

**MINUTES OF A MEETING OF THE
ILLINOIS STUDENT ASSISTANCE COMMISSION
November 8, 2002
Loyola University Chicago
Chicago, Illinois**

COMMISSIONERS PRESENT:

J. Robert Barr, Chairman
Pauline Betts
William J. Hocter
Christopher Kurczaba
C. Richard Neumiller
Kevin O'Kelly
Hugh Van Voorst
Gretchen Winter

COMMISSIONERS ABSENT:

Claudia M. Freed
Odell Hicks, Jr.

STAFF PRESENT:

Larry E. Matejka, Executive Director
Marcia Thompson, Chief Financial Officer
John Jennetten, Chief Program Officer
Gary Rieman, IDAPP
Peter Xilas, IDAPP
Tom Breyer, Deputy Program Officer
Randy Erford, *College Illinois!*
Nancy Stephens, *College Illinois!*
Lori Reimers, State Relations
Sheila Pruden, RPPA
Kris Smith, RPPA
Mark Holysz, Client Relations
Debora Calcara, Commission Secretary

PUBLIC ATTENDANCE:

Fred Ash, Bank One
Deb Brodzinski, Robert Morris College
William Corbin, Altheimer & Gray
Toni Henle, Women Employed
Heidi Jeffery, Foley & Lardner
Ed Madden, Heritage Bank, Schaumburg
Mike Neill, Old National Trust of Carbondale
David M. Reicher, Foley & Lardner
Yvonne Singley, ICCB
Joseph Starshak, Starshak Welnhofner & Company
Sandy Street, University of Illinois
Hilda Thompson, Watson Wyatt Worldwide
Dave Tretter, FIICU
Kim Villanueva, ICCTA
Mark Walker, Richmond Capital Management
Grace Gorka, Bank One
Eric Weems, Loyola University
Larry White, Chapman and Cutler

Agenda Item 1. Announcements

Chairman Barr called the November 8, 2002 meeting to order at 9:00 a.m., thanking Dr. Pete Facione, the Provost of Loyola University Chicago, for the hospitality that had been extended to the Commission. Dr. Facione welcomed the Commission, thanked the agency for the financial assistance it provides, and made some brief opening remarks.

The Chairman noted that the next meeting of the Commission was scheduled for Friday, January 31, 2003. He also observed that all members of the Commission had been provided with a list of proposed dates for Commission meetings for 2003.

Mr. Neumiller **MOVED THAT** the Commission adopt the proposed list of Commission meeting dates/sites for calendar year 2003. Mr. Hocter seconded the motion, which was approved unanimously. The proposed list approved by the Commission included the following dates/sites:

Friday, January 31, 2003	Chicago-Kent College Of Law, IIT ¹
Friday, April 11, 2003	Lincoln Land Community College-Springfield
Monday, June 16, 2003	Via conference call
Friday, July 25, 2003	Dominican University, River Forest
Friday, September 19, 2003	College of Lake County, Grayslake
Friday, November 14, 2003	Northwestern University, Evanston

The tentative nature of the proposed list was noted, with the Chairman pointing out that there was occasionally a need to change a meeting date or site, or to schedule a special meeting to deal with a particular issue(s). In any such cases, the requisite notice would be given to members of the public.

Agenda Item 2. Minutes of the September 20, 2002 Commission Meeting

Ms. Winter **MOVED THAT** the minutes of the September 20, 2002 Commission meeting be approved as submitted by staff. Mr. Van Voorst seconded the motion, which was approved without dissent.

Agenda Item 3. Executive Director's Report

Mr. Matejka commented briefly on the results of the recent elections, noting that at the state level, staff was in the process of preparing a series of transition documents for the incoming Administration. He observed that while it was impossible to speak with any degree of certainty regarding what the results of the elections would mean at either the state or federal levels, one thing was for certain: fiscal constraints and the weak economy made it just as likely as not that budget cuts beyond those put in place last year would be adopted in the months ahead. The FY2004 budget process would be difficult.

In other remarks, Mr. Matejka noted the onset of the 2002-2003 enrollment period for *College Illinois!*, reminded Commissioners of the training seminars being offered by staff throughout the State during the fall, and gave a brief FY2003 MAP status report.

A question was raised by Ms. Winter regarding the fifth-year MAP students, and Mr. Matejka explained that staff was in the process of conducting a survey aimed at determining how students had been impacted by the elimination of fifth-year eligibility. He suggested that preliminary information

¹ The site for the January meeting was changed following the adoption of this schedule, from the Chicago-Kent College of Law to Roosevelt University in Chicago.

indicated that at least one result had been increased borrowing and longer working hours among those impacted. In response to a follow-up question from Mr. Hocter, it was noted that one objective of the research being conducted was to identify programs that required five years of undergraduate study.

Agenda Item 4. IDAPP Demand Student Loan Revenue Notes/Liquidity Facility

No action was required on this item.

Agenda Item 5. Issuance of Taxable Education Loan Revenue Notes

The Chairman observed that members of the Commission had received copies of the proposed 2002 Supplemental Resolution drafted in connection with this financing, as well as a draft Official Statement and a draft Note Purchase Agreement. It was noted that staff was seeking approval of the resolution on page 5 of the agenda book. Gary Rieman, Director of Capital Development, and Peter Xilas, IDAPP's Chief Financial Officer, were present to respond to any questions, as were representatives of bond counsel and underwriters' counsel.

Mr. Rieman commented briefly, noting that while the proposed financing was fairly standard, provisions had been incorporated to accommodate educational lenders, i.e., institutions that are provided with the financing needed to make loans available to their students at the campus level.

Ms. Betts **MOVED THAT** the Commission adopt the following resolution:

“BE IT RESOLVED that the Illinois Student Assistance Commission approve the 2002 Supplemental Resolution providing for the sale and issue of Education Loan Revenue Notes of the Illinois Student Assistance Commission and authorizing the execution and delivery of a Note Purchase Agreement, an Official Statement and certain other agreements in connection therewith.”

“BE IT RESOLVED that the Commission further delegates the ability to take certain actions and to make certain determinations as provided in such 2002 Supplemental Resolution with respect to such documents, to the Chairman of the Commission or, if so designated in writing by said Chairman with respect to any or all of the actions or determinations described herein, the Executive Director of the Commission; and,

“BE IT FURTHER RESOLVED that this Resolution authorizes the issuance of Notes not to exceed \$200,000,000.”

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

Agenda Item 6. IDAPP Investment Policy and Quarterly Report

After a brief introduction of the item by Mr. Matejka, Ms. Winter asked that staff comment on the different investment policies in place for IDAPP versus *College Illinois!* In response, Mr. Rieman commented briefly on the conservative nature of the investment approach utilized by student loan secondary markets, observing that this approach reflected statutory restrictions and the fact that the assets in question were government-backed student loans.

Ms. Winter **MOVED THAT** the following resolution be adopted:

“BE IT RESOLVED that the Illinois Student Assistance Commission approves the Statement of Investment Policy for IDAPP as attached [on pages 6-1 through 6-5 of the agenda book], and directs all investment decisions for the program to be consistent with provisions set forth in the Statement of Investment Policy for IDAPP.”

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

Agenda Item 7. Elimination of Guarantee Fee for FY2004

Mr. Matejka commented briefly on this item, indicating that staff sought action annually to obtain Commission approval to refrain from charging the guarantee fee permitted by federal law, with the intent being to do whatever possible to minimize the fees passed on to students. After speaking to the history of the agency’s actions on this issue, he assured Commissioners that ISAC’s student loan reserves were at sufficient levels to allow for the recommended action.

Ms. Betts **MOVED THAT** the Commission approve the elimination of the guarantee fee for ISAC-guaranteed FFELP loans disbursed on or after July 1, 2003 through June 30, 2004 (FY2004). Ms. Winter seconded the motion, which was approved unanimously.

Agenda Item 8. Revision of *College Illinois!* Investment Policy

The Chairman noted that today’s meeting represented one of the annual, statutorily mandated joint meetings of the Commission and its *College Illinois!* Investment Advisory Panel. In the remarks that followed, *College Illinois!* Director Randy Erford spoke briefly to the rationale for the changes being proposed, noted that Hilda Thompson of Watson Wyatt was present to respond to questions, and acknowledged that Panel members Ed Madden and Mike Neill were in attendance at the meeting.

Mr. Neill spoke briefly, commenting on the current volatility of the market and the importance of maintaining a long-term perspective. He emphasized the fact that despite recent losses, *College Illinois!* continues to enjoy a strong cash flow and has very prudently and consistently based its investment and pricing decisions on conservative, realistic expectations. He contrasted that investment style to the approach being taken by many pension plans and much of corporate America.

Ms. Thompson commented briefly on the changes being made to the investment policy for the prepaid program. In the discussion that ensued, she responded to a question from Mr. Hocter regarding whether or not the investment returns projected for the program were realistic. She reiterated that the program continued to enjoy a positive cash flow and reminded Commissioners of the upcoming Asset Liability Study, the focus of which will be the program’s long-term investment policy, the appropriate allocation of program assets, and projected investment returns.

While acknowledging the program’s present positive cash flow, Mr. Hocter voiced some concern regarding the projected investment returns. In response, Ms. Thompson observed that similar discussions were going on in every other state that had a prepaid program. She pointed out that modifying the policy as proposed today did not in any way preclude the Commission from revisiting it six months from now, after members had an opportunity to consider the results of the Asset Liability Study and changing market conditions.

Commissioners Winter and Van Voorst echoed the concerns that Mr. Hocter raised regarding investment assumptions, adding that they too felt strongly about the need to re-examine these assumptions following the completion of the Asset Liability Study. It was noted that the results of this study would be shared with the Commission at the January meeting.

Mr. Hocter **MOVED THAT** the Commission approve the following resolution, with the clear understanding that this action is subject to future review based on the work being done by the program's actuary and the results of the Asset Liability Study, which staff will present to the Commission at the January meeting. He asked that the record or minutes of this item also include language indicating that if the Asset Liability Study were not completed in time for discussion at the January meeting, the Commission would be notified prior to that meeting, so as to permit members time to decide how to proceed, i.e., whether to schedule a special meeting at a later date.

“BE IT RESOLVED that the Commission approves the Statement of Investment Policy for *College Illinois!* as revised and that the Commission directs all investment decisions for the program be consistent with the provisions set forth in the policy.”

Ms. Winter seconded the proposed motion, which was approved unanimously.

Agenda Item 9. Appointment of *College Illinois!* Investment Advisory Panel Members

The Chairman introduced this item, noting that the action being requested by staff involved the appointment of two members, one of which represented a reappointment. The reappointment in question is Mike Neill, who will serve an additional three years if the proposed resolution is approved. Staff is also requesting that the Commission approve the appointment of John Albin, former Commissioner and President of Longview Capital Corporation. It was noted that action to fill a third vacancy is likely to be requested at a future meeting.

The Chairman **MOVED THAT** the Commission approve the nominations of Mr. Michael Neill and Mr. John Albin to serve concurrent three-year terms as members of the *College Illinois!* Investment Advisory Panel. It was noted that the motion was seconded and approved unanimously by all members of the Commission.

Agenda Item 10. FY2004 MAP Start-up Formula Discussion

Mr. Matejka introduced the item, explaining that it was being presented by staff both to prepare the Commission for the decision and issues it would be asked to confront in January, and to obtain any preliminary guidance or input that Commissioners might wish to extend as staff prepared to draft its FY2004 start-up recommendation. It was noted that discussions had occurred with the Presidents' Council of ILASFAA, Inc., and the ISAC/ILASFAA Formula Advisory Committee.

Ms. Pruden spoke briefly, expressing thanks for the guidance and help provided by members of the Formula Advisory Committee, and reminding the Commission of the difficult decision it had been compelled to make at recompute last summer, following the substantial budget cut that MAP sustained during the spring legislative session. In her remarks, Ms. Pruden reviewed key factors that would need to be taken into consideration when developing a start-up formula, including the incorporation of the new Pell payment schedule, the advisability of incorporating actual FY2002-2003 tuition and fees, and possible changes to the manner in which the formula inflates the expected family contribution.

Ms. Winter followed up on some of the comments made by Ms. Pruden regarding simplification, and the desirability of pursuing reforms that would enable a family to calculate how much financial aid they were likely to qualify for at various institutions they might be considering. Continuing, she noted that while the replacement of the Pell payment schedule appeared to be non-controversial, the same could not be said of the possible incorporation of actual tuition and fees. It was noted that such action might not

be received well by institutions that had made a conscious effort to control costs, in spite of fiscal difficulties.

Mr. Neumiller praised staff for its work on the formula, and expressed his continued concern regarding the erosion of the value of the MAP grant and the need to track how students were being impacted.

Following the start-up discussion, Ms. Betts **MOVED THAT** the Commission go into Executive Session to discuss personnel matters. Mr. Hocter seconded the motion, and in the roll call vote that followed, each Commissioner voted in favor of the motion.

Following the Executive Session, Mr. Neumiller **MOVED THAT** the November 8, 2002 Commission meeting be adjourned. Mr. Kurczaba seconded the motion, which was approved unanimously. The meeting adjourned at 11:09 a.m.

Respectfully submitted,

A handwritten signature in cursive script that reads "Debora A. Calcara".

Debora Calcara
Secretary to the Commission