

AGENDA ITEM 2.

**MINUTES OF THE SEPTEMBER 8, 2010, SEPTEMBER 24, 2010
AND OCTOBER 18, 2010 MEETING**

**MINUTES OF A SPECIAL MEETING
OF THE
ILLINOIS STUDENT ASSISTANCE COMMISSION**

September 8, 2010

Videoconference Locations

**James R. Thompson Center
100 W. Randolph St.
Room 15-200
Chicago, Illinois**

**Illinois State Capitol
Room 214
Springfield, Illinois**

COMMISSIONERS PRESENT: Donald J. McNeil, Chair
Dr. Lynda Andre
Sharon Alpi
Sean Dauber
Dr. Mary Ann Louderback
Johnathan Wilson

COMMISSIONERS ABSENT: Hugh Van Voorst

STAFF PRESENT: Andrew Davis, Executive Director
Brian Begrowicz, Deputy Chief Financial Officer
Kim Lee, General Counsel
Shoba Nandhan, Interim Chief Financial Officer
Nicholas O'Keefe, Associate General Counsel
John Sinsheimer, Chief Financial Officer
Debora Calcara, Commission Secretary

PUBLIC ATTENDANCE: Chris Coldwell, Loop Capital
William Corbin, Perkins Coie
Kamille Curylo, Kutak Rock LLP
Warren Daniels, Morgan Stanley
Alexander Rorke, Loop Capital
Roger Saylor, Scott Balice Strategies
Jerry Wallack, Kutak Rock LLP

Item 1. Announcements

Chairman McNeil announced that the meeting is being held via interactive videoconference simultaneously from the James R. Thompson Center in Chicago and the Illinois State Capitol in Springfield and that proper public notification has been given and both locations are accessible to the public, in compliance with the Commission's rules and the Illinois Open Meetings Act. He stated that the presence of a quorum is determined by including Commissioners present at both locations. He then asked that a roll call be taken of the two locations, which established that a quorum was present. He called the meeting to order at 11:07 a.m.

Chairman McNeil stated that while the Illinois Open Meetings Act generally requires that public bodies conduct their business at meetings that are open to the public, the Act also provides various exceptions for matters to be discussed in a closed session. For the Executive Session this morning, he indicated, there is one applicable exception under subsection 2(c) of the Open Meetings Act: under exception number "7" ...the closed session will concern the sale or purchase of securities, investments or investment contracts.

Dr. Louderback **MOVED THAT** the Commission adjourn into Executive Session. Mr. Dauber seconded the motion. After a roll call vote approving the motion, the Commission adjourned into closed session at 11:10 a.m.

The Commission returned into open session at 12:05 p.m.

Item 2-A. Authorizing Purchase of Existing Bonds

Mr. Dauber **MOVED THAT** the Illinois Student Assistance Commission adopt the Resolution set forth in Item 2-A in the agenda book. Mr. Wilson seconded the motion, which was approved with Dr. Louderback voting present.

Item 2-B. Authorizing Supplement to 2002 Resolution

Ms. Alpi **MOVED THAT** the Illinois Student Assistance Commission adopt the Resolution set forth in Item 2-B in the agenda book. Mr. Dauber seconded the motion, which was approved with Dr. Louderback voting present.

Item 3. Issuance of Student Loan Asset Backed Notes

Mr. Dauber **MOVED THAT** Illinois Student Assistance Commission adopt the Resolution set forth in Item 3 of the agenda book authorizing the issuance of not to exceed \$710,000,000 aggregate principal amount of Student Loan Asset Backed Notes, Series 2010-1. Ms. Alpi seconded the motion, which was approved with Dr. Louderback voting present.

Seeing no further business to come before the Commission Chairman McNeil asked for a motion to adjourn.

Dr. Louderback **MOVED THAT** the September 8, 2010 special meeting of the Commission be adjourned. Mr. Dauber seconded the motion, which was approved unanimously. The meeting adjourned at 12:09 p.m.

Respectfully submitted,

A handwritten signature in cursive script, reading "Debora A. Calcara", is written on a light green rectangular background.

Debora A. Calcara
Secretary to the Commission

**MINUTES OF A MEETING
OF THE
ILLINOIS STUDENT ASSISTANCE COMMISSION**

September 24, 2010

Video Conference Locations

**James R. Thompson Center
100 W. Randolph St.
Room 9-035
Chicago, Illinois**

**Illinois State Capitol
Room 115
Springfield, Illinois**

COMMISSIONERS PRESENT: Donald J. McNeil, Chair
Dr. Lynda Andre
Sharon Alpi
Johnathan Wilson

COMMISSIONERS ABSENT: Sean Dauber
Dr. Mary Ann Louderback
Hugh Van Voorst

STAFF PRESENT: Andrew Davis, Executive Director
Frank Bello, Treasurer/Chief Investment Officer
Eduardo Brambila, Managing Director, Community Service
Tom Breyer, RPPA
Charles Sanchez, Director, Marketing and Sales
Carol Cook, Director, Program Services and Compliance
Anita Geter, Director, Internal Audit
Russell Goeltenbodt, Financial Literacy Specialist
Katharine Gricevich, Director, Government Relations
Susan Kleemann, Managing Director, RPPA
Kim Lee, General Counsel
Jacqueline Moreno, Managing Director, College Access Initiatives
Shoba Nandhan, Interim Chief Financial Officer, ISAC
Ginger Ostro, Deputy Executive Director
Paul Palian, Director, Communications
Christine Peterson, Chief Program Officer
Mike Solomon, RPPA
Joanne Tolbert-Wells, Deputy Executive Director
Debora Calcara, Commission Secretary

PUBLIC ATTENDANCE: Deb Brodzinski, Robert Morris University
Paul Frank, FIICU
Dimitra Georgouses, IBHE
Nicole Krneta Rogers, IBHE
Pat Krolak, Marquette Associates
Ari Shroyer, IBHE-SAC

Item 1. Announcements

Chairman McNeil announced that the meeting is being held via interactive videoconference simultaneously from the James R. Thompson Center in Chicago and the Illinois State Capitol in Springfield and that proper public notification has been given and both locations are accessible to the public, in compliance with the Commission's rules and the Illinois Open Meetings Act. He stated that the presence of a quorum is determined by including Commissioners present at both locations. He then asked that a roll call be taken of the two locations, which established that a quorum was present. He called the meeting to order at 9:13 a.m.

Continuing, Chairman McNeil stated that the next regularly scheduled meeting of the Commission will be held on November 19, 2010 at Prairie State College in Chicago Heights. He noted that the Commission members have received a tentative list of proposed meeting dates and locations for next year and indicated that action will be taken at the next meeting to adopt an official schedule of meeting dates for the Commission for 2011.

Item 2. Minutes of the June 18, 2010 Meeting

Mr. Wilson **MOVED THAT** the minutes of the June 18, 2010 meeting be approved as submitted. Ms. Alpi seconded the motion, which was approved unanimously.

Item 3. Executive Director's Report

Mr. Davis took the opportunity to introduce several new members of his senior management team: Ms. Anita Geter, Director of Internal Audit; Mr. John Samuels, Chief Marketing and Communications Officer; Mr. Ramnath Cidambi, Director of Information Services; and Mr. Nick O'Keefe, Associate General Counsel.

Referring to the financial statements for the agency that were provided to Commission members, Mr. Davis indicated that the Student Loan Operating Fund's gross revenues for the year ending June 30, 2010 increased 8.4 percent over the previous year, while at the same time the agency's expenses decreased 11.5 percent. He credited the hard work and sacrifices made by staff for the performance.

Ms. Alpi expressed her appreciation at having the financial statements, which allows the Commission to make the important decisions that they are charged with. Mr. Davis thanked her for her encouragement to provide such information.

Continuing, Mr. Davis stated that with a recent reorganization he has appointed Ms. Ginger Ostro as Deputy Executive Director in charge of the programmatic functions of the agency and Ms. Joanne Tolbert-Wells as Deputy Executive Director for the administrative functions of the agency.

Mr. Davis then presented the Commission with a brief overview of a draft strategic plan which he and senior management have been developing.

Item 4. College Illinois! 529 Prepaid Tuition Program Contract Prices & Fees 2010-11

Mr. Bello indicated that staff, along with the program's actuary, Richard M. Kaye & Associates, in conjunction with PriceWaterhouse Coopers, have reviewed previous year's activities and assumptions to bring forth to the Commission the recommended contract pricing and fees for the 2010-11 enrollment period. He stated that the assumptions took into consideration projected long-term tuition and fee inflation, investment performance and amortization of the deficit. Referring to the pricing tables, Mr.

Bello stated that for the last ten years, tuition inflation has been climbing an average of 10.5 percent for the Illinois public universities, excluding the University of Illinois at Urbana Champaign, which is about 9.7 percent, for an average of about 10 percent for all public universities. He stated that the tuition increase at the community college level is about 7.2 percent.

Responding to Ms. Alpi's concern about the decrease in contract sales and how that reflects on the assumptions, Mr. Davis stated that the overall actuarial model is far less sensitive to the rate of future contract sales than it is to the rate of tuition inflation and investment returns, which really drive the model. However, he stated that one of his mandates to the new Chief Marketing and Communications Officer, Mr. Samuels, is to increase the sales of contracts.

Ms. Alpi inquired if staff is addressing the stabilization reserve differently than in past years. Mr. Bello and Mr. Davis indicated that the program is continuing to add a premium to help amortize the deficit over a 15-year period.

Mr. Bello responded to Ms. Alpi by agreeing that some of the positive performance of the investment portfolio was attributable to the increased diversification of assets, and expressed his optimism that the program would be able to continue generating positive returns going forward.

Ms. Alpi **MOVED THAT** the Commission approve the proposed College Illinois! 529 Prepaid Tuition Program contract prices specified for the 2010-2011 period in Tables A, B and C, as well as the schedule of fees and charges for the program set forth in Table D of the agenda book.

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

Item 5. Selection of College Illinois! 529 Prepaid Tuition Program Professional Manager of Investment Manager

Opening the agenda item, Mr. Bello stated that on June 3, 2010 a Request For Proposals (RFP) was issued for the professional investment management services for the Manager of Managers asset allocation, which resulted in the submission of eight proposals, including two emerging and minority-owned firms. Mr. Bello indicated that after an extensive interview process with the eight firms, four of those firms are being brought to the Commission for approval. He provided the Commission with Exhibit B listing the proposed firms.

Responding to Ms. Alpi, Mr. Bello stated that the meaning of a "managers of managers" is that they will be in a position to evaluate other investment managers, hire and fire managers as necessary to find the best managers that will bring value to the program. He indicated their fees range from 50 basis points to as high as a full percentage point, but he will negotiate the fees as necessary. Mr. Bello confirmed that Marquette Associates has assisted staff in developing the criteria by which the four firms were chosen.

Mr. Bello and Mr. Davis gave a brief overview of the firms being brought to the Commission for approval.

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

"BE IT RESOLVED that the Illinois Student Assistance Commission (ISAC) authorizes the Executive Director or Chairman and the Chief Investment Officer to execute and deliver Investment Management Agreements in a form substantially similar to the form attached hereto as **Exhibit A** with one or more of the firms described on **Exhibit B**: Attucks Asset Management

LLC, Chesapeake Asset Management, LLC, The Endowment Office, and Perella Weinberg Partners Capital Management LP, on terms and conditions that the Executive Director or Chairman and the Chief Investment Officer deem in the best interests of ISAC; provided, however, in no event shall the term of any agreement with any one or more of the Investment Managers exceed ten (10) years including renewals and extensions; provided, further, in no event shall the fees payable exceed 2.5 percent of the assets under management;

“BE IT FURTHER RESOLVED that, subject to the limitations set forth in the paragraph above, the Chairman or Executive Director and the Chief Investment Officer are, and each of them is, hereby authorized to do or perform all such acts and to execute all such documents and other instruments as they or any of them deem necessary, convenient or desirable to consummate the transactions contemplated by this Resolution and all of the acts and doings of the Chairman and Executive Director which are in conformity with the intent and purposes of this Resolution, whether heretofore or hereafter taken or done, shall be and are hereby approved, confirmed and ratified.”

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

Item 6. Selection of Online Student Planning Portal and Electronic Transcript System Operation and Maintenance Contractor

Mr. Eduardo Brambila, Managing Director, Community Services, stated that the agenda item being brought to the Commission today is to approve a contract for student portal and transcript services. He stated that last fall the Commission was provided a demonstration of the What’s Next Illinois student portal. He explained that the portal, which is accessed via the Internet, allows students to track their academic aspirations and career exploration. The portal allows them to complete their college admission applications online and allows the high school to submit the student’s electronic transcripts directly to the colleges and universities.

Mr. Brambila stated that this past year around 300,000 accounts have been created on the What’s Next Illinois portal with about 175,000 of them coming directly from the Chicago Public Schools. He indicated that of the 300,000 accounts, 80 percent of these are high school students while 20 percent are nontraditional students such as adults returning to school or veterans.

Mr. Brambila indicated that the College Illinois! Corps members (previously known as ISACorps) use the What’s Next Illinois portal to interact with students for their one-on-one mentoring and have found it useful in maintaining their relationships with the students.

Mr. Brambila stated that since ISAC is using the electronic transcript service, we will be working closely with the Illinois State Board of Education to provide data for their longitudinal data system.

Responding to Ms. Alpi, Ms. Lee stated that staff is still in negotiation on the cost of the product but the aggregate price over the term that the Commission is being asked to approve will not go over \$7 million for the five-year term. Mr. Davis stated that ISAC will be partnering with the Chicago Public Schools in cost-sharing since they are a major user of the What’s Next Illinois portal and it is hoped to have a similar arrangement with the Illinois State Board of Education on the transcript tool.

Chairman McNeil stated that an attachment to the agenda item was distributed to the Commissioners today which identifies XAP Corporation as being responsible for online student planning portal operation and maintenance and transition services and Docufide, Inc. as being responsible for electronic transcript and data exchange operation and maintenance.

Mr. Brambila gave a brief overview of the two organizations. Responding to Ms. Alpi, Mr. Brambila indicated that the programs are very easy to understand for students as it was written at a 7th grade level and actually targets students starting from the 8th grade.

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

“BE IT RESOLVED, that conditioned upon any approvals required by other State of Illinois authorities as provided by law, the Illinois Student Assistance Commission (ISAC) authorizes the Executive Director or Chairman to execute and deliver an agreement with one or more of the vendors identified in Exhibit A: XAP Corporation and Docufide, Inc., to provide Online Student Planning Portal and Electronic Transcript System Operation and Maintenance services to ISAC on terms and conditions that the Executive Director or Chairman deem in the best interests of ISAC; provided, however, in no event shall the term of any agreement with the vendor exceed five (5) years including renewals and extensions and the fees payable under any and all agreements in the aggregate shall not exceed \$7,000,000.00, and;

“BE IT FURTHER RESOLVED that, subject to the limitations set forth in the paragraph above, the Chairman or Executive Director are, and each of them is, hereby authorized to do or perform all such acts and to execute all such documents and other instruments as they or any of them deem necessary, convenient or desirable to consummate the transactions contemplated by this Resolution and all of the acts and doings of the Chairman and Executive Director which are in conformity with the intent and purposes of this Resolution, whether heretofore or hereafter taken or done, shall be and are hereby approved, confirmed and ratified.”

Dr. Andre seconded the motion, which was approved unanimously.

Item 7. Certain Rules Amendments

Ms. Lee distributed to the Commission members replacement agenda items, noting that while the item in the agenda book requested approval of amendments to the existing rules, the replacement item reflects that the action staff is requesting is actually to repeal the older rules and adopt a new set of FOIA rules. The new rules, which are included in the printed agenda book, are necessary due to the significant number of changes contained in the recent amendments to the FOIA Act, and the desire expressed by the Illinois Attorney General and other State agencies to have a more uniform standard for FOIA requests. The item distributed today contains the actual language with respect to the notice of repeal to take out what is currently in place, and to replace them with the new rules as printed in the agenda book.

Responding to Mr. Wilson, Ms. Lee stated that this is being done to promote transparency in the actions of government and governmental entities, such as ISAC, and to give the public a way of accessing information about their tax-supported activities of government. Ms. Lee then reviewed for the Commission the most significant changes that are being made to the rules.

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

“BE IT RESOLVED that the Commission approves the repeal of the existing version of the Illinois Student Assistance Commission’s rules on Information Requests (“FOIA Rules”) as set forth in the Notice of Adopted Repealer attached hereto, and adopt completely revised FOIA Rules, in the form also attached to this Resolution.”

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

Chairman McNeil announced that there would be a ten minute break, and acknowledged Mr. Wilson's departure from the meeting. The meeting then resumed at 10:49 a.m.

Item 8. Rehabilitation Loan Purchase Agreement – East West Bank

Ms. Lee opened the informational agenda item noting that under a signature authority resolution which the Commission adopted at its January 2009 meeting, the Commission delegated authority to the Chairman or the Executive Director to execute and deliver any and all agreements, instruments, certificates, or other documents and do all things necessary to effectuate loan purchases and sales without prior approval by the Commission if two conditions were met: the principal amount of the loans sold or purchased in any single transaction does not exceed 10 percent of the value of the outstanding principal amount of the Commission's entire loan portfolio on a transaction date, and that the transaction does not in the aggregate exceed 15 percent of the value of the principal amount of the entire portfolio in any given 12-month period. She stated that the agreement in this agenda item does not meet the required threshold, but given that the Commission had discussed the rehabilitation loan sale in a previous meeting staff felt that the Commission should be made aware of the agreement.

Ms. Nandhan stated that ISAC has executed a Federal Rehabilitation Loans Lender Participation Agreement with East West Bank, who has offered ISAC the ability to sell the defaulted loans at a better rate than currently offered by SunTrust Bank. She estimates that ISAC will sell less than \$18 million a year gross to East West Bank. Ms. Nandhan briefly summarized the terms of the rehabilitation loan program, noting that ISAC retains approximately 30-33 percent if the loan is sold at par value. Ms. Nandhan stated that this is a significant source of income for the agency and due to the state of the economy the number of defaulted loans will continue to grow.

Item 9. Notice of Execution and Delivery of Contracts Exceeding \$1 Million

Ms. Lee reminded the Commission that while staff is authorized to enter into and execute contracts up to \$5 million without prior approval of the Commission, they are required to notify the Commission should they enter into any contract that is \$1 million or more.

Ms. Lee indicated that as outlined in the agenda book, three contracts have been executed for defaulted loan collection services on behalf of ISAC's guarantor operations.

Item 10. College Illinois! 529 Prepaid Tuition Program Investment Performance Report as of June 30, 2010

Mr. Bello noted that Commissioners have received the investment performance report as June 30, 2010 under separate cover. He reported that the program's assets of \$986 million invested is a decrease of \$19.66 million from the previous quarter. He stated that May and June were difficult months in the investment markets, however since the ending date of that report the fund has rebounded, and for the entire year, the program was still able to return 10.3 percent, outperforming the policy benchmark. He then gave the Commission a brief overview of the fund's asset allocations.

Item 11. Development of a Student Tracking Database for Program Evaluation

Ms. Kleemann provided the Commission a demonstration of a student tracking database that is being designed to evaluate program's, such as the Monetary Award Program (MAP), effectiveness. She indicated that there is a national focus to track students from kindergarten through post-secondary

education and Illinois is in the process of developing a longitudinal data system (LDS), but unfortunately it is several years from completion.

In order for ISAC to better evaluate the programs that are administered by ISAC, staff is developing a tracking system using information from the State of Illinois' LDS, the Illinois State Board of Education (ISBE), the National Center for Education Statistics (NCES) and ISAC's internal system HSSP/ACT. This tracking system will be able to track ISAC outreach interventions, grade to grade enrollment attrition, high school graduation rates, FASFA completion rates, and some college continuation rates.

She stated that by combining these data sets, cohorts of students can be tracked grade by grade from 9th grade to 12th grade. In 11th grade we can establish unit record data using the HSSP/ACT database. In 12th grade, we match to another unit record data source, the FAFSA database. We can track all MAP recipients individually as they use up their 135 MAP paid credit hour allotments. As non-MAP recipients progress through college, we can track those that fill out FAFSAs as they move through public or private colleges. We can establish college graduation rates by income level, MAP/non-MAP recipient status, generation status, ACT score, or high school/ postsecondary school and/or postsecondary school sector. While the performance variables will not be a perfect match to statewide numbers from a unit record data system, any change seen in these variables will be a good indication of changes in performance of the system overall.

Dr. Andre commended staff on the development of the tracking system and indicated that school districts are not able to afford to track students and finds this product will be beneficial to them as well.

After discussion on the demonstration provided to the Commissioner, Chairman McNeil asked for a motion to adjourn.

Ms. Alpi **MOVED THAT** the September 24, 2010 meeting of the Commission be adjourned. Dr. Andre seconded the motion, which was approved unanimously. The meeting adjourned at 11:33.

Respectfully submitted,



Debora A. Calcara
Secretary to the Commission

**MINUTES OF A SPECIAL MEETING
OF THE
ILLINOIS STUDENT ASSISTANCE COMMISSION**

October 18, 2010

Videoconference Locations

**James R. Thompson Center
100 W. Randolph St.
Room 6-275
Chicago, Illinois**

**Southern Illinois University
Office of Educational Outreach
Founders Hall, Room 0301
Edwardsville, Illinois**

COMMISSIONERS PRESENT: Donald J. McNeil, Chair
Dr. Lynda Andre
Hugh Van Voorst
Johnathan Wilson

COMMISSIONERS ABSENT: Sharon Alpi
Sean Dauber
Dr. Mary Ann Louderback

STAFF PRESENT: Andrew Davis, Executive Director
Kim Lee, General Counsel
Debora Calcara, Commission Secretary

PUBLIC ATTENDANCE: Jerry Wallack, Kutak Rock LLP
Kamille Curylo, Kutak Rock, LLP

Item 1. Announcements

On behalf of Chairman McNeil, General Counsel Kim Lee stated that the meeting is being held via interactive videoconference simultaneously from the James R. Thompson Center in Chicago and the Southern Illinois University at Edwardsville and that proper public notification has been given and both locations are accessible to the public, in compliance with the Commission's rules and the Illinois Open Meetings Act. She stated that the presence of a quorum is determined by including Commissioners present at both locations. Chairman McNeil then asked that a roll call be taken of the two locations, which established that a quorum was present. He called the meeting to order at 11:06 a.m. Mr. Davis apologized to the Commission members for having to call the emergency meeting and thanked them for their time.

Item 2. Executive Session

Chairman McNeil stated that while the Illinois Open Meetings Act generally requires that public bodies conduct their business at meetings that are open to the public, the Act also provides various exceptions for matters to be discussed in a closed session. For the Executive Session this morning, he indicated, there is one applicable exception under subsection 2(c) of the Open Meetings Act: under exception number "7"...the closed session will concern the sale or purchase of securities, investments or investment contracts.

Mr. Van Voorst **MOVED THAT** the Commission adjourn into Executive Session. Mr. Wilson seconded the motion. After a roll call vote approving the motion, the Commission adjourned into closed session at 11:11 a.m.

The Commission returned into open session at 11:19 a.m.

Item 3. Amendment to Resolution Authorizing the Issuance of Student Loan Asset-Backed Notes, Series 2010-1 (LIBOR Floating Rate Notes) of the Illinois Student Assistance Commission and Related Matters

Mr. Wilson **MOVED THAT** the Commission adopt the Resolution as printed in the agenda book authorizing the issuance of not to exceed \$710,000,000 aggregate principal amount of Student Loan Asset Backed Notes, Series 2010-1.

Mr. Van Voorst seconded the motion, which was approved unanimously.

Prior to adjourning the meeting, Mr. Davis informed the Commission that as of the close of the prior business day, the College Illinois! 529 Prepaid Tuition Investment Fund is at its all time high of \$1,056,876,000.

Mr. Van Voorst **MOVED THAT** the October 18, 2010 meeting of the Commission be adjourned. Mr. Wilson seconded the motion which was approved unanimously. The meeting adjourned at 11:22 a.m.

Respectfully submitted,



Debora A. Calcara
Secretary to the Commission