AGENDA ITEM 2.

MINUTES OF THE JANUARY 27, 2012 MEETING

MINUTES OF A JOINT MEETING OF THE
ILLINOIS STUDENT ASSISTANCE COMMISSION
AND THE INVESTMENT ADVISORY PANEL

January 27, 2012

Loyola University
111 E. Pearson Street
Chicago, Illinois

COMMISSIONERS PRESENT:
Kym Hubbard, Chair
Miguel del Valle
Mark Donovan
Kendall Griffin
Kevin Huber
Verett Mims
Paul Roberts
Kim Savage

INVESTMENT ADVISORY PANEL MEMBERS PRESENT:
Louis Paster
Karen Kissel
Patrick Rea
Joy Wintefield
Paul Hagy
Jeanna Cullins

STAFF PRESENT:
John Sinsheimer, Interim Executive Director
Brian Begrowicz, Deputy Chief Financial Officer
Debora Calcara, Commission Secretary
Ramnath Cidambi, Managing Director, Information Services
Carol Cook Director, Program Services and Compliance
Kent Custer, Chief Investment Officer
Wendy Funk, Director, Accounting
Anita Geter, Director, Internal Audit
Christopher Gorman,
Katharine Gricevich, Director, Government Relations
Jacqueline Moreno, Managing Director, Outreach
Shoba Nandhan, Chief Financial Officer
Nicholas O'Keefe, Deputy General Counsel
Annie Pike, General Counsel
Karen Salas, Deputy General Counsel
John Samuels, Chief Marketing and Communications Officer

PUBLIC ATTENDANCE:
Ryan Ball, Callan Associates, Inc.
Leigh Brinson, Robert Morris University
Deb Brodzinski, Robert Morris University
Mary Patricia Burns, Burke Burns & Pinelli
Paul Frank, Federation of Independent Colleges and Universities
Sarah Labadie, Women Employed
Brianne Weymouth, Callan Associates, Inc.

Item 1. Announcements

Chair Hubbard brought the Illinois Student Assistance Commission's January 27, 2012 meeting at Loyola University to order at 1:07 p.m. and announced that the meeting was a joint meeting of the Illinois Student Assistance Commission and its Investment Advisory Panel as required by statute. She then asked for a roll call to be taken of the Commission and the Investment Advisory Panel members, which established a quorum was present for both. Chair Hubbard welcomed the new Commission member, Mr. Kevin Huber who is currently the Executive Director of the Chicago Public School Pension Board. She then recognized Mr. Roberts.

Mr. Roberts, Associate Provost of Enrollment Management at Loyola University-Chicago, introduced Loyola University Provost, Dr. John Pelissero.

On behalf of Loyola University Chicago President Michael Garanzini, Dr. Pelissero welcomed the Commission and expressed the university's gratitude for the important work the Commission does on behalf of Illinois college students. He stated that the continuing funding for the Monetary Award Program (MAP) is extremely important to their students and critical to the future of all higher education in Illinois. He stated that currently over 2,600 students enrolled at Loyola University receive MAP grants and that Loyola is committed to helping students with financial need. This year alone, they have provided more than $120 million in institutional aide to support students, with over 85 percent of those students qualifying for need-based aid. He also stated that 25 percent of Loyola undergraduate students receive MAP and have an average adjusted gross income of less than $39,000 a year. Loyola MAP recipients have incoming average ACT scores of over 26 and their average Loyola GPA is over 3.0. He indicated that about 50 percent of MAP recipients at Loyola are from racial and ethnic minority backgrounds and 40 percent are first-generation college students. Dr. Pelissero stated that finding ways to ensure students complete their degree without burdening them with a lifetime of debt is the challenge in front of all of us.

Before continuing with the agenda, Chair Hubbard took the opportunity to introduce the members of the Investment Advisory Panel:

Louis Paster - nominated by the State Treasurer's office
Karen Kissel - nominated by the Illinois Board of Higher Education
Patrick Rea – nominated by the State Comptroller's office
Joy Winterfield – nominated by ISAC
Jeanna Cullins – nominated by ISAC

And Mr. Paul Hagy – nominated by ISAC, who later joined the meeting in progress.

Item 2. Minutes of the November 18, 2011 Meeting

Ms. Savage **MOVED THAT** the minutes of the November 18, 2011 meeting be approved as submitted. Ms. Mims seconded the motion, which was approved unanimously.

Item 3. Executive Director's Report

Mr. Sinsheimer updated the Commission on the status of the Voluntary Flexible Agreement (VFA) Proposal that the agency submitted to the Department of Education noting that the consortium proposal of which ISAC was a part, has been withdrawn, but the ISAC-specific VFA Proposal remains under consideration.

Mr. Sinsheimer also updated the Commission on the status of Request For Proposal (RFP) for servicing the private loan portfolio.

Mr. Sinsheimer noted that as the Commission members are probably aware, the G8 and NATO conference will be held in Chicago in the month of May. He informed the Commission that employees whose work location is at the James R. Thompson Center will be given the option to work from the Deerfield facility or if necessary from home during the dates of the conference to ensure employees' safety.

Continuing, Mr. Sinsheimer announced that members of the DREAM Fund Commission will be appointed shortly by the Governor and as written in the statute for the DREAM Fund Commission, ISAC will serve as a provider of back-office support until it is up and running. Mr. Sinsheimer clarified for Mr. del Valle that ISAC will provide whatever assistance is needed to the DREAM Fund Commission, but funds for the DREAM Fund will not be deposited with ISAC. He indicated that it would be his assumption that once the DREAM Fund is fully established they would want to hire their own staff and would seek a trailer bill separating them from ISAC.

Chair Hubbard asked that the Commission be kept abreast as establishment of the DREAM Fund Commission progresses.

Mr. Sinsheimer noted that as required by statute each January, a letter has been sent to the Governor stating that there are sufficient funds for fiscal year 2013 to meet the contractual obligations for the College Illinois! Prepaid Tuition Program.

Item 4. FY 2012 Internal Audit Plan Revision

Ms. Geter reminded the Commission that the FY 2012 Audit Plan was approved by the Commission in July 2011 which included a review of IT database and application controls. She is now requesting the Commission amend the FY 2012 Internal Audit Plan by replacing the review of the IT data base and application controls with an IT risk assessment. She indicated that the IT risk assessment will involve looking at current IT policy, procedures and processes in order to identify possible control weaknesses. She stated that this IT risk assessment will provide a roadmap of areas where internal audit should focus over the next several years.

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

> **"BE IT RESOLVED** that the Commission approves the revision to the approved FY 12 Internal Audit Plan to replace "IT Database & Application Controls" with "IT Risk Assessment".

Ms. Savage seconded the motion, which was approved unanimously.

Item 5. Proposed Rules, Emergency Rules and Amendments

Ms. Cook provided the Commission with a brief background of the rules and rulemaking process. She then indicated that highlights of the proposed rules and the full text of the rules and amendments are provided in the agenda book. She indicated staff is recommending proposed amendment changes to six parts: the military programs, the Illinois National Guard Grant Program and the Illinois Veteran Grant Program; the Grant Program for dependents of correctional officers; the Grant Program for dependents of policy or fire officers; and the Illinois Prepaid Tuition Program. In addition, she indicated new rules have been promulgated for the College Planning Act which was passed by the legislature last spring and signed into law this past summer. And finally, the Monetary Award Program emergency rules have been

prepared for the Federal John R. Justice Student Loan Repayment Program, for which the Governor's office has designated ISAC as the agency to administer the program.

Item 6. Characteristics of Monetary Award Program (MAP) Recipients

Ms. Kleemann briefly highlighted the report on MAP recipients she provided to the Commission in the agenda book. She identified the one characteristic common to MAP recipients as a low family income with an average dependent recipient family income of about $31,000 and an $18,000 average family income for independent recipients.

Ms. Kleemann stated that a typical MAP recipient is a white, female, dependent student from a Chicago collar county. She stated that 60 percent are female, 55 percent are dependent students, 47 percent are white and 41 percent reside in the collar counties of Chicago.

Additionally, she stated that the average ACT score of a MAP recipient is 20 with the statewide average score is 21. Research shows that MAP recipients graduate at the same rate as other students from similar schools.

Responding to Mr. del Valle, Ms. Kleemann stated she would provide to the Commission the graduation rates for the community colleges.

Chair Hubbard stated that MAP continues to be a very important part of what the Commission does and the extent of data which staff provides to the Commission is helpful. Chair Hubbard stated that the Governor is interested in how successful the MAP program is and how it can be expanded, so she is encouraged when she hears from universities, such as the remarks given by Provost Pelissero this morning about Loyola's MAP recipients.

Mr. Donovan inquired if all the appropriated funds have been received for the second half for MAP. Ms. Kleemann stated that an extra $33.5 million was received in addition to the $387 million which was initially appropriated.

Ms. Kleemann stated that although MAP is emphasized as a means of providing access to higher education, there are not enough funds to cover the cost of an education. Students who don't complete are now leaving college with large student loans. It is very important that students not only enter college, but complete their programs. Research staff are working on collecting graduation data. She stated that they have data on public institutions but not for the private institutions or for-profit institutions. She indicated that this will change when schools participate in the Longitudinal Data System (LDS), hopefully by June of this year.

Item 7. FY 2013 Monetary Award Program (MAP) Start-Up Formula

Ms. Kleemann stated that at this time each year staff brings to the Commission this agenda item establishing the formula which determines MAP eligibility for the next year in order to accurately forecast the demand for MAP, and so that schools can begin to prepare their student's financial aid packages. She stated this eligibility is determined by both the cost of college and the students' resources. She indicated they must know how much students are eligible to receive in order to monitor when the appropriated funds have been exhausted.

Ms. Kleemann stated that when the governor has determined the appropriation for MAP, staff will return to the Commission in June with an agenda item to recompute the formula based on the actual

appropriated amount. She indicated that it is best to be conservative with the start-up formula as it is best to underestimate what a student will receive in aid rather than overestimate awards.

Ms. Kleemann explained to the Commission the college costs associated with the formula and how the actual award to the student is determined. She noted that the Illinois Association of Student Financial Aid Administrators (ILASFAA) Formula Committee, which is made up of financial aid professionals from all school sectors, agreed to a five percent reduction factor to the maximum award in order to extend the processing of awards longer, thereby allowing more students to receive aid.

Responding to Mr. Roberts, Ms. Kleemann feels that they will be suspending applications in March. If extra funds are available, suspended applications will be released until those funds are exhausted.

Mr. Donovan **MOVED THAT** the Commission approve the formula summarized in Table 3 on page 7-5 of the agenda book as the FY2013 MAP start-up formula. It is identical to the formula used in FY 2012 and reduces awards by five percent for an effective maximum award of $4,720.

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

Item 8. FY 2013 Appropriation Budget Request

Ms. Nandhan stated that the agenda item before the Commission is the Fiscal Year 2013 appropriation budget request for the agency. She indicated this budget is submitted to the Illinois Board of Higher Education (IBHE) which then submits it to the General Assembly.

Ms. Nandhan indicated that a request is being made for an increase of $50 million for the MAP appropriation over what was appropriated for FY 12, for a total of $436 million. Responding to Mr. del Valle, Ms. Nandhan stated that the agency has not received appropriated funds to cover administrative costs for the agency since 2003. Staff estimates that the state has saved roughly $50 million by not appropriating administrative costs and with the unmet need for MAP awards, it is felt that requesting an increase in the MAP appropriation to benefit students is reasonable. Chair Hubbard and Mr. del Valle agreed and felt it important that the General Assembly know what the actual need is for the MAP, even broken down by legislative district.

Item 9. 2012 Commission Determination Related to Student Loan Revenue Bonds, Series 2009 (State Guaranteed)

Introducing the agenda item, Mr. Sinsheimer briefly explained to the Commission the process of a defaulted student loan when ISAC is the guarantor of that loan and that ISAC works with borrowers who have defaulted to be able to put their loans into rehabilitation. He explained that rehabilitation is when the borrower makes nine consecutive on-time monthly payments, which allows the loan to be sold to a lending institution and the borrower's adverse credit rating to be expunged. He stated that in 2008 with the collapse of the financial markets, the normal purchaser of the defaulted student loans for ISAC stopped buying the loans and the market for buying these loans essentially also ceased, leaving no where for ISAC to sell the loans. He stated that in order to address the crisis, ISAC approached the General Assembly for a full guarantee of a $50 million bond issue which would be used to have ISAC's lending division, the Illinois Designated Account Purchase Program (IDAPP) buy the loans. The General Assembly agreed to this and a bond issue was completed in 2009.

He stated that since that date, ISAC has successfully rehabilitated 3,800 Illinois student loans, and staff continue each day to work with more defaulted borrowers to rehabilitate their loans.

Mr. Sinsheimer stated that as a part of the bond issue, it was required that the Commission certify annually that funds are on deposit in a Debt Service Reserve Fund to pay for all interest due on the bonds during the fiscal year. Mr. Sinsheimer verified for the Commission that funds are available to make the interest and principal payments as they come due in July of 2012 and he expects to have on hand funds to make the principal and interest payments on June 30th of 2013.

Mr. Sinsheimer indicated that staff will work over the next year to attempt to sell the underlying student loans to a new lender so that the bonds can retire in due course. He noted that they are due in 2014 and will not be seeking a guarantee from the State at that point in time.

Responding to Chair Hubbard, Mr. Sinsheimer stated that he anticipates the value of the remaining portfolio of student loans will increase as servicers of student loans will be looking for more loans to build their platform since the FFELP loans are winding down. He stated that when the time comes for the loans to be sold, they will evaluate the value of the loan and bring this back to the Commission for approval to sell.

Chair Hubbard asked Mary Patricia Burns, outside legal counsel for ISAC, to give her thoughts on the issue. Ms. Burns stated that since the certification is due to the Governor by January 2013, she recommended staff begin to work on a plan of action within the next 11 months. Mr. Sinsheimer confirmed for Chair Hubbard that the loans could be sold early, even March or April, and actually would be fiscally sound to sell them early given the current earnings.

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

"**BE IT RESOLVED**, that the "Commission Determination Required by Section 6.10 of the Indenture of Trust Relating to the Commission's Student Loan Revenue Bonds, Series 2009 (State Guaranteed)" attached hereto as **Exhibit A** (the "**2012 Commission Determination**") evidences the Illinois Student Assistance Commission (the "**Commission**") determinations for Fiscal Year 2012 and Fiscal Year 2013 as required by Section 6.10 of the Indenture."

"**BE IT FURTHER RESOLVED** that the Commission authorizes the Chairman to execute and deliver the 2012 Commission Determination on behalf of the Commission."

Ms. Savage seconded the motion, which was approved unanimously.

Item 10. What's Next Illinois Presentation

Mr. Abel Montoya, Director of Outreach Operations, provided the Commission with an online demonstration of the What's Next Illinois website. He stated that since its launch in August of 2009, the site has had 400,000 accounts created, of which 260,000 were created by high school students.

Responding to Mr. Griffin regarding how this website is being used in the high schools, Mr. Montoya stated that this website is used in homeroom classes, senior seminars and after school programs.

Item 11. Revision of April 2011 Resolution of the Commission

Ms. Pike informed the Commission that in accordance with the Statute which created the Prepaid Tuition Program, the Investment Advisory Panel is required to meet in public one time per year in conjunction with a full meeting of the Commission. She stated that the previous members of the Commission passed a resolution in April of 2011 requiring the Investment Advisory Panel to have that joint meeting in November of 2011, but due to the change in members of the Investment Advisory Panel

and the Commission members that meeting did not happen. She is therefore asking for that resolution to be amended to allow the Chairman to designate the time of that joint meeting.

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

"BE IT RESOLVED that the Commission revise the April 2011 resolution to provide that the Investment Policy be revised to allow the Chairman to designate on an annual basis the time and place for the annual public meeting between the Commission and the Investment Advisory Panel".

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

Item 12. Appointment of Investment Committee Member

Chair Hubbard noted that at a previous meeting an Audit Committee and an Investment Committee was established, with members of the Commission agreeing to be on those Committees. She stated that the Investment Committee is comprised of only two members, Ms. Mims and Mr. Donovan. She stated that because the new Commission member Mr. Huber is a financial expert and a prepaid tuition program contract holder, she has asked if he would serve on the Investment Committee and he has agreed.

Mr. Griffin **SO MOVED** that Mr. Huber be appointed to serve on the Investment Committee of the Illinois Student Assistance Commission. Mr. Donovan seconded the motion, which was approved unanimously.

Item 13. College Illinois!® Prepaid Tuition Program Update

Opening the agenda item, Mr. Sinsheimer outlined for the Commission the process that takes place when a prepaid tuition contract is sold and how funds are distributed to a school when that contract holder begins college. He stated that in the last 10 years four-year tuition at the public universities in the State of Illinois has increased on average, about 9.3 to 9.4 percent per year, which is the highest in the country. He stated that the increase in tuition has increased for several reasons including operating costs, inflation, as well as the Truth in Tuition statute that was passed by the General Assembly. He explained that the Truth in Tuition freezes an incoming freshman's tuition for their next five years that they attend that school and indicated that Illinois schools' tuition costs are two to three percent higher than the national average for the same period of time.

Mr. Sinsheimer stated that the Prepaid Tuition Program portfolio is currently at a 70 percent funded ratio. He informed the Commission that the prior members of the Commission took two actions in reaction to this deficit. First, they attached a premium to the contract price to try to make up some of the shortfall from the past years and second, the prior Commission members approved a shift in the portfolio into alternative investments in an attempt to generate higher returns with lower volatility. As the Commission is aware, these actions have come to the attention of the media, members of the General Assembly and contract holders with requests for refunds continuing to be higher than normal. He stated that due to this uncertainty in the program, as members are aware, Contract sales are under a temporary halt.

He stated that staff has heavily researched other prepaid tuition programs throughout the country in search of a solution to the current status of the Prepaid Tuition Program. He stated that depending on the performance of the portfolio and other actuarial assumptions, there are sufficient funds to honor all contracts though 2020 to 2022. He stated that they want the program to continue and know that changes

are needed to make it successful, that there are policy and programmatic issues that need to be addressed, but they are not insurmountable.

Mr. Sinsheimer stated that it is staff's belief that the existing program should be mended rather than ended as some have suggested; he believes that making college affordable is critical to the citizens of Illinois and the Prepaid Tuition Program is one of the tools to help make it affordable. He stated that changes need to be made to make it attractive to new contract holders and a marketing program created to sell a minimum 2,500 to 3,000 new contracts each year, and if this is done, the program will become financially stable both now and 50 years ahead.

Mr. Sinsheimer recommended the formation of an executive panel to focus exclusively on mending the program, to evaluate, study, support and recommend solutions. He suggested panel members represent members of constituencies such as this Commission, staff of ISAC, the General Assembly, representatives from four-year universities and community colleges, as well as contract holders themselves.

Mr. Sinsheimer indicated staff is committed to put the program back on the right track to be successful. Specifics about the panel will be presented to the Commission at a future meeting.

Chair Hubbard commended staff on the time and effort that they have put into this recommendation. She stated that she, along with the Governor's office and members of the legislature, all believe the solution and the recommendation before the Commission today to mend the program is the thing to do and look forward to the recommendations.

Mr. del Valle asked when they expect to have a recommendation for the Prepaid Tuition Program. Chair Hubbard recommended the panel members be identified quickly, hopefully within the next 30 days. She stated that the actuarial report indicates that if there are 2,500 to 3,000 new contracts the program can go from the 70 percent funded ratio to 88 percent and then eventually to 100 percent funded. She stated that the program is still experiencing cancellations, but there is no evidence that those cancellations are all attributable to the issues surrounding the program or even if it is the current state of the economy. She indicated that they will continue to increase transparency and the credibility of the program in order to regain trust of current and future contract holders.

As a contract holder himself, Mr. del Valle was pleased to hear the recommendation to mend the program and that it should be known that the College Illinois! Prepaid Tuition Program is alive and doing well and contract holders are safe.

Chair Hubbard appreciated Mr. del Valle's comments and stated that staff will need to consider ways to keep the current contract holders, as well as the residents of Illinois, abreast of what is happening with the program going forward. She asked the communications staff to develop a strategy to let the public know where the program stands during the transition of developing the panel.

Responding to Mr. Griffin's concern if the proposed 2,500 to 3,000 new contracts per year are attainable, Mr. Sinsheimer stated that since at the beginning of the program an average of 5,000 contracts were sold per year, the obstacle is to find a way to make the program available to more of Illinois residents than it currently does.

Mr. Huber commended the recommendation to continue the program and stated he has a personal interest in the success of the program as he is a contract holder for his nine year old daughter. He is concerned about the cost of the program and was interested in how the high cost of the program occurred. Mr. Huber is hopeful the executive panel will be able to address the issue of the high cost of the program

and feels that legislation should be introduced to guarantee the program and that even if it doesn't pass in the legislature the Commission should still fight for the guarantee. He stated that if the program receives the State of Illinois guarantee, this will solidify to contract holders that they should invest in the program.

Mr. Sinsheimer stated that receiving the State guarantee will be part of the solution, but it does not solve the problem of the high cost of the contracts.

Mr. Huber stated that while he appreciates the executive panel, he feels that the program should not be paying the full price of tuition at the state universities and asked if there have been negotiations with the universities for a reduced cost of tuition for contract holders.

Addressing Mr. Huber's concern regarding the rise in the cost of a contract, Mr. Sinsheimer stated that there are a number of components that go into the pricing which was set by the previous Commission.

Chair Hubbard clarified that the panel will not be charged with evaluating the program, which has already been done by staff, but the panel will focus on mending the program and addressing questions like the ones Mr. Huber has asked, for example, why does the program pay the full cost of tuition. She stated that with the fiscal condition of the State of Illinois, they will be looking at other options to mend the program and not rely solely on the State guarantee. Chair Hubbard clarified for Mr. Huber that it has not been decided to not seek legislation to guarantee the program; that option is still on the table but other options should be in place should the full faith and credit guarantee of the State of Illinois not happen.

Mr. Huber reiterated to the Chair and the staff that he does not see the harm that while the executive panel is being formed they should proceed with seeking the state guarantee rather than wait for another legislative cycle to pass without doing so.

Mr. Sinsheimer stated that there are things that can be done to mend the program without going through the state guarantee and that it is best not to piecemeal solutions as that is not the way to mend the program. He stated the pricing of the contracts must be evaluated and adjusted in order to make the program work. He stated that they must work within the statute which the program was designed under, the master agreement the contracts work under, there are many issues that need to be evaluated in finding the solution to mend the program.

Chair Hubbard stated that there is no action required at this time and suggested members take the opportunity to meet with staff directly to discuss if needed.

Item 14. College Illinois!® Prepaid Tuition Program Investment Advisor Selection

Mr. Custer introduced himself as the new Chief Investment Officer and gave a brief overview of his background.

Continuing, Mr. Custer informed the Commission that the five year contract for the new Investment Advisor has been completed with the new Advisor being Callan Associates. He introduced Mr. Ryan Ball and Brianna Weymouth who will be working on the Prepaid Tuition Program portfolio.

Item 15. College Illinois!® Prepaid Tuition Program Investment Performance Report as of December 2011

Mr. Custer provided the Commission a brief overview of the Investment Performance Report they were provided with the agenda book.

Mr. Huber asked Mr. Custer for one word that would describe his opinion of the portfolio. Mr. Custer stated "outperformance". Clarifying, at the request of Mr. Donovan, Mr. Custer said the portfolio outperformed its benchmark, even with the simple benchmark of a 60/40 split between stocks and bonds it outperformed and although the alternatives were higher than normal, they provided a very beneficial return versus risk.

Responding to Mr. Huber, Chair Hubbard stated that legislation was introduced, and she doesn't anticipate that it will move without further conversation, to have the College Illinois!® Prepaid Tuition Program portfolio under the Public Funds Act. She stated that the Public Funds Act says that the investments in the portfolio would be limited to, basically, short-term money market products, CDs, securities, Treasury bills, bank-type deposits, as an example. She stated that given the current interest rate environment she is adamantly against the legislation, as the program could not survive if it were only earning money market type of rates. Ms. Burns provided to the Commission and Investment Advisory Panel members copies of the proposed legislation and the proposed changes to the Public Finance Act.

Item 16. Delegation of Approval of College Illinois!® Prepaid Tuition Program Passive Domestic Equity Investment Manager Selection to the Investment Committee

Mr. Custer indicated that due to the short timeframe associated with the approval of the domestic equity passive managers, he is suggesting that this approval be given to the Investment Committee and ratified by the Commission at its next meeting.

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

"**BE IT RESOLVED** that due to exigent circumstances, the Commission makes a one time delegation of authority to the Investment Committee for the limited purpose of approving the selection of the Passive Domestic Equity Investment Manager. The Investment Committee shall move for ratification of its decision at the next Commission meeting. The approval action must be conducted in a public open meeting".

Ms. Savage seconded the motion, which was approved unanimously.

Item 17. Executive Session

Chair Hubbard stated that while the 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 today, there is an applicable exception under subsection 2(c)1, 2(c)11 and 2(c)28 of the Open Meetings Act:

1) Under exception "1" of subsection 2(c)…the closed session will concern the appointment, employment, compensation, discipline, performance, or dismissal of specific employees of the public body;

2) Under exception "11" of subsection 2(c)…Litigation, when an action against, affecting or on behalf of the particular body has been filed and is pending before a court to administrative tribunal, or when the public body finds that an action is probable or imminent.

3) Under exception "28" of subsection 2(c)…Meetings between internal or external auditors and governmental audit committees, finance committees, and their equivalents, when the discussion involves internal control weaknesses, identification of potential fraud risk areas, known or suspected frauds, and fraud interviews conducted in accordance with generally accepted auditing standards of the United States of America.

Mr. Griffin **MOVED THAT** the Commission adjourn into Executive Session. Ms. Savage seconded the motion. After a roll call vote approving the motion, the Commission adjourned into closed session at 3:10 p.m.

The Commission returned into open session at 4:03 p.m.

Chair Hubbard asked for a motion to direct the Chair of the Commission to convey an offer to the candidate for Executive Director position and to negotiate an employment agreement on such terms as discussed in the closed session. Ms. Savage **SO MOVED** and Mr. Griffin seconded the motion, which was approved unanimously.

Mr. del Valle **MOVED THAT** that the January 27, 2012 meeting of the Commission adjourn. Mr. Donovan seconded the motion, which was approved unanimously. The meeting adjourned at 4:05 p.m.

Respectfully submitted,

Debora A. Calcara

Debora A. Calcara
Secretary to the Commission