AGENDA ITEM 2.

MINUTES OF THE JULY 8, 2011 MEETING
MINUTES OF A MEETING
OF THE
ILLINOIS STUDENT ASSISTANCE COMMISSION

July 8, 2011

James R. Thompson Center
Suite 2-025
100 W. Randolph Street
Chicago, Illinois

COMMISSIONERS PRESENT: Kym Hubbard, Chair
Miguel del Valle
Mark Donovan
Marina Faz-Huppert
Kendall Griffin
Verett Mims
Kim Savage

COMMISSIONERS ABSENT: Sharon Alpi

STAFF PRESENT: Brian Begrowicz, Deputy Chief Financial Officer
Frank Bello, Director, IDAPP and Chief Credit Officer
Johan Brown, Program Services and Compliance
Debora Calcara, Commission Secretary
Carol Cook Director, Program Services and Compliance
Andrew Davis, Executive Director
Anita Geter, Director, Internal Audit
Katharine Gricevich, Director, Government Relations
Lynn Hynes, Program Services
Susan Kleemann, Managing Director, RPPA
Jacqueline Moreno, Managing Director, Outreach
Shoba Nandhan, Chief Financial Officer
Nicholas O’Keefe, Deputy General Counsel
Annie Pike, General Counsel
Eric Rancatore, College Corp
Christopher Sala, Director, Business Development and Sales
Karen Salas, Deputy General Counsel
John Samuels, Chief Marketing and Communications Officer
Joanne Tolbert-Wells, Deputy Executive Director
Larry Zeller, Interim Chief Investment Officer

PUBLIC ATTENDANCE: Fred Ash, IRM
Leigh Brinson, Robert Morris University
Deb Brodzinski, Robert Morris University
Mary Patricia Burns, Burke Burns & Pinelli
Steve Daniels, Crain’s Business Chicago
Mary Davis, Citizen
Mary Kay Devine, Women Employed
Paul Frank, Federation of Independent Colleges and Universities
Patrick James, School of the Art Institute, Chicago
Andrew Kelson, Citizen
Pat Krolak, Marquette Associates
Jeanne Locarnini, Loyola University, Chicago
Mike Mann, Illinois Board of Higher Education
Heather McKane, Aurora University
Bradley T. Saribekian, Citizen
Tom Starshak, Starshak Wolhoffer & Company
Robert Taylor, Citizen
Charlie Watts, Illinois House Republicans
Eric Weems, Loyola University, Chicago
Stephen Welcome, Burke Burns & Pinelli
Item 1. Announcements

Chair Kym Hubbard brought the July 8, 2011 meeting to order and asked that a roll call be taken, which established that a quorum was present. For the record of the meeting the following newly appointed Commissioners were present:

Chair Kym Hubbard  
Miguel del Valle  
Mark Donovan  
Marina Faz-Huppert  
Kendall Griffin  
Verett Mims  
Kim Savage

Chair Hubbard thanked the previous members who had served on the Commission and also thanked the newly appointed Commissioners for agreeing to assist in moving the Commission forward. She then stated that the Commission’s rules provide that a meeting may be called upon 10 days’ notice to the Commissioners, however, with five of the sitting Commissioners having been just appointed one day prior to the meeting, she asked for a motion to waive the 10 day notice requirement.

Ms. Savage SO MOVED that the 10 day meeting notice be waived. Mr. Griffin seconded the motion, which was approved unanimously.

Item 2. Minutes of the April 1, 2011 Meeting

Chair Hubbard informed the Commission that the minutes of the previous meeting can be approved by the new Commission as they have been reviewed by the Commission’s General Counsel. Mr. Donovan MOVED THAT the minutes of the April 1, 2011 meeting be approved as submitted. Ms. Mims seconded the motion, which was approved unanimously.

Item 3. Executive Director’s Report

Mr. Davis welcomed new Chair Kym Hubbard and the six new Commissioners. He thanked them for their willingness to serve on the Commission. He stated that ISAC is a 54-year old agency with a traditional role of helping Illinois families overcome financial barriers that stand between them and a college education. He stated the agency’s Monetary Award Program (MAP) has been helping those families for over three decades.

He took the opportunity to thank Christine Peterson, Chief Program Officer and Tom Breyer, Senior Policy Advisory who both retired at the end of the fiscal year, for a culmination of five decades of service to ISAC. He also announced that Deputy Executive Director, Ginger Ostro has left ISAC to become the Chicago Public School system’s budget director.
Mr. Davis reported the U.S. Department of Education (ED) has challenged the 32 student loan guarantors throughout the country to reinvent themselves in the post-Federal Family Education Loan Program (FFELP) environment. He stated that ISAC has joined a consortium of about 10 other guarantors in submitting a Request For Proposal (RFP) offering services such as collection services, default prevention, outreach, etc. He stated that ISAC will also be submitting an RFP individually with ED for services such as college outreach and access, need-based grant administration and research.

Continuing, Mr. Davis stated that the MAP 2+2 initiative was rolled out statewide in June. He explained that MAP 2+2 is a cooperative endeavor between four-year institutions and their local community colleges who enroll students to attend their first two years of college then complete their baccalaureate degree at the four-year institution. It is anticipated that students will save approximately $10,000 each by attending the first two years of their college education at a community college.

Mr. Davis reported that the College Illinois! Prepaid Tuition Program ended its fiscal year on June 30, 2011 with over $1.1 billion in invested assets. He stated that the fund paid out $78.5 million in tuition benefits in FY 2011. As of June 30, 2011 he reported that the fund had $755 million of highly liquid assets with which to pay tuition benefits or to meet contract-holder cancellations. He stated that preliminary numbers show that the fund will pay down its accrued deficit by over $103 million in FY 11. He informed the Commission that an actuarial assessment of the fund as of March 31, 2011 is in process and is expected to be available at the end of July.

Item 4. Adopted Rules and Amendments

Ms. Carol Cook, Director of Program Services and Compliance, introduced the agenda item by giving the Commission a brief overview of the rules process. She indicated the agenda item being brought to the Commission today is the final version of the rules, the process for which began at the February 9, 2011 meeting of the Commission. This is the final step of the rulemaking process, following a public comment period.

Ms. Cook responded to questions by Mr. del Valle regarding the Community College Transfer Grant Program.

Mr. Donovan so moved that the Commission approve the following resolution:

“BE IT RESOLVED that the Commission approves and adopts the administrative rules and amendments, as modified during the rulemaking process, to be effective for the 2011-12 academic year.”

Ms. Savage seconded the motion, which was approved unanimously.
Item 5. FY 2012 Internal Audit Charter and Plan Approval

Ms. Anita Geter, Director of Internal Audit introduced the Internal Audit Charter and Plan noting that the Fiscal Control Internal Auditing Act (FCIAA) requires that an internal audit plan for each two-year cycle be completed and approved each fiscal year. She stated that the Internal Audit Charter and risk-based Internal Audit Plan are required to be approved by the overall governing board.

Ms. Faz-Huppert MOVED THAT the Commission approve the following resolution:

“BE IT RESOLVED that the Commission approves the Internal Audit Charter and the Internal Audit Plan for the Fiscal Year 2012 audit cycle”.

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

Item 6. FY 2012 State Appropriations For ISAC-Administered Gift Assistance Programs

Ms. Katharine Gricevich, Director of Governmental Relations, stated that the scholarship, grant and loan repayment/forgiveness programs that are administered by ISAC are funded by the State of Illinois’ General Revenue Fund (GRF) and that ISAC also administered smaller programs that received dollars from dedicated or specialized funds.

Ms. Gricevich stated that this year’s budget process was handled differently than in the past. She stated that the House Higher Education Appropriations Committee opted to reduce the funding by $17 million for the MAP and pass a substantive bill that would remove for-profit institutions from eligibility for the program, which would affect nine for-profit institutions in the State who are eligible to participate in MAP. However, she stated that the substantive bill did not pass the General Assembly, but unfortunately, the appropriation for MAP was reduced and we are still required to serve those students at the nine for-profit institutions. Ms. Gricevich indicated that a number of legislators and the Governor have indicated they would like to pass a supplemental appropriation to reverse the cut to MAP either in the fall veto session or in January.

Responding to Mr. del Valle, Ms. Gricevich stated that the supplemental bill to remove the for-profit institutions from the MAP appropriations did pass the House and was amended so that it would not take affect until the summer of 2012. Mr. del Valle inquired as to the restoration of the $17 million that was cut from the appropriation and Ms. Gricevich stated that the Senate passed an additional appropriations bill to reverse the cut but the House did not. Level funding was approved in the Senate.

Mr. Davis stated that in addition to the $17 million reduction in appropriation, the Governor’s office, although aware that it would result in a shortfall, directed that applications continue to be accepted for an additional week after the Commission announced on March 17, 2011 the suspension of award announcements effective March 20, 2011. The extension cost an estimated $45 million. The Governor’s office informed the Commission that $30 million of the $45 million has been made available, but there continues to be a shortfall of a little more than $30 million, including the initial $17 million plus $15 million.
Ms. Sue Kleemann, Director of Research Planning and Policy Analysis, stated that at the beginning of the year the Commission approves a start-up formula for MAP. Now that the legislature has approved an appropriations budget, staff is returning to the Commission with a recompute of the original formula which is based on that appropriation. Ms. Kleemann explained to the Commission how they develop the formula used in determining a student’s award. She stated that it was decided to use the original start-up formula for the first term so that students would know what their awards were when entered school and should it be necessary to cut awards once the appropriation is known, it would be done for the second term thereby allowing students to make financial arrangements to make up for that cut. Ms. Kleemann stated that staff is recommending a five percent second-term cut for all awards with the understanding that staff will continually monitor the funds.

Responding to Mr. Donovan, Ms. Kleemann stated that a five percent reduction would be $125 for each second semester award.

Mr. Griffin inquired if this is going to be communicated to student. Ms. Kleemann indicated that students will receive notification from the college financial aid office that their award may be reduced for second and third term.

Ms. Savage asked if this kind of reduction has been done in the past. Ms. Kleemann stated that it had occurred just recently, and that Illinois has one of the largest need-based aid programs in the country, but it is still not enough to meet the need. As an example, she stated that in 2002 there were no student applications suspended and the full tuition and fees of public university students were paid, but today, the award covers less than half the cost of tuition and more students are suspended than are given awards. She stated that this is due in part to the rising tuition and fees and in part to the increase in demand.

Chair Hubbard stated that the members of the Commission agree that college is important today and suggested that students are notified as soon as possible about the reduction.

Ms. Faz-Huppert MOVED THAT the Commission approve the FY2012 MAP start-up formula as the FY2012 recompute formula. When the appropriation is finalized second- and third-term awards will be reduced to stay within the appropriation as described in Table 2, page 7-5 of the agenda book.

Ms. Savage seconded the motion, which was approved unanimously.
Item 8. Appointment of College Illinois! Prepaid Tuition Program Investment Advisory Panel Member

Mr. Larry Zeller, Interim Chief Investment Officer, stated that two new appointments to the Investment Advisory Panel are being brought to the Commission for approval. He stated that the Panel offers advice and counsel to the Commission regarding the prepaid tuition program’s investments, the investment policy as well as the annual report. He stated that Karen Kissel is being nominated by the Illinois Board of Higher Education to replace Mike Mann and Louis Paster is being nominated by the Illinois State Treasurer to replace George Clam and provided the Commission with information on their qualifying background. The terms of both Mr. Mann and Mr. Clam have expired.

Mr. del Valle inquired as to how often the Panel meets and the function of the Panel. Mr. Zeller stated that they meet twice per year and are available to communicate with staff on an individual basis at anytime. Mr. del Valle expressed his concern that the Panel meets only twice per year and that the description of the duties of the Panel is not in line with Mr. Zeller’s explanation. Ms. Hubbard acknowledged his concern.

Ms. Savage **SO MOVED** that the Commission approve the appointment of Karen Kissel and Louis Paster as members of the College Illinois! Investment Advisory Panel, to terms that expire on July 8, 2014.

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

Noting that this completes the agenda for the open meeting, Chair Hubbard asked for a motion to enter Closed Session as permitted by the provisions of the Subsection 2(c) 1 and 7 of the Open Meetings Act, to consider personnel and investment matters.

Mr. Donovan **SO MOVED** to enter into Closed Session. Mr. Griffin seconded the motion. Chair Hubbard asked for a roll call vote approving the motion, which was approved unanimously. The Commission adjourned into Closed Session at 10:48 a.m.

The Commission returned to open session at 1:10 p.m.

Chair Hubbard asked for a motion to rescind any and all prior authorizations by the previous Commission members regarding the proposed investments in the GEO Investor Renewable Infrastructure Fund I, LP, the Endowment Office Clipper Partners, L.P. and Sanborn Kilcollin Partners, LLC, investment vehicles, and that staff and counsel be authorized to take all action reasonably necessary to effectuate the foregoing as discussed in Closed Session. Mr. Griffin **SO MOVED** and Ms. Savage seconded the motion, which was approved unanimously.

Chair Hubbard asked for a motion to direct staff, for the reasons discussed in Closed Session, to conduct a review of all College Illinois! Prepaid Tuition Program fund investments. Ms. Mims **SO MOVED** and Ms. Savage seconded the motion, which was approved unanimously.
Chair Hubbard asked for a motion, for reasons discussed in Closed Session, to authorize a comprehensive financial records and a compliance review of the programs administered by ISAC. Mr. Griffin **SO MOVED** and Ms. Savage seconded the motion, which was approved unanimously.

Chair Hubbard asked for a motion to revise the organizational chart of ISAC to reflect that the Executive Director, the Chief Investment Officer, the General Counsel and the Internal Auditor shall have direct reporting lines to the Commission. Ms. Faz-Huppert **SO MOVED** and Mr. Griffin seconded the motion, which was approved unanimously.

Chair Hubbard asked for a motion to place the Executive Director on paid administrative leave until further action of the Commission and to remove from him all authority and obligation to act as Chief Executive Officer of the Commission and all appurtenances to that office, other than salary and employee benefits, including any assigned vehicle, effective immediately. Mr. Griffin **SO MOVED** and Ms. Faz-Huppert seconded the motion, which was approved unanimously.

Chair Hubbard asked for a motion to authorize the Chair to enter into an employment agreement with John Sinsheimer as Interim Executive Director effective immediately on such terms as outlined by the Commission in Closed Session. Ms. Savage **SO MOVED** and Ms. Faz-Huppert seconded the motion, which was approved unanimously.

Chair Hubbard asked for a motion authorizing counsel to send a cease-and-desist letter to former employee George Egan for the reasons stated in Closed Session. Ms. Savage **SO MOVED** and Mr. Griffin seconded the motion, which was approved unanimously.

Chair Hubbard announced that the next regularly scheduled meetings are September 15, 2011 and November 18, 2011. She then asked for a motion to adjourn. Ms. Faz-Huppert **SO MOVED** that the July 8, 2011 meeting adjourn. Mr. Griffin seconded the motion, which was approved unanimously.

Mr. Davis took the opportunity to address the Commission stating that it has been a great honor and pleasure to serve the people of the State of Illinois and to work with the many dedicated, wonderful, hardworking, intelligent people who make up the staff of the Illinois Student Assistance Commission, which has a noble mission and at age 54, has life in it yet. He stated that it is not the only 54-year-old that has life in it yet and he thanked them for the honor and privilege of working with them.

Mr. del Valle thanked Mr. Davis for the work that has been done at ISAC for the last few years to increase the number of students receiving assistance; to increase the number of students completing the FAFSA and completing them early; for having a good year with College Illinois! Prepaid Tuition Program in terms of returns; and establishing the College Illinois! Corps program that has been very effective. Also, he thanked him for reducing the size of the operation at ISAC and making it more efficient. He stated that he has been around for a while and has a basis for comparison and thanked him for his work.
The meeting adjourned at 1:22 p.m.

Respectfully submitted,

[Signature]

Debora A. Calcarra
Secretary to the Commission