

AGENDA ITEM 2A.

**APPROVAL OF MINUTES OF THE JUNE 22, 2023
JOINT MEETING OF THE
ILLINOIS STUDENT ASSISTANCE COMMISSION AND
THE INVESTMENT COMMITTEE**

Submitted for: Action

Summary: This report includes the minutes of the investment portion of the joint meeting of the Illinois Student Assistance Commission and the Investment Committee held on June 22, 2023

Action requested: That the Investment Committee approve the investment portion of minutes of the June 22, 2023, Joint Meeting.

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

**Illinois Student Assistance Commission
3rd Floor, Room 3030
1755 Lake Cook Road, Deerfield, IL
and
Illinois Student Assistance Commission
3rd Floor Conference
500 West Monroe, Springfield, IL**

**June 22, 2023
1:00 p.m.**

COMMISSIONERS PRESENT:

Kevin Huber, Commissioner, Board Chair, Investment Committee Member
Elizabeth Lopez, Commissioner, Vice Chair, Audit Committee Member
Maureen Amos, Commissioner, Investment Committee Member
James Hibbert, Commissioner, Investment Committee Member
Darryl Arrington, Commissioner, Audit Committee Member
Jonathon Bullock, Commissioner, Audit Committee Member
Thomas Dowling, Commissioner
Payton Ade, Student Commissioner

COMMISSIONERS ABSENT:

Franciene Sabens, Commissioner

INVESTMENT COMMITTEE MEMBERS PRESENT:

Kevin Huber, Commissioner, Board Chair, Investment Committee Member
Maureen Amos, Commissioner, Investment Committee Member
James Hibbert, Commissioner, Investment Committee Member

STAFF PRESENT:

Eric Zarnikow, Executive Director
Carol Cook, Managing Director, Program Services and Compliance
Shana Rogers, Managing Director, RPPA
Shoba Nandhan, Chief Financial Officer
Katherine Gricevich, Director of Government Relations
Kishor Desai, Chief Internal Auditor
Roger Rojas, Director of Investments
Harikumar Pillai, Chief Information Officer
Vicki Baba, Director, Human Resources and Development
Lynne Baker, Managing Director, Communications

Rolake Adedara, Director, Finance and Compliance
Ewa Lichtenstein, Director, Budget and Operations
Rich Nowell, Interim General Counsel
Stephanie Schmitz-Bechteler, Director, Special Projects and Program Services
Natalie Wandall, Secretary to Commission
Dana Mills, Assistant Comptroller
Jackie Eckley, Asst Director, Program Communication Service
Michael Wilder, Telecom and Network Engineer
Lisa Murphy-Coveny, Deputy General Counsel

PUBLIC ATTENDANCE:

Brianne Weymouth, Callan LLC
James O'Connor, Callan LLC

The joint meeting of the Illinois Student Assistance Commission and the Investment Committee was called to order at 1:07 p.m.

Mr. Zarnikow, ISAC's Executive Director, began by explaining that the Open Meetings Act provides for virtual meetings when the Governor has issued a health-related disaster proclamation. He explained that Governor Pritzker's extension of the Gubernatorial COVID-19 Disaster Proclamation had expired. Therefore, the meeting would take place under the general provisions of the Open Meetings Act which allow meetings to take place in two locations connected electronically provided both locations are open to the public. The meeting was being held at ISAC's offices in Deerfield and in Springfield, Illinois. He further stated that because the meeting was being held in person, it would not be recorded.

He 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.

A roll call of the Investment Committee was taken, and a quorum was established.

Item 1. Announcements

Chair Huber announced that Commissioner Brar has resigned from the Commission and as Audit Committee Chair. He explained that Board would be voting to approve Commissioner Arrington as chair of the Audit Committee, and Commissioner Dowling as an Audit Committee member. He expressed gratitude for their service and for the continued service of Commission Vice Chair and Audit Committee member, Elizabeth Lopez. Both Chair Huber and Mr. Zarnikow thanked Commissioner Brar for her service to the agency.

Chair Huber congratulated the members on their completion of all required documentation and training to date. He advised that the members have a duty to record the time they spend working on commission matters and asked that the ethics time sheets provided at the beginning of the meeting be completed and returned at the end of the meeting.

Chair Huber announced that the next regularly scheduled meeting of the Commission is Thursday September 21, 2023, which will be held at ISAC's Springfield and Deerfield locations. The Audit Committee meeting is scheduled to start at 11:00 a.m. and the Commission meeting is scheduled to start at 1:00 pm.

Item 2. Approval of Meeting Minutes (Action)

Item 2A. Approval of the Minutes of the April 13, 2023 Full Joint Commission/Investment Committee/Investment Advisory Panel Meeting (Action: Commission)

Commissioner Arrington **MOVED THAT** the Commission approve the minutes of the April 23, 2023 Joint Commission, Investment Committee and Investment Advisory Panel meeting. Commissioner Amos seconded the motion, which was unanimously approved by a vote of the Commission.

Item 2B. Approval of the Minutes of the May 25, 2023 Meeting of the Investment Committee (Action: Investment Committee)

Commissioner Hibbert **MOVED THAT** the Investment Committee approve the minutes of the May 25, 2023 Investment Committee meeting. Chair Huber seconded the motion, which was unanimously approved by a vote of the Investment Committee.

Item 3. Approval of the Destruction of Open Meeting Verbatim Records (Action)

Item 3A. Approval of the Investment Committee Open Meeting Verbatim Records for Destruction (Action: Investment Committee)

Commissioner Hibbert **MOVED THAT** the Investment Committee approve the following resolution:

BE IT RESOLVED that the Investment Committee approves the destruction of the verbatim records of the open session of the May 13, 2021 Investment Committee meeting and the investment portion of the April 15, 2021 Joint Commission, Investment Committee, and Investment Advisory Panel meeting, and the June 17, 2021 Joint Commission and Investment Committee meeting as at least 18 months have transpired since the completion of those meetings and 24 months have transpired since the web posting.

Commissioner Amos seconded the motion, which was unanimously approved by a vote of the Investment Committee.

Item 3B. Approval of the Commission Open Meeting Verbatim Records for Destruction (Action: Commission)

Commissioner Lopez **MOVED THAT** the Commission approve the following resolution:

BE IT RESOLVED that the Commission approves the destruction of the verbatim records of the open session of the April 15, 2021 Joint meeting of the Commission, Investment Committee, and Investment Advisory Panel, and the June 17, 2021 Joint meeting of the Commission and the Investment Committee as at least 18 months have transpired since the completion of those meetings and 24 months have transpired since the web posting.

Commissioner Bullock seconded the motion, which was unanimously approved by a vote of the Commission.

Item 4. Executive Director's Report (Information)

Ms. Nandhan reviewed the financial statements that appear in the section 4 of the agenda book. She noted that budgets reflect information through April 30, 2023. She reminded the Board of the challenges in transitioning to the new SAP system, and of the FFELP deconversion. There was discussion regarding the possibility of spending the entire appropriation on certain programs and discussion regarding the prepaid tuition program budget.

Mr. Zarnikow announced that ISAC employee, Sara Espinosa, was recently recognized by the Illinois Association for College Admission Counseling and received the Inclusion, Access and Success Award for her work with ISAC in making post-secondary education opportunities

available to historically underrepresented students. In addition, he explained that there are five Commissioners whose terms expire soon and reminded the members that they can continue to serve after the expiration of their term until there is action by the Governor. There was discussion regarding the survey that will be forthcoming regarding Mr. Zarnikow's performance evaluation. Mr. Zarnikow also reported that student loan repayment information had been added to the outreach program, because the student loan repayment pause will soon expire. Finally, Mr. Zarnikow reported on the anniversary of the GI Bill, its impact, and its benefits.

Item 5. State Legislative Update (Information)

Ms. Gricevich reported that the State's budget for fiscal year 2024 included a strong focus on higher education including an increase in MAP, AIM High, and MTI funding. She explained new programs that ISAC will administer, including the Prepare for Illinois Future Bill and the I-GROW scholarship. There was discussion regarding the impact of provisions of the AIM High program on institutions and financial aid offices.

Item 6. Approval of the Fiscal Year 2024 Monetary Award Program (MAP) Recompute Formula (Action: Commission)

Ms. Rogers presented the proposed MAP recompute formula in the agenda book. She explained factors and goals that are used to determine the formula. She reported that even though application volume is increasing, the increase in funding from the Governor's budget will provide for all, or nearly all, of eligible applicants to receive the grant. There was discussion regarding the availability of MAP for summer tuition.

Commissioner Bullock **MOVED THAT** the Commission approve the formula summarized in Table Three as the FY2024 MAP Recompute Formula. The recommended formula continues using FY2022 tuition and fee amounts and Pell table and proposes raising the maximum award to \$8,400 and the living allowance to \$5,200. Commissioner Amos seconded the motion, which was unanimously approved by a vote of the Commission.

Item 7. Approval of the Fiscal Year 2024 Internal Budget and Approvals (Action: Commission)

As an introduction to the budget presentation, Mr. Zarnikow reminded the Board of the transition to GRF from SLOF due to the FFELP deconversion, that succession planning and investments in cyber security were priorities, and that actual spending is expected to be lower than the amounts reflected in the budget due to the need to have spending authority for any funds that may be received later in the year.

Ms. Nandhan presented the FY24 proposed internal budget. She explained the summary of the funds, the expected expenditures, and the challenges of predicting expenditures. She then presented the proposed expenditures. There was extensive discussion regarding the impact of retirements and hiring on the expected personnel costs, the need to prepare for the future of the agency with respect to staffing and cyber security, the number of staff currently eligible to retire, and the web-based services included in the budget.

Commissioner Amos **MOVED THAT** the Commission approve the Fiscal Year 2024 budgets for the Illinois Student Assistance Commission (ISAC) General Funds, Student Loan Operating Fund (SLOF), Illinois Designated Account Purchase Program (IDAPP), College Illinois!® Prepaid

Tuition Program, the GEAR UP Grant and the schedule of contracts as printed in the agenda book. Commissioner Hibbert seconded the motion, which was unanimously approved by a vote of the Commission.

Item 8. IDAPP Investment Policy Review and Adoption (Action: Commission)

Mr. Rojas reviewed the proposed changes to the IDAPP Statement of Investment Policy as presented in the agenda book.

Commissioner Lopez **MOVED THAT** the Commission approve the proposed revisions of to the Statement of Investment Policy for the Illinois Designated Account Purchase Program (IDAPP). Commissioner Bullock seconded the motion, which was unanimously approved by a vote of the Commission.

Item 9. College Illinois! Prepaid Tuition Program Investments

Item 9A. Prepaid Tuition Program Update (Information)

Mr. Zarnikow explained that the actuarial update for the fiscal year that ends June 30th is usually available in October or November.

Item 9B. Investment Update (Information)

Mr. Rojas reviewed the College Illinois! fund risk profile and performance as of June 30, 2023, as provided in the Callan quarterly report and the agenda book. In addition, he presented an update on the College Illinois! Prepaid Tuition Program portfolio managers as provided in the agenda book. Mr. Rojas also reviewed the Asset Allocation, Status Updates, and Search Update sections as shown in the agenda book.

Mr. Rojas reviewed the Watch List memorandum as provided in the agenda book. No managers were recommended for addition to the Watch List.

Item 9C. Compliance Review (Information)

Mr. Rojas reviewed the Compliance Review memorandum provided in the agenda book and noted that no issues or violations were identified.

Item 9D. Asset Allocation Review (Action: Commission)

Mr. Rojas reviewed the Asset Allocation and Asset Liability memorandum as provided in the agenda book. Mr. Rojas noted that a formal asset liability modeling study is required every three years with the next one scheduled for Fiscal Year 2024. In addition, ISAC investment staff along with our investment consultant (Callan LLC) review the current asset allocation targets every year as established in the College Illinois! Investment Policy.

Mr. Rojas and Ms. Weymouth (our representative from Callan) presented Callan's Asset Evaluation presentation, that was provided separately, and which establishes the framework for this review and its recommendation. Mr. Rojas reviewed the assets mixes that were considered within a risk-return framework. There was a discussion regarding the risks and assumptions used in the evaluation.

Based on the fund expected returns, risk profile and liquidity needs, the investment committee, investment staff and Callan recommend Asset Mix 4, which is identical to the current asset allocation that was previously approved at the June 16, 2022, Commission meeting.

Commissioner Amos **MOVED THAT** the Commission approve the agreed upon Investment Policy Asset Allocation targets recommended by the Investment Committee and the change of the Non-US Equity and Fixed Income index benchmarks to MSCI ACWI ex US and Bloomberg U.S. Aggregate, respectively. Commissioner Hibbert seconded the motion, which was unanimously approved by a vote of the Commission.

Item 9E. International Equity Restructuring Proposal (Action: Commission)

Mr. Rojas reviewed the International Equity Restructuring Proposal as provided in the agenda book. There was a discussion regarding the transition plan and the fees associated with it, which staff expects to be relatively small. Based on the rationale provided in the memorandum, the Investment Committee, investment staff and Callan are recommending transitioning the International Equity asset class to passive management. This transition would result in the replacement of both Ativo and DFA with a passive strategy managed by Rhumblin Advisers LP.

Commissioner Amos **MOVED THAT** the Commission approve the Investment Committee recommendation to transition the International Equity portfolio to a passive commingled fund managed by Rhumblin Advisers benchmarked against the MSCI ACWI ex US. Commissioner Hibbert seconded the motion, which was unanimously approved by a vote of the Commission.

Item 9F. Investment Policy Review and Adoption (Action: Commission)

Mr. Rojas reviewed the proposed changes to the College Illinois! Statement of Investment Policy as presented in the agenda book.

Commissioner Lopez **MOVED THAT** the Commission approve the proposed revisions to the Statement of Investment Policy. Commissioner Arrington seconded the motion, which was unanimously approved by a vote of the Commission.

Item 10. Audit Committee

Item 10A. Approval of the Fiscal Year 2024 Internal Audit Plan (Action: Commission)

Mr. Desai presented the proposed audit plan for FY24 as listed on page 10A-2 of the agenda book and explained the methods for developing the plan which included discussions with external auditors.

Commissioner Arrington **MOVED THAT** the Commission review and approve the Fiscal Year 2024 Internal Audit Plan and approve the following resolution:

“BE IT RESOLVED that the Commission approve the Fiscal Year 2024 Internal Audit Plan as recommended by the Audit Committee.”

Commissioner Bullock seconded the motion, which was unanimously approved by a vote of the Commission.

Item 10B. Review and Approval of the Audit Committee Charter (Action: Commission)

Mr. Desai explained the requirement that the audit committee charter be reviewed and approved annually. He noted that no changes were recommended.

Commissioner Hibbert **MOVED THAT** the Commission reassess and approve the Audit Committee charter. Commissioner Arrington seconded the motion, which was unanimously approved by a vote of the Commission.

Item 10C. Audit Committee Update (Information)

Mr. Zarnikow reported the items that were discussed and approved at the Audit Committee meeting, which had taken place earlier in the day.

Item 10D. Appointment of Audit Committee Member (Action: Commission)

Commissioner Bullock **MOVED THAT** the Commission approve the appointments of Darryl Arrington as the Audit Committee Chair and Tom Dowling as an Audit Committee member effective as of June 22, 2023. Elizabeth Lopez will continue to serve as an Audit Committee member. Commissioner Hibbert seconded the motion, which was unanimously approved by a vote of the Commission.

Item 11. Public Comment

No requests for public comment were made.

Seeing no further business to come before the Commission, Chair Huber asked for a motion to adjourn. Commissioner Bullock **SO MOVED** and Commissioner Amos seconded that motion, which was unanimously approved by a vote of the Commission.

The meeting adjourned at approximately 3:21 p.m.

Respectfully submitted,

Lisa Murphy-Coveny