

AGENDA ITEM 2.

APPROVAL OF MINUTES OF THE JANUARY 24, 2013 MEETING

MINUTES OF A MEETING
OF THE
ILLINOIS STUDENT ASSISTANCE COMMISSION

James R. Thompson Center
Room 2-025
100 W. Randolph St.
Chicago, IL

January 24, 2013

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

COMMISSIONERS ABSENT: Mark Donovan
Kendall Griffin

STAFF PRESENT: Eric Zarnikow, Executive Director
Wajih Ahmed, Staff Auditor
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
Chris Gorman, Staff Attorney
Shoba Nandhan, Chief Financial Officer
Annie Pike, General Counsel
Tonya Polk, Manager, Sales and Marketing
Roger Rojas, Investment Analyst
Karen Salas, Deputy General Counsel
John Samuels, Chief Communications Officer
Joanne Tolbert-Wells, Deputy Executive Director

PUBLIC ATTENDANCE: Deb Brodzinski, Robert Morris University
Jennifer Frink, CBD Marketing
Tyler Kearney, University of Illinois
Joanne Klonsky, CBD Marketing
Sarah Labadie, Women Employed
Cheri Sidney, Chicago State University
Brianne Weymouth, Callan Associates

Item 1. Announcements

Chair Hubbard brought the January 24, 2013 meeting to order at 1:04 p.m. and asked that a roll call be taken, which established a quorum was present. She noted that today's meeting was scheduled to be a joint meeting of the Commission and the Investment Advisory Panel, but due to a lack of quorum of the Investment Advisory Panel, the joint meeting will instead be held at the next regularly scheduled Commission meeting. Chair Hubbard recognized Investment Advisory Panel member, Patrick Rea, for the honor of the Tinley Park Village Board dedicating the General Patrick E. Rea Veterans Plaza on November 11, 2012.

Continuing, Chair Hubbard stated the next regularly scheduled meeting of the Commission would be April 5, 2013 at Columbia University.

Item 2. Minutes of the November 16, 2012 Meeting

Ms. Savage **MOVED THAT** the minutes of the November 16, 2012 meeting be approved. Ms. Mims seconded the motion, which was approved unanimously.

Item 3. Executive Director's Report

Mr. Zarnikow provided the Commission with an update on current issues throughout the agency as well as proposed amendments to the administrative rules governing agency programs and operations, as described in his report in the agenda book. He provided a brief overview of the financial information printed in the agenda book.

Item 4. College Illinois!® Prepaid Tuition Program Investments

Item 4A. Approval of Minutes by the Investment Committee of the November 29, 2012 Meeting of the Investment Committee

Ms. Mims **MOVED THAT** the minutes of the November 29, 2012 meeting of the Investment Committee be approved. Mr. Huber seconded the motion, which was approved unanimously.

Item 4B Approval of Minutes by the Investment Advisory Panel of the December 3, 2012 Meeting of the Investment Advisory Panel

No action was taken on this item.

Item 4C. College Illinois! Prepaid Tuition Program Investment Update

Mr. Custer provided the Commission with a brief update on the Prepaid Tuition Fund from June 30, 2012 through December 31, 2012. He noted that the fund value declined by approximately \$7 million, contributions and fees were \$20 million, and investment gains of \$41 million were offset by refunds and expenses of \$14 million and tuition payments of \$54 million.

Item 4D. College Illinois! Prepaid Tuition Program Approval to Extend the Passive International Equity Investment Management Services for One Year

Mr. Custer stated that the contract for State Street Global Advisors (SSGA) for passive equity investment management services expired at the end of June 2012 and due to the lengthy procurement process, procurement staff is requesting that a one-year, sole-source contract be issued to extend the services. He noted the Investment Committee approved the extension of the contract subject to Commission approval.

Ms. Savage **MOVED THAT** the Commission extend the passive international equity investment manager services of State Street Global Advisors for one year. Mr. Huber seconded the motion, which was approved unanimously.

Item 4E. College Illinois! Prepaid Tuition Program Approval to Revise Terms, Allow for Partial Early Redemption and to Extend Commitment of Remaining Funds to the DDJ Distressed and Special Situations Fund

Mr. Custer provided the Commission with a brief summary of DDJ Capital Management's successful investment track record as well as recent negotiations which resulted in meaningful fee reductions. He stated the negotiations were reviewed with the Investment Committee at their November 29, 2012 meeting. As a result of suggestions provided by the Committee, DDJ further agreed to a cap on total fees paid based on a minimum investment level. Mr. Custer noted this action is subject to final legal documentation.

Mr. Huber **MOVED THAT** the Commission approve the redemption of approximately \$37 million from the DDJ Distressed and Special Situations Fund and to approve commitment of the remaining \$30 million for holding periods of up to three years, subject to finalization of all necessary legal documents. Ms. Mims seconded the motion, which was approved unanimously.

Item 4F. College Illinois! Prepaid Tuition Program Investment Advisory Panel Advice to the Commission

Mr. Custer stated that part of the duties and responsibility of the Investment Advisory Panel is to offer advice and counseling regarding investments of the Prepaid Tuition Fund. He stated that the Panel has been helpful and has frequently provided counsel. He noted the Panel will be focusing on the review of the annual report, the strategic investment plan, asset allocation study and the appropriate investment allocation for the plan.

On behalf of the Commission, Chair Hubbard thanked members of the Investment Advisory Panel for their service.

Item 5. College Illinois! Prepaid Tuition Program Marketing and Sales

Item 5A. College Illinois! Prepaid Tuition Program Marketing and Sales Update

Mr. Samuels provided the Commission with a presentation on the marketing and sales activities for the first three months of the 2012-2013 enrollment period.

Item 5B. College Illinois! Prepaid Tuition Program Marketing and Sales Approval of Increase in Marketing Budget Authority

Mr. Samuels stated that an additional \$800,000 is being requested for marketing the College Illinois! Prepaid Tuition Program's remaining enrollment period, bringing the total marketing budget for the 2012-2013 enrollment period to \$1.6 million.

Mr. Zarnikow stated that the full Commission will not meet until April 5, 2013 and will not again have an opportunity to review a detailed marketing plan at a regular meeting of the Commission; therefore, Chair Hubbard and Mr. del Valle, as representatives of the Commission, will work informally with management to review the detailed marketing plan for the remainder of the enrollment period.

Mr. del Valle **MOVED THAT** the Commission approve an additional \$800,000.00 to the College Illinois! marketing budget in order to bring the total budget to an amount not to exceed \$1.6 million. Mr. Roberts seconded the motion, which was approved unanimously.

Item 6. Approval of the FY2014 Appropriations Funds Budget

Mr. Zarnikow indicated the budget request before them today reflects minor changes as compared to the budget presented at the November Commission meeting.

Mr. Zarnikow also noted that ISAC will also have to submit a budget to the General Assembly that matches the budget to be submitted by the Governor and that the Illinois Board of Higher Education will also submit a budget with multiple steps that include ISAC. Therefore, there will be multiple different budgets submitted for ISAC and that what the General Assembly ultimately approves for ISAC is likely to be different than all of them.

Ms. Savage **MOVED THAT** for the reasons just discussed the Commission approve \$798.4 million as the Commission's FY2014 budget. Ms. Mims seconded the motion, which was approved unanimously.

Item 7. Approval of Amendments to the Internal Administrative Rules

Ms. Pike introduced the agenda item noting that the Commission is being asked to approve ISAC's proposed amendments to the internal administrative rules and stated that once approved the Executive Director will file a copy of the amendments with the Secretary of State. She noted the rules are being amended to allow the Chairman or, when unavailable, the Vice Chairman, to call a special meeting of the Commission and also to allow for a member to attend a meeting via video or audio conference if unable to physically attend due to reasons set forth in the Open Meetings Act.

Mr. Roberts **MOVED THAT** the Commission approve the proposed changes to the Commission's internal rules and to direct the Executive Director to cause these amendments to be filed with the Secretary of State. Ms. Savage seconded the motion, which was approved unanimously.

Item 7. Approval to File the Proposed Administrative Wage Garnishment Rules for Non-Federal Loans with the Joint Committee on Administrative Rules (JCAR)

Ms. Pike stated the Commission was informed at their September meeting of the intent to publish a Notice of Proposed rulemaking in the *Illinois Register* authorizing ISAC to garnish the salary, wages, commissions, and bonuses of borrowers who have defaulted on loans originated through ISAC's non-federal lending programs. She stated the Commission's approval today will initiate a second 45-day period during which the members of JCAR may object to the proposed rules.

Ms. Savage **MOVED THAT** the Commission approve the filing of the administrative wage garnishment rules for non-federal loans with the Joint Committee on Administrative Rules. Mr. Huber seconded the motion, which was approved unanimously.

Item 8. Scholarships and Grants

Item 8A. Monetary Award Program (MAP) Task Force Summary

Ms. Kleemann provided the Commission with a brief summary of the Task Force process and the results provided in the report to the General Assembly on December 31, 2012.

Mr. Zarnikow took the opportunity to thank Mr. del Valle for his participation on the Task Force, as well as ISAC staff.

Mr. del Valle also commended staff for a thorough effort in the Task Force process. He noted that although pleased with the process, not everyone was pleased with the outcome and as he went into the endeavor with an open mind, he came to the conclusion that funds cannot be taken from one sector to give to another though he believed additional support should be provided to community colleges; all sectors are important.

Item 8B. Approval of the FY2014 Formula to Allocate Monetary Award Program (MAP) Grant Funding

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 help forecast the required suspense date for MAP, and so that colleges can begin to prepare their students' financial aid packages. She stated that once the Governor and General Assembly have determined the actual FY14 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.

Mr. Roberts **MOVED THAT** the Commission approve the formula summarized in Table 4 of the agenda item as the FY2014 MAP start-up formula. Ms. Mims seconded the motion, which was approved unanimously.

Item 9. Illinois Designated Account Purchase Program (IDAPP)

Item 9A. Illinois Designated Account Purchase Program Student Loan Sales Update

Mr. Begrowicz provided the Commission with an update on the results of the sale of the student loan portfolio.

Item 9B. Illinois Designated Account Purchase Program Investment Policy

Mr. Begrowicz noted that the IDAPP investment policy was last updated in November of 2008. He noted the changes being made are mostly cosmetic and there are no major changes in the type of investments that IDAPP can make.

Ms. Mims **MOVED THAT** the Commission approve the revised investment policy for the Illinois Designated Account Purchase Program. Ms. Savage seconded the motion, which was approved unanimously.

Ms. Savage **MOVED THAT** that the January 24, 2013 meeting of the Commission adjourn. Ms. Mims seconded the motion, which was approved unanimously. The meeting adjourned at 2:54 p.m.

Respectfully submitted,

A handwritten signature in cursive script that reads "Debora A. Calcara". The signature is written in black ink on a light-colored background.

Debora A. Calcara
Secretary to the Commission