit Committee to approve the following resolution:

**“BE IT RESOLVED** that the Audit Committee has reviewed and approved the Fiscal Year 2018 Internal Audit Plan and recommends it to the Commission for final approval.”

Ms. Savage **SO MOVED** and Mr. del Valle seconded the motion, which was approved unanimously by the Audit Committee.

#### **Item 7C. Approval of the Audit Committee Charter by the Commission**

Chair Huber asked Ms. Savage as Chair of the Audit Committee if she approves of the Charter, which she confirmed. He then asked for a motion to approve the following resolution:

**“BE IT RESOLVED** that the Commission approves the revised Audit Committee Charter as approved by the Audit Committee.”

Ms. Quezada **SO MOVED** and Ms. Savage seconded the motion, which was approved unanimously.

#### **Item 7D. Approval of the Fiscal Year 2018 Internal Audit Plan by the Commission**

Mr. Desai provided a brief overview of the plan. Ms. Savage indicated the Audit Committee discusses what action needs to be taken should there be more hours in total needed to complete the audits included in the audit plan.

Chair Huber asked for a motion to approve the following resolution:

**“BE IT RESOLVED** that the Commission approves the Fiscal Year 2018 Internal Audit Plan as recommended by the Audit Committee for approval.”

Ms. Quezada **SO MOVED** and Ms. Savage seconded the motion, which was approved unanimously.

### **Item 9B. Report of Redetermination Regarding Confidentiality**

Chair Huber stated if there were any questions regarding the agenda item they would go into closed session, seeing no questions he then asked for a motion to approve the following resolution:

**“BE IT RESOLVED** that the Commission has determined the need for confidentiality still exists for the minutes of its closed sessions for September 16, 2013, January 10, 2014, January 30, 2014, April 22, 2014, July 22, 2014 and therefore should remain closed.”

Mr. Donovan **SO MOVED** and Mr. del Valle seconded the motion, which was approved unanimously.

Due to Mr. Donovan needing to depart the meeting at this point and therefore the loss of quorum, the Commission did not go into closed session to discuss Mr. Zarnikow’s personnel evaluation, but will hold that at the next meeting of the Commission.

Chair Huber then moved back in the agenda to discuss the remaining informational items.

### **Item 6A. Investment Update**

Mr. Custer provided a brief overview of the information provided in the agenda book including the portfolio risk profile, recent performance, investment activity, compliance, as well as status updates.

He noted Commissioners were provided a T. Rowe Price Diversity and Inclusion Report in the agenda book.

### **Item 6D. Program Update**

Opening the agenda item, Mr. Custer stated he represents the senior staff at ISAC who oversees the College Illinois! Prepaid Tuition Program who has been evaluating the current and future stability of the program. He stated it is their focus to protect and do what is best for the existing contract holders as well as support the program. He reviewed the program sales from 2011 to the enrollment period ending this past spring of 2017 and what events took place during those enrollment periods that impacted sales.

Although staff is recommending that a decision about opening for enrollment this fall for the 2017-2018 enrollment period be postponed, they still feel it is better to continue with contract sales in the longer term as contract sales helps to bolster the footing of the program to help reduce the State’s liability. Again, he reiterated it is staff’s focus to protect current contract holders and not the State or maintaining the legacy of the program.

Mr. Zarnikow agreed with Mr. Custer stating staff is not asking for Commission approval for pricing for the fall enrollment rather taking an approach to see how discussions go with the State legislators at a hearing to be held in August to discuss the program.

### **Item 7E. Audit Committee Update**

Ms. Savage provided an overview of the agenda for the Audit Committee which will be held immediately following the Commission meeting today.

**Item 12. Executive Director's Report**

Mr. Zarnikow provided a brief update on the financials provided in the agenda book.

**Item 10. Information Technology Presentation**

Mr. Ramnath Cidambi, ISAC's Chief Information Officer, provided a brief presentation on how the IT team at ISAC is involved in IT projects is being paid to do for other state agencies.

**Item 11. Public Comments**

Chair Huber asked if anyone from the public wished to address the Commission. There were no comments from the public.

Ms. Quezada **MOVED THAT** that the July 27, 2017 meeting be adjourned, Ms. Savage seconded the motion, which was approved unanimously. The meeting adjourned at 12:35 p.m.

Respectfully submitted,



Debora A. Calcara  
Secretary to the Commission