

AGENDA ITEM 2B

**APPROVAL OF MINUTES OF THE SEPTEMBER 12, 2019 JOINT MEETING
OF THE ILLINOIS STUDENT ASSISTANCE COMMISSION AND THE
INVESTMENT COMMITTEE**

Submitted for: Action

Summary: This report includes the minutes of the joint meeting of the Illinois Student Assistance Commission and the Investment Committee held on September 12, 2019

Action requested: That the Commission approve the minutes of the September 12, 2019 meeting.

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

**Michael A. Bilandic Building
Room N-505
160 N. LaSalle Street, Chicago, IL**

**September 12, 2019
1:00 p.m.**

COMMISSIONERS PRESENT:

Kevin Huber, Commissioner, Board Chair, Investment Committee Member
James Hibbert, Commissioner, Investment Committee Member
Maureen Amos, Commissioner, Investment Committee Member
Niketa Brar, Commissioner, Audit Chair and Committee Member
Darryl Arrington, Commissioner, Audit Committee Member
Elizabeth Lopez, Commissioner, Vice Chair, Audit Committee Member
Franciene Sabens, Commissioner
Emma Johns, Student Commissioner

COMMISSIONERS ATTENDED VIA TELEPHONE:

Jonathon Bullock, Commissioner

COMMISSIONERS ABSENT:

None

STAFF PRESENT:

Eric Zarnikow, Executive Director
Lynne Baker, Managing Director, Communications
Shoba Nandhan, Chief Financial Officer
Carol Cook, Director, Program Services and Compliance
Karen Salas, General Counsel
Shana Rogers, Managing Director, RPPA
Ellen Greenan, Deputy Director, MAP
Kevin Bertolino, Research Associate
Kishor Desai, Chief Internal Auditor
Katharine Gricevich, Director, Government Relations
Carmen Heredia, Chief Investment Officer
Roger Rojas, Investment Officer

Ramnath Cidambi, Chief Information Officer
Melvin Dsouza, Telecom and Network Engineer
Andy Cervantes, Data Security
Natalie Wandall, Secretary to Commission
Kathleen Cole, Staff Attorney

PUBLIC ATTENDANCE:

Jim O'Connor, Callan and Associates
Brienne Weymouth, Callan and Associates
Nick O'Dea, University of Illinois
Meegan Bassett, Women Employed

Item 1. Announcements

At 1:00 p.m. Chair Kevin Huber called the September 12, 2019 meeting to order by announcing that this was a Joint Meeting of the Illinois Student Assistance Commission (Commission) and the Investment Committee. A roll call of the Commission was taken and a quorum was established. A roll call of the Investment Committee was taken and a quorum was established.

Chair Huber explained that the Commissioner, Josh Bullock, could not physically attend the meeting due to a scheduling conflict with his employer and that he would be in attendance electronically. A roll call of all commissioners physically present was taken to approve Commissioner Bullock's electronic attendance. Chair Huber then pointed out the procedural requirements in relation to remote attendance.

Chair Huber **MOVED THAT** the commissioners physically present vote to approve Commissioner Bullock's electronic attendance. Ms. Brar seconded the motion, which was unanimously approved by the Commission.

Chair Huber announced that the Governor made four new appointments to the ISAC Commission Board. Two appointments filled previously vacant slots and two appointments filled expired terms. The new appointees are with us today.

Maureen Amos has been appointed to the ISAC Commission Board to fill the State Higher Education Public University seat replacing Commissioner Mark Donovan. Josh Bullock has been appointed to the ISAC Commission Board to fill the Community College seat replacing Commissioner Kim Savage. Darryl Arrington has been appointed to the ISAC Commission Board filling the Private Universities seat. Franciene Sabens has been appointed to the ISAC Commission Board filling the Public High School seat. Chair Huber introduced new staff and welcomed them and thanked former commissioners for their service.

Chair Huber thanked Kim Savage and Mark Donovan for their outstanding service to ISAC over the past eight years. Their work on the audit and investment committees respectively, has provided invaluable acumen and support to our team. We are most grateful for their service and wish them all the best in the future.

The next meeting of the Commission is set for Thursday, December 5, 2019, with the Audit Committee in the morning and a joint meeting of the Commission and the Investment Committee starting at 1:00pm.

Item 1A. Approval of the Tentative 2020 Meeting Dates and Locations (Action: Commission)

Mr. Hibbert **MOVED THAT** the Commission approve the tentative 2020 meeting dates and locations as presented in the Agenda Book. Ms. Amos seconded the motion, which was unanimously approved by the Commission.

Item 2. Approval of the Commission and Investment Committee Meeting Minutes (Action)

Item 2A. Approval of the June 24, 2019 Minutes of the Meeting of the Investment Committee (Action: Investment Committee)

Ms. Brar **MOVED THAT** the Investment Committee approve the minutes of the June 24, 2019 meeting as incorporated into the full Commission minutes. Mr. Huber seconded the motion, which was unanimously approved by the Investment Committee.

Item 2B. Approval of the June 24, 2019 Minutes of the Commission Meeting (Action: Commission)

Chair Huber explained that there are many new commissioners here who did not attend the June meeting. In the past, new commissioners were hesitant to approve minutes from a meeting they did not attend. However, you are voting to approve the minutes as the body, as the Commission, not as an eyewitness to the meeting. If you trust that those who did attend the meeting believe that the minutes reflect what was said, then it is appropriate that you approve the minutes. If you have any questions our General Counsel is here, and she can provide you more information. Ms. Salas read the following quote from Robert's Rules of Order: "a member's absence from the meeting for which minutes are being approved does not prevent the member from participating in their correction or approval."

Ms. Johns **MOVED THAT** the Commission approve the minutes of the June 24, 2019 meeting of the Investment Committee. Ms. Brar seconded the motion, which was unanimously approved by the Commission.

Item 3. Commission Appointments - Chair Huber (Action: Commission)

Item 3A. Appointment of Commission Vice Chair (Action)

Ms. Amos **MOVED THAT** the Commission approve the appointment of Elizabeth Lopez as Vice Chair of the Commission. Ms. Johns seconded the motion, which was unanimously approved by the Commission.

Item 3B. Appointment of Audit Committee Members (Action)

Ms. Amos **MOVED THAT** the Commission approve the appointments of Niketa Brar as an Audit Committee member and as the Audit Committee Chair and Darryl Arrington as an Audit Committee member both with a beginning date of September 13, 2019. Ms. Lopez seconded the motion, which was unanimously approved by the Commission.

Item 3C. Appointment of Investment Committee Members (Action)

Mr. Arrington **MOVED THAT** the Commission approve the appointments of James Hibbert and Maureen Amos as Investment Committee members both with a beginning date of September 13, 2019. Ms. Sabens seconded the motion, which was unanimously approved by the Commission.

Item 4. Executive Director’s Report (Information) - Eric Zarnikow

Mr. Zarnikow stated that financial statements included in the book were close to being final, but there still might be minor year end adjustments.

The Single Audit Act is a statewide audit of federal programs and we are subject to the audit related to the FFELP program. The report for the state has been finalized and we had only one finding which was structural in nature and was down from three findings in the prior year.

A large contingent from Hawaii is scheduled to visit several of ISAC’s “Gear Up” schools in central and southern Illinois in early November. Mr. Zarnikow also noted that ISAC gets good press related to its access and outreach efforts and then he showed the ISACorps video that the agency had created. The ISACorps received the “College Changes Everything” Champion award at the CCE conference this year. The video will be sent out to all commissioners.

Ms. Nandhan went over the financial statements and explained that FFELP is winding down and that while our revenues are less, so are our expenditures.

Item 5. State Legislative Update (Information) - Katharine Gricevich

Ms. Gricevich, ISAC’s legislative liaison, summarized her role and explained that she provides informational updates on legislation regarding the Illinois Student Assistance Commission (ISAC). She stated that there were no new items to report on, but that there are two new Public Acts: (1) HB 2691 (The RISE Act - Retention of Illinois Students & Equity); and (2) HB 2719 (Requirement to fill out the FAFSA or opt out). Both of these Public Acts will require significant effort by the ISAC team to implement.

Item 6. Approval of the Monetary Award Program (MAP) Start-Up Formula - Shana Rogers (Action: Commission)

Ms. Rogers explained the MAP formula as written in the agenda book. Ms. Lopez asked about the consequences of a reduction in the MAP funding for FY21 and Ms. Rogers explained that we would likely pro-rate the amounts by applying a reduction factor to the awards. Mr. Zarnikow

further explained that due to the timing of the appropriation cycle we always award MAP before knowing the appropriation for the year.

Ms. Sabens **MOVED THAT** the Commission approve the FY20 MAP formula summarized in Table Four as the FY2021 MAP Start-up formula. This formula is consistent with the FY2020 MAP Recompute Formula that was approved at the June 24, 2019 Commission meeting. Ms. Amos seconded the motion, which was unanimously approved by the Commission.

Item 7. Approval of Proposed Administrative Program Rules Amendments - AIM High - Carol Cook (Action: Commission)

Ms. Cook noted that for the past few years ISAC has been in a constant process of rulemaking as legislation to address higher education funding has become a priority for the state. She also noted that sometimes we are required to make rules even before we have appropriations for a new program. She noted that ISAC staff from multiple divisions work internally and with schools and other stake holders to draft rules so that all ISAC programs can be administered in an efficient and consistent manner.

Mr. Arrington **MOVED THAT** the Commission approve the following resolution:

“**BE IT RESOLVED** that the Commission accepts the proposed administrative program rules amendments for submission to the Joint Committee on Administrative Rules and, barring any material modification, or unresolved objection by JCAR, the Commission authorizes the Executive Director to proceed with adopting the program rules as amended.”

Ms. Amos seconded the motion, which was unanimously approved by the Commission.

Item 8. Approval of Proposed Administrative Program Rules Amendments and Program Update - RISE Act - Carol Cook (Action: Commission)

Ms. Cook presented the proposed rules related to the RISE Act. Ms. Amos asked about the expected family contribution (EFC) and Ms. Cook explained that the EFC will be determined through an application similar to the FAFSA. Mr. Zarnikow explained that implementing this Act is a huge effort for the whole agency in that it is like developing rules and a software system for an Illinois version of the FAFSA. He reiterated that given the very short time-period for implementation that ISAC’s goal is to deliver the program initially and then work to improve on it over time. In response to various questions, Ms. Cook responded and explained that Texas and California have helped ISAC with advice about this program, since they have similar programs.

Ms. Lopez **MOVED THAT** the Commission approve the following resolution:

“**BE IT RESOLVED** that the Commission accepts the proposed administrative program rules amendments, as modified thus far during the rulemaking process, for submission to the Joint Committee on Administrative Rules and, barring any material modification or unresolved objection by JCAR, the Commission authorizes the Executive Director to proceed with adopting the program rules as amended.”

Mr. Hibbert seconded the motion, which was unanimously approved by the Commission.

Item 9. College Illinois! Prepaid Tuition Program Investments - Carmen Heredia/Roger Rojas

Item 9A. Investment Update (Information)

Ms. Heredia and Mr. Rojas provided a brief overview of the College Illinois!® investments across asset classes. Ms. Heredia reviewed the fund risk profile, current asset allocation and performance attribution as provided in the consultant (Callan) quarterly report. Ms. Heredia reviewed the overall investment portfolio performance presented in the Callan quarterly report as of June 30, 2019. She reminded the Commission that at the June 24, 2019 meeting the Commission approved a new interim asset allocation that is appropriately more conservative as the College Illinois!® Trust Fund is being depleted due to the program not being open for new contract sales.

Consistent with past reviews, the infrastructure and private equity asset classes continue to have an outsized impact on the portfolio's performance. Both asset classes have private markets investments and therefore the ability to exit these investments is extremely limited. Mr. Rojas reviewed more thoroughly all closed-end funds investments with its outstanding risks and current/projected realizations.

Item 9B. Approval of the Appointment of the Investment Advisory Panel Members (Action: Commission)

Item 9B1.

Mr. Hibbert **MOVED THAT** the Commission approve the reappointment of Ms. Karen Kissel (recommended by the Illinois Board of Higher Education) to the College Illinois! Investment Advisory Panel for a term expiring November 19, 2022. Mr. Arrington seconded the motion, which was unanimously approved by the Commission.

Item 9B2.

Mr. Hibbert **MOVED THAT** the Commission approve the appointment of Mr. Rodrigo Garcia (recommended by the State Treasurer) to the College Illinois! Investment Advisory Panel for the remaining term expiring November 19, 2019 as well as approve his reappointment for a term expiring November 22, 2022. Ms. Emma Johns seconded the motion, which was unanimously approved by the Commission.

Item 9C. Approval of Changes to Watch List - (Action: Investment Committee)

Ms. Heredia provided an overview of the Watch List memorandum as provided in the agenda book, in which no managers were recommended for addition to the Watch List. Chair Huber stated that no action was required.

Item 9D. Compliance Review - Roger Rojas (Information)

Mr. Rojas reviewed the compliance report as provided in the agenda book including minority brokerage, minority investment manager participation and investment expense. No violations or issues of concern were identified.

Item 9E. Prepaid Tuition Program Update (Information)

Mr. Zarnikow explained that the program enrollment remains on hold and that legislators have a preference for keeping the program closed to new future contract holders. We have been in continuous discussions with the Governor's office and some members of the General Assembly and their feedback has been that the State of Illinois needs to honor these obligations. The agency continues to work with elected officials to define proposals that address the College Illinois! unfunded liability.

Item 10. Audit Committee Update (Information)

Mr. Zarnikow stated that the Audit Committee met this morning and he gave a general overview of the Audit Committee agenda and the items they discussed.

Item 11. Public Comment

There were no public comments

Item 12. Closed Session: Closed Minutes

Chair Huber stated that Commissioners have had an opportunity to review the closed minutes of the June 24, 2019 meeting, as well as the Redetermination Regarding Confidentiality of Closed Minutes Agenda Item. Unless there are questions or concerns we will not go into closed session to discuss, however, if anyone does have questions or comments we will go into closed session so they can be discussed in closed session. Any questions or comments that should be addressed in closed session? There were none, so there was no closed session.

Item 13. Approval of Closed Session Action Items

13A. Approval of Minutes of the June 24, 2019 Meeting & Approval to Open (Action)

Mr. Hibbert **MOVED THAT** the Commission approve the closed minutes of the June 24, 2019 meeting and to make these minutes open to the public. Ms. Johns seconded the motion, which was unanimously approved by the Commission.

13B. Approval of Redetermination Regarding Confidentiality of Closed Minutes – (Action)

Ms. Johns **MOVED THAT** the Commission 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. Arrington seconded the motion, which was unanimously approved by the Commission.

Seeing no further business to come before the Commission or the Investment Committee, Chair Huber asked for a motion to adjourn. Mr. Hibbert **SO MOVED** and Mr. Arrington seconded that motion, which was unanimously approved by the Commission.

The meeting adjourned at 3:10 p.m.

Respectfully submitted,

Kathleen Cole