

AGENDA ITEM 2B.

**APPROVAL OF MINUTES OF THE JUNE 16, 2021 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 June 16, 2021

Action requested: That the Commission approve the minutes of the June 16, 2021 Joint Meeting.

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

**VIDEO CONFERENCE
Instruction to be provided by ISAC.org**

**June 17, 2021
1:00 p.m.**

COMMISSIONERS PRESENT via WebEx:

Kevin Huber, Commissioner, Board Chair, Investment Committee Member
Elizabeth Lopez, Commissioner, Vice Chair, Audit Committee Member
Maureen Amos, Commissioner, Investment Committee Member
Darryl Arrington, Commissioner, Audit Committee Member
Josh Bullock, Commissioner
Thomas Dowling, Commissioner
Franciene Sabens, Commissioner

COMMISSIONERS ABSENT via WebEx:

James Hibbert, Commissioner, Investment Committee Member
Niketa Brar, Commissioner, Audit Chair and Committee Member
Emma Johns, Student Commissioner

STAFF PRESENT via WebEx:

Eric Zarnikow, Executive Director
Carmen Heredia, Chief Investment Officer
Roger Rojas, Investment Officer
Carol Cook, Managing Director, Program Services and Compliance
Christine Shields, Director, Program and Product Services
Ellen Greenan, Senior research Associate, RPPA
Karen Salas, General Counsel
Natalie Wandall, Secretary to Commission
Anne Hunter, Deputy Director, Financial Reporting
Jackie Eckley, Asst. Director Program Communication Service
Katherine Gricevich, Director, Government Relations
Kimberly Eck, Manager, Partner Services
Kishor Desai, Chief Internal Auditor
Linda Jeffries, Deputy Director, FFELP Services
Lynne Baker, Managing Director, Communications
Lisa Murphy-Coveny, Staff Attorney

STAFF PRESENT via WebEx cond't:

Gloria Legette, Deputy General Counsel
Manuel Talavera, Professional Development Specialist
Marisa Lowe, Deputy Director, Budget and Financial Analysis
Vicki Baba, Director, HRD
Wendy Funk, Managing Director, Accounting and Finance
Paul Oliver II, Manager ISAC Call Center
Shana Rogers, Managing Director, RPPA
Evelyn Smith, Director, Loan Portfolio
Shoba Nandan, Chief Financial Officer
Ramnath Cidambi, Chief Information Officer
Ana Moya, Professional Development Specialist, GEAR UP

OTHERS PRESENT via WebEx:

Jim Van Heuit, Callan LLC
James O'Connor, Callan LLC
Brienne Weymouth, Callan LLC
Eric Hiatt, University of Illinois
Emily Goldman
Pat Jackson
Sherman Lee

The Illinois Student Assistance Commission Audit Committee was called to order at 1:10 p.m.

Mr. Zarnikow, ISAC's Executive Director, began by explaining that the meeting is being conducted through electronic means pursuant to Governor Pritzker's extension of the Gubernatorial COVID-19 Disaster Proclamation and Public Act 101-0640 which suspends the Open Meetings Act requirements for physical presence at meetings of public bodies during gubernatorial disaster proclamations.

Mr. Zarnikow advised that it is not practical or prudent to conduct the meeting in person or at the usual meeting location in downtown Chicago due to the COVID-19 disaster, so the meeting was conducted virtually.

He further stated that, as with all ISAC public meetings, a specific time is reserved in the agenda for public comment.

He explained that the applicable law requires a roll call for every vote and gave Commission members the relevant instructions.

He indicated that there would be a verbatim recording of the whole meeting, open and closed session, as required by law.

WebEx instructions, including those for public comment, were provided by Ana Moya.

Mr. Zarnikow then turned the meeting over to Chair Huber who called for a roll call of the Commission. A roll call of the Commission members was taken, and a quorum was established.

Item 1. Announcements

Chair Huber announced that the next regularly scheduled joint meeting of the Commission and the Audit Committee will be on Thursday September 16, 2021. The Audit Committee is scheduled to start at 11:00 a.m. and the Commission meeting at 1:00 p.m. Currently the meetings are scheduled to be held virtually and notice will be provided if there are any changes.

Item 2A. Approval of the Minutes of the April 15, 2021 Joint Commission/Investment Committee/Investment (Advisory Panel) Meeting- Investment Portion (Action)

Commissioner Arrington **MOVED THAT** the Commission approve the of the minutes of the April 15, 2021 meeting. Commissioner Dowling seconded the motion and a roll call was taken which was unanimously approved by the Commission.

Item 3. Executive Director's Report (Information)

Mr. Zarnikow reported the relevant findings of the recently released audits for FY20. He reviewed the relevant findings and explained that there was one financial statement finding with respect to Citibank which is a structural finding that will continue until the facility is repaid. He also discussed the two compliance findings and explained that the first was a repeat of the Citibank financial statement finding and the second that ISAC did not have a reconciliation process to provide assurance that census data submitted to its pension and other postretirement benefits plan was complete and accurate. He noted that a number of state agencies received this finding and although ISAC believes it submitted accurate census data, it accepted the finding and agreed to do a reconciliation with the plans in the future.

Mr. Zarnikow further reported on the Strategic Plan for Higher Education that was adopted by the Illinois Board of Education after a very robust process with enormous amounts of input. He expressed appreciation for the work of all those involved in developing the plan and will present the plan and ask the Commission to endorse it at the September meeting. He stated that developing the plan was a large undertaking and implementing will be an extensive work-stream going forward.

Mr. Zarnikow highlighted some larger projects the agency is working on including working with the developing consortium to assist early childhood educators, reengineering of the Gap Access system, and projects related to the FAFSA simplification legislation that was passed by the federal government.

Ms. Nandan presented the Fiscal Year 2021 Appropriation Summary Report on page 3B-6 of the agenda book. She pointed out that the reporting date was two months prior to the end of the fiscal year, which is prior to the pay out of the AIM HIGH Grant dollars to the public universities. She explained the need for both funding and spending authority in the budget.

Due to technical difficulties, Commissioner Amos joined the meeting at 1:23 p.m.

Chair Huber called for a roll call of the Investment Committee. A roll call of the Investment Committee members was taken, and a quorum was established.

Item 2B. Approval of the Minutes of the April 15, 2021 Investment Committee Meeting- Investment Portion (Action)

Commissioner Amos **MOVED THAT** the Investment Committee approve the of the minutes of the May 13, 2021 Investment Committee meeting. Chair Huber seconded the motion and a roll call was taken which was unanimously approved by the Investment Committee.

Item 4. State Legislative Update (No Action)

Ms. Gricevich presented the legislative update. She provided highlights from the most recent budget which included increased MAP funding and College Illinois! Prepaid Tuition Program funding. She reviewed new scholarship and grant programs to be administered by ISAC such as the Energy Transition Assistance fund, and the Early Childhood Educators consortium scholarship program. She reported the success of ISAC’s initiatives, specifically the “Segura Law” and the change that allows ISAC’s student commissioner to continue to serve on an expired term until replaced. Finally, she presented an overview of other bills impacting ISAC such as the expansion of the definition of “honorable discharge” as it relates to grants such as IVG, and the task force on higher education course materials. There was discussion of the history of the community colleges access to the IVG grant funding and the recent steps taken to promote a fairer distribution of funds.

Item 5. Approval of FY2021 Monetary Award Program (MAP) Recompute Formula (Information/Action)

Ms. Rogers presented the recommended FY22 MAP recompute formula listed in Table Three on page 5-8 of the agenda. She explained the background and the basis upon which the formula was determined. She advised that the recompute formula would increase the maximum award, increase the living allowance for recipients and delay the award suspension date.

There was discussion regarding equity of access and the balancing of making a greater impact or impacting a greater number of students.

Commissioner Amos **MOVED THAT** the Commission approve the MAP eligibility formula as written in the agenda book. Commissioner Arrington seconded the motion and a roll call was taken which was unanimously approved by the Commission.

Item 6. FY 22 Budget Review and Approvals (Information/Action)

Mr. Zarnikow summarized the goals addressed in the budget including the winding down the FFEL Program and succession planning within the agency. Ms. Nandan presented the proposed budget. She noted that in the past agency costs were mostly attributed to SLOF first and then to the GRF. She explained that would be the opposite this year due to requirement that Guaranty Agencies retroactively apply the relief established in the Cares Act and also due to the costs associated with transitioning away from the FFEL Program. She also reviewed the details of increased and decreased expenditures expected for FY22 compared to the actual expenditures for the College Illinois! Prepaid tuition Program. After presenting the proposed College Illinois! budget on page 6-9 of the agenda book, Ms. Nandan explained the proposed budget for the GEAR UP Grant on page 6-10 of the agenda.

There was discussion regarding the costs associated with IT consulting in relation to the FFEL Program wind down as well as the costs associated with ISACorps. Mr. Zarnikow noted the federal money that is being allocated for the implementation of the Recovery Corps.

Commissioner Bullock **MOVED THAT** the Commission approve the FY 2022 budgets for ISAC's Student Loan Operating Fund, IDAPP, College Illinois! Prepaid Tuition Program, the GEAR UP Grant, and the list of Contracts as printed in the agenda book. Commissioner Dowling seconded the motion and a roll call was taken which was unanimously approved by the Commission.

Item 7. College Illinois! Prepaid Tuition Program Investments (Information/Action)

Item 7A. College Illinois! Prepaid Tuition Program Update (Information)

Mr. Zarnikow reiterated that the \$50 million funding in FY21 and FY22 to begin to address the unfunded liability of the College Illinois! Prepaid Tuition Program is a great start and that ISAC will continue to pay for tuition and fee benefits and normal operations along with continuing to advocate for additional funding in future years.

Item 7B. Investment Update (Information)

Ms. Heredia reported on the College Illinois! Prepaid Tuition Program investments. She specifically noted the market's strong economic recovery in the first quarter of 2021. She summarized the risk profile of the investment portfolio and reviewed the performance of the public market investments on pages 7B-2 to 7B-4 of the agenda book. She noted that staff continues to closely monitor our managers' performance considering market valuations and pandemic uncertainty. Further, she stated that recently Neuberger Berman notified staff that the Diversified Arbitrage Fund II Board voted to wind-down the Fund by year end 2021.

Mr. Rojas reviewed all the private investments with its outstanding risks (primarily infrastructure assets) and current/projected realizations. Mr. Rojas reviewed the Asset Allocation, Status Updates and Search Update sections as provided in the agenda book. Mr. Rojas highlighted that Ativo remains on Watch.

Mr. Rojas noted that due to the College Illinois run-off scenario, no manager searches are underway or expected in the near future.

Item 7C. Compliance Review (Information)

Mr. Rojas reviewed the compliance report as provided in the agenda book. No violations or issues of concern were identified.

Item 7D. College Illinois! Prepaid Tuition Program Investments (Action)

Ms. Heredia reviewed the actions taken with respect to the asset liability study requirements found in the Statement of Investment Policy. She explained that every three years a formal asset liability study is conducted, and this year was the year to conduct such an in-depth study. Investment Staff and Callan performed the study and the results were presented to the Investment Committee on May 13, 2021. Per the Investment Committee's request, the results were separately presented to the Investment Advisory Panel on June 3, 2021. The Investment Advisory Panel was asked to review and make recommendations regarding the allocation policy, rebalancing ranges and policy benchmarks. Ms. Heredia also noted that the presentation materials were included in the agenda.

Ms. Heredia explained that staff, Callan, the Investment Committee, and the Investment Advisory panel have all reached a consensus around an asset mix. She advised that, consistent with the recommendations of the Investment Committee and the Investment Advisory Panel, investment staff and Callan support the asset allocation policy targets, rebalancing ranges and policy benchmarks on pages 7D-2 and 7D-3 of the agenda.

Commissioner Amos **MOVED THAT** the Commission approve the proposed Investment Policy Asset Allocation and benchmark change recommendation. Commissioner Dowling seconded the motion and a roll call was taken which was unanimously approved by the Commission.

Item 7E. Investment Policy Review and Adoption (Action)

Ms. Heredia presented the proposed changes to the College Illinois! Statement of Investment Policy to include the updated asset allocation targets, rebalancing ranges, and policy benchmarks. She noted that a redlined draft copy of the Statement of Investment Policy was included in the agenda book for reference.

Commissioner Bullock **MOVED THAT** the Commission approve the proposed revisions to the Statement of Investment Policy. Commissioner Dowling seconded the motion and a roll call was taken which was unanimously approved by the Commission.

Item 8. Audit Committee (Information/Action)

Item 8A. Approval of the FY22 Internal Audit Plan (Action)

Commissioner Arrington **MOVED THAT** the Commission approve the proposed revisions to the Statement of Investment Policy. Commissioner Sabens seconded the motion and a roll call was taken which was unanimously approved by the Commission

Item 8B. Audit Committee Update (Information)

Mr. Zarnikow summarized the Audit Committee meeting that took place earlier in the day. He indicated that the Committee approved the FY22 Audit plan and the closed session meeting minutes from the previous meeting.

Item 9. Public Comment

No requests for public comment had been made

Seeing no further business to come before the Commission, Commissioner Dowling **MOVED** to adjourn, and Commissioner Arrington seconded that motion. A roll call was taken which was unanimously approved by the Commission.

The meeting adjourned at approximately 3:30 p.m.

Respectfully submitted,

Lisa Murphy-Coveny