

**AGENDA ITEM 2.
MINUTES OF THE MARCH 26, 2012 MEETING**

MINUTES OF A MEETING
OF THE
ILLINOIS STUDENT ASSISTANCE COMMISSION

University of Illinois Chicago
Student Services Building
Conference Rooms B & C
1200 W. Harrison St.
Chicago, IL

March 26, 2012

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

COMMISSIONERS ABSENT: Kendall Griffin
Kevin Huber

STAFF PRESENT: Eric Zarnikow, Executive Director
Brian Begrowicz, Deputy Chief Financial Officer
Eduardo Brambila, Managing Director, Outreach
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
Chris Gorman, Staff Attorney
Katharine Gricevich, Director, Government Relations
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
John Samuels, Chief Communications Officer

PUBLIC ATTENDANCE: Leigh Brinson, Robert Morris University
Brittney Beck, Rich South High School
Deb Brodzinski, Robert Morris University
Mary Patricia Burns, Burke Burns & Pinelli
Catalina Hernandez, ICAC
Tyler Kearney, University of Illinois
Sarah Labadie, Women Employed
Rodrigo Lopez, Round Lake High School
Rebecca Novak, DeVry University
Lindsay Peters, University of Illinois-Chicago
Daniel Welker, JP Morgan Asset Management

Item 1. Announcements

Chair Hubbard brought the March 26, 2012 meeting at the University of Illinois at Chicago to order at 1:10 p.m. She asked that a roll be taken of the Commission, which established a quorum was present.

Chair Hubbard thanked Mr. Donovan, ISAC Commissioner who is the Vice Chancellor for Office Administrative Services at the University of Illinois at Chicago for hosting the meeting today. Mr. Donovan then introduced and provided a brief biography of Provost Lon Kaufman, Chief Academics and Operating Officer for the University.

Provost Kaufman provided information about the University and thanked the Commission for their work. Provost Kaufman then introduced Ms. Lindsay Peters to give a brief presentation on the Illinois College Advising Corps. Ms. Peters stated that the Illinois College Advising Corps is a near-peer program in high schools to assist underrepresented low-income students with going to college. She stated that this program was first formed in 2008, in part by the support of the Illinois Student Assistance Commission. She introduced two members of the Corps, Mr. Lopez and Ms. Beck who spoke briefly on their work with students.

Chair Hubbard thanked Provost Kaufman, Ms. Peters and Corps members Mr. Lopez and Ms. Beck. She then took the opportunity to welcome and introduce the new Executive Director of ISAC, Mr. Eric Zarnikow, who was appointed at the end of February.

Mr. Zarnikow stated that in the short time he has been at the Commission he has learned that it has a great mission of making college accessible and affordable for students in Illinois. Also, he stated that he has found there are dedicated, hardworking and tremendously knowledgeable people who work at ISAC and share that same mission. He stated he has already begun to meet counterparts within the industry, members of the General Assembly and staff in the Governor's office, and uniformly they speak very highly of ISAC and its mission.

Chair Hubbard stated that the next regularly scheduled meeting of the Commission will be held on June 22, 2012 at the ISAC Deerfield facility.

Item 2. Minutes of the January 27, 2012 Meeting

Ms. Savage **SO MOVED** that the minutes of the January 27, 2012 meeting be approved as submitted. Ms. Mims seconded the motion, which was approved unanimously.

Item 3. Executive Director's Report

Mr. Zarnikow informed the Commission that the June 30, 2011 financial statements will be released within the next couple of weeks.

Mr. Zarnikow stated that as he previously communicated with the Commission, the Monetary Award Program (MAP) has had the earliest cut-off date in ISAC history, March 19. He anticipates that the program will serve less than half of the students that are eligible for an award, so additional funding for the program is critical.

He informed the Commission members that they will be receiving a document which is an overview of ISAC. He stated the document is an update of a PowerPoint presentation made to Commissioners in 2005, when a full slate of new Commissioners was appointed. This overview is to help

this new Commission have a clear understanding of the complexity of the agency. He stated the overview is self-explanatory , but should a Commissioner like to have a more in-depth presentation once the document is reviewed, staff will be happy to do so.

Item. 4. Certain Rules Amendments

Ms. Pike introduced the agenda item noting the rules are being updated to reflect the changes made to the organizational charts by the Commission at its July meeting and updating information such as FOIA e-mail address, quorum clarification and the 10-day public notice provision.

Ms. Pike indicated that they are streamlining the rules approval process to first bring to the Commission at its January meeting, and then allow the Executive Director to approve the final rules assuming there are no objections received from the Joint Committee on Administrative Rules (JCAR).

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

“BE IT RESOLVED that the Commission approves the proposed amendments to the Illinois Student Assistance Commission’s internal rules titled ‘Public Information, Rulemaking and Organization’ and ‘Information Requests’ for submission to the Secretary of State.”

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

Item 5. Proposed Program Rules and Amendments

Ms. Cook introduced the item noting that the proposed program rules for the 2012-2013 academic year were presented to the Commission at its January meeting. She highlighted for the Commission the rulemaking process.

She stated that included in the agenda book are current proposed rules for the John R. Justice Student Loan Repayment Program for their clarification since the last meeting. She noted that the Commission received an objection from JCAR regarding the John R. Justice Student Loan Repayment Program emergency rules. She stated that JCAR objected to ISAC administering the program without adopting rules to establish policy, standards and procedures. However, she noted that ISAC has acknowledged the objection and responded to the delay in promulgating rules and will make a conscientious effort to meet its statutory rulemaking obligations in a more expeditious manner going forward.

Responding to Commissioner del Valle, Ms. Cook stated that when the John R. Justice Program was first funded by the federal government in fiscal year 2010, the Commission was uncertain that the program would continue to be funded for a second year and therefore established emergency rules rather than formal administrative rules through the rulemaking process. She noted that the program was funded in the first year with \$363,000, in fiscal year 2011 with \$198,000 and is to be cut for fiscal year 2012 to about \$81,000.

Mr. del Valle **SO MOVED** that the Commission approve the following resolution:

“BE IT RESOLVED that the Commission accepts the proposed program rules and amendments, as modified thus far during the rulemaking process, for submission to the Joint Committee on Administrative Rules and that the Commission further authorizes the Executive Director to proceed with finalizing the program rules if no objections are received from JCAR.”

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

Item 6. Approval and Adoption of Audit Committee Charter

Ms. Geter stated that the Audit Committee formed by the Commission in November of 2011 has developed the Charter brought before the Commission today for approval.

Responding to Mr. Donovan, Ms. Geter indicated that she will make the needed change as discussed, which is to elaborate on the responsibility of employees to cooperate with the auditor.

Ms. Savage **SO MOVED** approve the following resolution:

“**BE IT RESOLVED** that Audit Committee Charter is approved and adopted by the Commission subject to the amendment to be made to the Charter as discussed. On an annual basis, the Audit Committee will review the Audit Committee Charter to reassess its adequacy and recommend any proposed changes to the Commission.”

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

Item 7. College Access and Outreach Update

Ms. Moreno provided the Commission with an overview of the activities currently underway in the College Access and Outreach area, which include the near-peer mentor program, ISACorps. She also provided information to the Commission on the “When I Grow Up” program, which is designed for children in preschool through third grade.

Responding to Chair Hubbard, Ms. Moreno stated that the ISACorps program has received national recognition and is being used as a model for other states for incorporation into their outreach programs due to Illinois’ successful FAFSA completion rates.

Mr. Zarnikow stated that staff is currently working on the grant funding of this program for next year, which is due in July.

Agreeing with Mr. del Valle that there is a need for additional funding to increase the efforts of the ISACorps, Mr. Zarnikow stated that a critical strategic issue at ISAC is that all programs are administered without funds for administration. Chair Hubbard agreed that the need for funding the successful programs administered by ISAC needs to be heard.

Item 8. Legislative Update

Ms. Gricevich provided the Commission a brief update of the current activities in the General Assembly, the Governor’s proposed budget for State Fiscal Year 2013 and legislation pertaining to ISAC.

Ms. Gricevich briefed the Commission on legislation from Representative Durkin regarding the College Illinois!® Prepaid Tuition Program. Chair Hubbard stated that the Commission has gone on record in support of Representative Durkin’s House Bill 3923 regarding investment decisions to be made in open meetings and is working very closely with Representative Durkin and feels they are moving in the right direction.

Chair Hubbard also asked the Commissioners to support the Student Advocacy Days which are April 18th and 19th at the State Capitol in order to get the message out regarding MAP funding.

Item 9. Allocating MAP: Issues Behind Replacing or Augmenting the Current “First-Come, First-Served” Allocation Methodology

Mr. Zarnikow referred to Ms. Gricevich’s report on current legislative activities noting that the General Assembly is interested in making MAP more effective. He stated that within ISAC rules, ISAC has the flexibility to make changes regarding how funds are distributed. He indicated this agenda item is not a request for action, but rather to begin the process of developing options and to receive feedback from the Commission. He questioned whether, with appropriated funds being limited, the current methodology of first-come first-served is still the best approach for allocating those funds.

Ms. Kleemann stated that this is a very complex program with difficult decisions to be made. She is hopeful to bring to the Commission a recommendation within the next six to eight months on how the program’s appropriated funds might be distributed to MAP recipients. She explained to the Commission the current process of distributing the funds from when the student completes the FAFSA to ISAC staff setting the formula for distribution and awarding the funds to the eligible students.

Ms. Kleemann stated that in 2002 the MAP funds appropriated were able to serve all eligible MAP applicants, and the maximum award a student received covered 100 percent of the average cost of tuition and fees at a public university. Today, however, she stated that the appropriated funds are serving less than half of the eligible applicants and the maximum award covers less than half of the tuition and fees at a public university and also only covers half of the tuition and fees at a community college.

Ms. Kleemann noted that last year \$387 million was appropriated to MAP, but in order to cover all eligible MAP recipients more than a billion dollars would need to be appropriated to this program.

Ms. Kleemann covered the increasing student loan debt due to the shortage of MAP funds. She stated that the average student loan debt in Illinois is about \$22,000. She indicated that with the shortage of MAP funds, the focus has turned more to completion and not just access and with the goal on 60 percent of the workforce with a credential by 2025, this is driving the need to change the way the funds are distributed.

Ms. Kleemann referred to the agenda item which describes some merit components which can be applied to the distribution of funds. Responding to Chair Hubbard, Ms. Kleemann stated that changes to the program can be made through ISAC program rules, but the change to the program should have agreement among the various sectors and stakeholders within higher education, such as private, public and community college institutions. She indicated that each year when the start-up formula is brought to the Commission it is always vetted through the Illinois Association of Student Financial Aid Administrators (ILASFAA) Formula Committee, which is comprised of three or four members of each higher education sector.

Mr. Zarnikow indicated that he felt the changes to the MAP distribution should be in alignment with the State’s goal of 60 percent completion by 2025. Chair Hubbard agreed that there is a lot of discussion within the State regarding the allocation of MAP funds and how it could be changed and ultimately all believe this is an important issue. Chair Hubbard stressed her concern that the MAP award amount should not be diluted in order to serve more students and therefore not help individual students enough.

Ms. Savage stated that in looking at alternative ways to award funds, she would like to look at something other than just the student's high school performance or ACT due to the fact that some nontraditional students often do not make their decision to go to college immediately following high school.

Item. 10. College Illinois® Prepaid Tuition Program Fiscal Year 2011 Annual Report and Investment Report as of February 2012

Mr. Custer reviewed the investment performance as provided in the agenda book. He updated the Commission on the status of the search for a domestic equity manager, stating that it is currently being delayed in order to allow the investment advisory, Callan Associates, to be involved in the process. He anticipates that he will bring this to the Commission at its June meeting. He indicated that contract renewals for all of the fixed income managers are in process, and he anticipates bringing those to the Commission in June as well.

Mr. Custer stated that Commissioners should have received a copy of the FY 2011 Annual Report which has the actuarial report but not the audited financial statements. He briefly reviewed the actuarial statement with the Commission stating that the unfunded liability is \$536 million, which is \$12 million less than it was a year ago and stated there was a positive investment performance of \$82 million.

Chair Hubbard asked for a motion to defer the consideration of the 2010 closed meeting minutes determination to the next meeting of the Commission. Ms. Savage **SO MOVED** and Mr. Donovan seconded the motion, which was approved unanimously.

Chair Hubbard asked for a motion to adjourn into closed session pursuant to subsection 2(c) of the Open Meetings Act 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.

Mr. Donovan **SO MOVED** that the Commission adjourn into closed session. Ms. Savage seconded the motion which was approved by roll call vote, the Commission adjourned into closed session at 2:40 p.m.

The Commission returned to open session at 2:51 p.m.

Seeing no further business before the Commission, Chair Hubbard asked for a motion to adjourn. Mr. Donovan **SO MOVED** that the March 26, 2012 meeting of the Commission adjourn. Ms. Savage seconded the motion, which was approved unanimously. The meeting adjourned at 2:53 p.m.

Respectfully submitted,



Debor – a A. Calcara
Secretary to the Commission