

**AGENDA ITEM 3.**

**APPROVAL OF MINUTES OF THE OCTOBER 15, 2015 MEETING**

**Submitted for:** Action

**Summary:** This report includes the detailed minutes of the meeting held on October 15, 2015.

**Action requested:** That the Commission approve the minutes of the October 15, 2015 meeting.

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

**Michael A. Bilandic Building**  
**Room N-502**  
**160 N. LaSalle St.**  
**Chicago, IL**

**October 15, 2015**

**11:30 a.m.**

**COMMISSIONERS PRESENT:** Miguel del Valle, Vice Chair  
Selamawi Asgedom  
Kendall Griffin, Audit Committee Member  
Kevin Huber, Investment Committee Member  
Verett Mims, Investment Committee Member  
Paul Roberts, Audit Committee Member  
Kim Savage, Audit Committee Member

**COMMISSIONERS ABSENT:** Mark Donovan, Investment Committee Member

**STAFF PRESENT:** Eric Zarnikow, Executive Director  
Lynne Baker, Managing Director, Communications  
Carol Cook, Director, Program Services and Compliance  
Kent Custer, Chief Investment Officer  
Kishor Desai, Director, Internal Audit  
Wendy Funk, Director, Accounting  
Katharine Gricevich, Director, Government Relations  
Sandra Houston, Director, College Illinois!<sup>®</sup> Prepaid Tuition Program  
Susan Kleemann, Managing Director, RPPA  
Shoba Nandhan, Chief Financial Officer  
Roger Rojas, Investment Analyst  
Karen Salas, General Counsel  
Debora Calcara, Commission Secretary

**PUBLIC ATTENDANCE:** Ryan Ball, Callan Associates  
Meegan Bassett, Lumina Foundation  
Eric Hiatt, Illinois Board of Higher Education  
Marcus Szymanoski, DeVry Group  
Brienne Weymouth, Callan Associates

### **Item 1. Announcements**

Vice Chair del Valle brought the October 15, 2015 meeting to order at 1:02 p.m. announcing that this was a joint meeting of the Commission and the Investment Committee. He then asked that a roll call be taken, which established a quorum was present for both the Commission and the Investment Committee. Vice Chair del Valle stated that the next meeting of the Commission is scheduled for November 18, 2015 at the University of Illinois at Chicago.

### **Item 2. Public Comments**

Vice Chair del Valle asked if anyone from the public wished to address the Commission. There were no comments from the public.

### **Item 3. Approval of the June 19, 2015 Commission Meeting Minutes**

Ms. Savage **MOVED THAT** the Commission approve the minutes of the June 19, 2015 meeting of the Commission. Ms. Mims seconded the motion, which was approved unanimously.

### **Item 4. Executive Director's Report**

Mr. Zarnikow provided a brief update on the financials provided in the agenda book.

### **Item 5. Approval of Proposed Program Rule and Amendment**

Ms. Cook noted the item is being brought to the Commission for approval for rules on a new grant program for Exonerees, which the agency has been charged with administering and an amendment to the Audit and Investigations section of the General Provisions of ISAC's administrative rules.

Ms. Savage **MOVED THAT** the Commission approve the following Resolution:

**“BE IT RESOLVED** that the Commission accepts the proposed program rule and amendment, barring a public comment or other cause for a material modification, for submission to the Joint Committee on Administrative Rules (JCAR) and that the Commission further authorizes the Executive Director to proceed with adopting the program rule and amendment if no final objection is received from JCAR.

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

### **Item 6. Approval of Institutional Application to Participate in ISAC Gift Assistance Programs – American Academy of Art**

Ms. Cook stated that the American Academy of Art has previously been a participant in ISAC's gift assistance program, however, due to a change in ownership and status from for-profit to a not-for-profit institution they are now required to submit documentation for continued participation in the program as specified in the Illinois Administrative Code. She noted that all materials for participation have been reviewed by staff and been determined in accordance with the administrative rules for eligibility.

Mr. Asgedom raised his concern regarding low income and minority students graduating with high debt and being unable to find work and feels the schools should be held responsible. He would like to see higher standards set for schools who participate in ISAC's gift assistance programs and asked if approval of this school could be withheld.

There was extensive discussion among Commissioners and ISAC staff members regarding ISAC's authority to impose different standards related to MAP and the potential nature of standards, if they could be imposed.

After receiving input from ISAC General Counsel, it was agreed that staff would do a formal review and come back to the Commission with potential recommendations to impose additional requirements on school participation in MAP and information regarding whether or not changes could be made through the rulemaking process or if legislation would be required. It was noted that this formal review would require an extensive amount of work and that staff would provide an update at the next Commission Meeting.

After further discussion, Mr. Griffin agreed this is an important issue and would like staff to research changing the rules, but he stated it would be unfair to change the approval process for this school at this time and suggested moving forward based on current ISAC Administration Rules.

Mr. Griffin **MOVED THAT** the Commission approve the following Resolution:

"**BE IT RESOLVED** that the Commission approves the application of American Academy of Art for continued participation in ISAC-administered gift assistance programs for which it is eligible, effective for the fall term of the 2015-16 academic year" , with payment of awards to be subject to available funding."

Mr. Huber seconded the motion, which was approved unanimously by roll call vote.

#### **Item 7. Fiscal Year 2017 Appropriated Funds Budget Discussion**

Mr. Zarnikow provided an overview of the Fiscal Year 2017 Appropriated Funds Budget request as provided in the agenda book. This information item was intended to garner feedback from the Commission regarding potential different budget priorities the Commission may have before approval by the Commission was requested at the November Commission Meeting. No changes to ISAC's budget priorities were received.

#### **Item 8. Approval of a Resolution Regarding Fiscal Year 2016 Budget**

Mr. Zarnikow stated the Resolution being brought to the Commission for approval will add ISAC's voice to the higher education community on the state of the yet to be approved fiscal year 2016 budget. He noted a similar Resolution was approved by the Illinois Board of Higher Education (IBHE) Board and also by IBHE's Student Advisory Committee.

Vice Chair del Valle read the Resolution in its entirety. Mr. Huber suggested the Resolution be amended to state the Resolution will be forwarded to all members of the General Assembly, not just the leadership.

Ms. Savage **MOVED THAT** the following Resolution be approved by the Commission as amended:

**WHEREAS**, the *Illinois Public Agenda for College and Career Success* requires increased college affordability, academic achievement, and college completions by more Illinoisans, and recognizes that to meet workforce demands and achieve economic growth and vitality, Illinois must increase the number of citizens with a postsecondary degree to 60 percent by 2025 (“60 x 2025 Goal”); and

**WHEREAS**, the data is clear that Illinois cannot reach the 60 x 2025 Goal without significantly increasing college completion among returning adults and the growing population of low income and first generation students, most of whom must rely on financial aid to attend college; and

**WHEREAS**, over 125,000 students across the State of Illinois rely on Monetary Award Program (MAP) grants to attend college, and almost 60% of those students are so low-income that the federal government doesn't consider them able to contribute *any* resources to pay for college; and

**WHEREAS**, without the availability of MAP grants, many students simply couldn't go to college—reducing both the student's and the state's ability to leverage hundreds of millions of federal Pell dollars; and

**WHEREAS**, students throughout the state whose financial aid packages included a MAP grant for the 2015-16 school year have not received those awards due to the budget delay; and

**WHEREAS**, funding for other gift assistance programs for Illinois college students has been delayed, including funding for the Grant Programs for Dependents of Police, Fire and Correctional Officers killed or disabled in the line of duty, the Minority Teachers of Illinois Scholarship Program, Golden Apple Scholars of Illinois, and other programs; and

**WHEREAS**, the Illinois Student Assistance Commission recognizes that not all schools are able to credit student accounts for MAP and other gift assistance as they await payment from the state, that some schools are holding student Pell refunds as they await payment from the state—refunds that students rely on to pay for books and living expenses—and that many schools who credited student accounts for MAP and other gift assistance first semester will be unable to do so second semester; and

**WHEREAS**, the Illinois Student Assistance Commission is deeply concerned that the delay in providing funding for MAP and other gift assistance programs will make it impossible for many students to continue to attend college, interrupting their studies and/or increasing student loan debt, reducing their likelihood of completing, impacting their careers, and resulting in long-term economic harm to individual families and the state; and

**WHEREAS**, the budget delay is threatening the ability of public post-secondary institutions to maintain staffing, programs, and facilities that will educate the Illinois workforce of today and tomorrow; therefore be it

**RESOLVED** that the Illinois Student Assistance Commission strongly urges immediate adoption of a state budget for fiscal year 2016 that will provide the necessary funding for students who depend on MAP and other gift assistance programs to attend college, ensure financial stability to community colleges and public universities, and deliver to Illinois public higher education the resources needed to advance the state's economic future; and be it further

**RESOLVED** that this Resolution shall be forwarded to the Governor, all Members of the General Assembly and the leadership of the higher education community.

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

## **Item 9. College Illinois!® Prepaid Tuition Program Investments**

### **Item 9A. Approval of Minutes of the August 18, 2015 Meeting of the Investment Committee**

Ms. Mims **MOVED THAT** the Investment Committee approve the minutes of the August 18, 2015 meeting of the Investment Committee. Mr. Huber seconded the motion, which was approved unanimously.

### **Item 9B. Approval of Appointment of Investment Advisory Panel Member**

Mr. Custer stated that Mr. James Hibbert is being recommended by ISAC staff to fill the position held by Paul Hagy, whose term expired in January and has asked that he be replaced on the panel.

Mr. Griffin **MOVED THAT** the Commission approve the College Illinois! Investment Advisory Panel appointment of Mr. James Hibbert to a term expiring November 19, 2015 and that the Commission reappoint Mr. Hibbert to a full three-year term effective November 20, 2015.

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

### **Item 9C. Investment Update**

Mr. Custer gave an overview of the information provided in the agenda book including the portfolio risk profile, recent performance, investment activity, and status updates.

### **Item 9D. Approval of Investment Custodian Procurement**

Mr. Custer provided background on the RFP process for a custodian of the Prepaid Tuition Fund. He stated the prior custodian was Northern Trust whose contract expired on June 30, 2015 but was extended for one year by the Commission at its June meeting.

Mr. Custer noted the search criteria and process was provided in the agenda book. He stated after a competitive search Northern Trust received the highest score and offered a competitive fee structure and is therefore being brought to the Investment Committee and the Commission for approval.

Vice Chair del Valle asked for a motion by a member of the Investment Committee to approve the following Resolution as written in the agenda book:

**BE IT RESOLVED**, that the Investment Committee recommend that the Commission authorize and direct the Executive Director or Chairman or Vice Chairman (together, the “Officers”), to enter into, in the name of the Fund or ISAC, execute, and deliver, a custody agreement with the Northern Trust Company (Northern Trust) for a five-year term with five additional annual renewals.

Mr. Huber, as a member of the Investment Committee **SO MOVED**, Ms. Mims, as a member of the Investment Committee, seconded the motion, which was approved unanimously.

Vice Chair del Valle asked for a motion by the Commission to approve the following Resolution as written in the agenda book:

**BE IT RESOLVED**, that the Executive Director or Chairman or Vice Chairman (together, the “Officers”) are hereby authorized and directed, to enter into, in the name of the Fund or ISAC, execute, and deliver, a custody agreement with Northern Trust for a five-year term with five additional annual renewals.

**BE IT RESOLVED, FURTHER**, that the Officers be and they are hereby authorized and directed to deposit with Northern Trust pursuant to a custodian agreement (“Agreement”) such of the assets of the Fund as they in their sole and absolute discretion may deem advisable from time to time, and to take from time to time all such action under such agreement on behalf of ISAC and the Fund as may be necessary to carry out the intent and meaning of said Agreement.

**BE IT RESOLVED, FURTHER**, that any Officer may delegate in writing any part or all of the authority granted in the foregoing paragraphs to such other person or persons as they in their sole and absolute discretion may deem advisable from time to time.

**BE IT RESOLVED, FURTHER**, that the Executive Director shall file with the custodian a certified copy of this resolution, and a list of the persons that from time to time have the foregoing authority in relation to the fund, and said custodian shall be entitled as against ISAC and Fund to conclusively presume that the persons so certified as having such authority shall continue to have such authority until otherwise notified in writing by the Executive Director of ISAC.

**BE IT RESOLVED, FURTHER**, that this resolution shall be in full force and effect and binding upon ISAC and the Fund until it shall have been repealed and until written notice of such repeal shall have been delivered to the custodian.

Mr. Huber **SO MOVED**, Mr. Griffin seconded the motion, which was approved unanimously.

#### **Item 10. Audit Committee Update**

Ms. Savage briefly outlined what was covered at the Audit Committee meeting held prior to the today’s Commission meeting.

Mr. Huber **MOVED THAT** that the October 15, 2015 meeting be adjourn, Mr. Griffin seconded the motion, which was approved unanimously. The meeting adjourned at 2:44 p.m.

Respectfully submitted,



Debora A. Calcara  
Secretary to the Commission