

AGENDA ITEM 3.

APPROVAL OF MINUTES OF THE JUNE 19, 2015 MEETING

Submitted for: Action

Summary: This report includes the detailed minutes of the meeting held on June 19, 2015.

Action requested: That the Commission approve the minutes of the June 19, 2015 meeting.

MINUTES OF A JOINT MEETING
OF THE
ILLINOIS STUDENT ASSISTANCE COMMISSION

Robert Morris University
401 South State St.,
Room 803
Chicago, IL

June 19, 2015

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

COMMISSIONERS ABSENT: Selamawi Asgedom
Mark Donovan, Investment Committee Member
Kendall Griffin, Audit Committee Member

**INVESTMENT ADVISORY
PANEL MEMBERS PRESENT:**

Jeanna Cullins
Karen Kissel
Patrick Rea
Janice Reedus
Joy Winterfield

STAFF PRESENT:

Eric Zarnikow, Executive Director
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!® Prepaid Tuition Program
Susan Kleemann, Managing Director, RPPA
Marissa Lowe, Assistant Director, Budgeting and Financial Analysis
Shoba Nandhan, Chief Financial Officer
Roger Rojas, Investment Analyst
Karen Salas, General Counsel
Debora Calcara, Commission Secretary

PUBLIC ATTENDANCE:

Ryan Ball, Callan Associates
Leigh Brinson, Robert Morris University
Eric Hiatt, Illinois Board of Higher Education
Sarah Labadie, Women Employed
Brianne Weymouth, Callan Associates

Item 1. Announcements

Chair Hubbard brought the June 19, 2015 meeting of the Commission to order. Due to the lack of quorum at this time, she introduced Ms. Deb Brodzinski, Director of Financial Aid at Robert Morris University. Ms. Brodzinski welcomed the Commission to Robert Morris University and introduced three students from Robert Morris University who shared their personal story as a Monetary Award Program (MAP) recipient.

Chair Hubbard announced that the meeting today is a joint meeting of the Commission, the Investment Committee and the Investment Advisory Panel and asked that a roll be called, which established a quorum was present for the Commission, the Investment Committee and the Investment Advisory Panel at 1:19 p.m.

Chair Hubbard stated the next regularly scheduled meeting of the Commission will be held on September 16, 2015.

Item 2. Approval of Minutes of the April 1, 2015 Commission Meeting

Mr. Roberts **MOVED THAT** the Commission approve the minutes of the April 1, 2015 meeting of the Commission. Ms. Savage seconded the motion, which was approved unanimously.

Item 3. Executive Director's Report

Mr. Zarnikow provided an update on ISAC's budget performance for FY 15 and the reports provided in the agenda book, as well as updates on several other activities since the last Commission Meeting.

Item 4. College Illinois!® Prepaid Tuition Program Investments

Mr. Custer thanked members of the Investment Advisory Panel for attending the meeting and for their valuable input throughout the year. He then recognized representatives from Callan Associates who were attending the meeting.

Item 4A. Approval of Minutes of the May 19, 2015 Meeting of the Investment Committee

Ms. Mims **MOVED THAT** the Investment Committee approve the minutes of the May 19, 2015 meeting of the Investment Committee. Mr. Huber seconded the motion, which was approved unanimously.

Item 4B. Investment Update

Mr. Custer provided a brief overview of the information provided in the agenda book including the portfolio risk profile, recent performance, investment activity, as well as Fund transfers for 2015 tuition payments.

Item 4C. Approval of the Asset Allocation and Investment Policy Revisions

Mr. Custer stated that as a result of the asset allocation study conducted by staff and Callan Associates, the recommended changes to Interim Allocation are outlined in the memorandum given to the Investment Committee at its May 19, 2015 meeting and is included in the agenda book. The Investment Committee approved the proposed asset allocation and revised Investment Policy for recommendation to

the Commission at its May 19 meeting. Mr. Custer highlighted key findings from the asset allocation study. The current long-term target allocation continues to be efficient, defined as the lowest expected risk for the level of expected return, and no changes were recommended to long-term target allocations. The study indicates that ISAC's hedge fund portfolio appears to be risk mitigating. No change was recommended to the hedge fund allocation.

Mr. Roberts **MOVED THAT** the Commission approve the proposed asset allocation revisions to the Investment Policy as printed in the agenda book. Mr. del Valle seconded the motion which was approved unanimously.

Item 4D. Approval of the Transactional and Contractual Authority Relating to Custodial Services for the College Illinois! Prepaid Tuition Trust Fund

Mr. Custer stated that the contract for custodial services with Northern Trust Company will expire on July 1, 2015 at which time a new agreement shall be put in place for one year or until staff concludes the current competitive selection process for a new custodian contract. He stated that the authority to direct custodial transactions that was previously granted by the Commission to ISAC Officers, the Executive Director and Chair expires on July 1, 2015.

Chair Hubbard 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 Chair (together, the “Officers”), to enter into, in the name of the Fund or ISAC, execute, and deliver, a custody agreement with a custodian.”

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

Chair Hubbard 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-Chair (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 a custodian for up to one year.

“BE IT RESOLVED, FURTHER, that the Officers be and they are hereby authorized and directed to deposit with a custodian 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 an 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. Roberts **SO MOVED**, Ms. Mims seconded the motion, which was approved unanimously.

Item 4E. College Illinois! Prepaid Tuition Program Investment Procurement Rules

Mr. Custer explained that as part of the implementation of Public Act 98-1022, administrative rules have been drafted for the procurement of investment services. He stated the rules were approved by the Commission at its April meeting, reviewed by the Joint Committee on Administrative Rules (JCAR) on May 12, 2015 who then extended the review period for the investment procurement rules for consideration at its June 16, 2015 meeting. ISAC submitted changes to the proposed rules for consideration at the June 16, 2015 meeting of JCAR. At its June 16, 2015 meeting, JCAR had no objection to the revised rules and therefore staff is bringing them to the Commission today for adoption as part of the Prepaid Tuition Administrative Rules.

Chair Hubbard thanked staff for their work and provided counsel to continue with their fiduciary responsibility and to go down parallel paths of implementing the new rules while seeking legislation for an exemption to the Procurement Code similar to the provisions for Illinois pensions.

Ms. Mims, as a member of the Investment Committee, **MOVED THAT** the Committee recommend that the Commission adopt the revised proposed amendments to the Prepaid Tuition Administrative Rules.

Mr. Huber, as a member of the Investment Committee, seconded the motion, which was approved unanimously.

Ms. Savage **MOVED THAT** the Commission adopt the revised proposed amendments to the Prepaid Tuition Administrative Rules.

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

Item 4F. College Illinois! Prepaid Tuition Program Fixed Income Procurement

Introducing the agenda item, Mr. Custer stated that the contract for intermediate fixed income manager, Income Research and Management (IRM), will expire on June 30, 2015. A new search will be initiated after the selection process has been revised to incorporate the provisions of Public Act 98-1022 and the new administrative rules for investment related procurements. He stated that staff is working within the state procurement process to continue the services of IRM. He noted that due to an expected absence of the Executive Director at the time the contract must be signed, staff is requesting that the Chief Financial Officer be approved to sign the contract in his absence.

Ms. Mims, as a member of the Investment Committee, **MOVED THAT** that the Investment Committee recommends the continued engagement of Income Research and Management until a new competitive procurement for intermediate fixed income investment services is completed.

Mr. Huber, as a member of the Investment Committee, seconded the motion, which was approved unanimously.

Chair Hubbard asked for a motion to approve the following Resolution:

“BE IT RESOLVED that the Commission approves the continued engagement of Income Research and Management until a new competitive procurement for intermediate fixed income investment services is completed.

Mr. del Valle **SO MOVED**, Mr. Roberts seconded the motion, which was approved unanimously.

Chair Hubbard asked for a motion to approve the following Resolution:

“BE IT FURTHER RESOLVED that the authority to execute the Income Research and Management contract is hereby granted to the Chief Financial Officer in the absence of the Executive Director and in conjunction with the Chief Investment Officer with the Executive Director reviewing the draft contract prior to leaving on vacation.

Ms. Mims **SO MOVED**, Mr. Roberts seconded the motion, which was approved unanimously.

Item 4G. College Illinois! Prepaid Tuition Program Investment Advisory Panel

Mr. Custer summarized interaction with and advice provided by the Investment Advisory Panel. The Panel was invited to provide any additional advice to the Commission at this meeting. No additional advice was given to the Commission by the Panel at this time.

Prior to the Panel members departing the meeting, Chair Hubbard took the opportunity to announce that she would be resigning her position as Chair upon the expiration of her term on June 30, 2015.

Item 5. College Illinois! Prepaid Tuition Program Contract Prices and Fees for 2015-2016 Enrollment Period

Mr. Custer reviewed the proposed pricing structure for the 2015-2016 enrollment period, noting that the pricing strategy is essentially the same as that used for the 2014-2015 enrollment period. Prices will be unchanged from last year through December 31, 2015 and then modest increases will be implemented on January 1, 2016 to adjust for tuition inflation.

After further discussion, Chair Hubbard asked for motion to approve the following Resolution:

“BE IT RESOLVED that the Commission approves the contract pricing structure and fees as presented in this agenda item and discussed at this meeting.

Ms. Savage **SO MOVED**, Mr. Roberts seconded the motion, which was approved unanimously.

Item 6. State Legislative Update

Ms. Gricevich provided a brief overview of the legislative report provided in the agenda book.

Item 7. Approval of Fiscal Year 2016 Monetary Award Program (MAP) Recompute Formula

Ms. Kleemann provided an update on the current FY 2015 claims being paid. She also noted that for FY 2016 application volume is down seven percent.

Ms. Mims **MOVED THAT** the Commission approve continuing using the FY2016 MAP eligibility formula approved in January. Although the scenario is unlikely, staff also requests that the Commission approve the reduction of second- and third-term claims if determined necessary to keep claims within the appropriation.

Ms. Savage seconded the motion, which was approved via roll call vote.

Item 8. Fiscal Year 2016 Internal Budgets

Ms. Nandhan presented an overview of the Federal Family Education Loan Program (FFELP). Mr. Zarnikow then provided a brief overview of the budgets being brought to the Commission for approval.

Chair Hubbard asked for a motion to approve the following Resolution:

“BE IT RESOLVED that the Commission approves the Fiscal Year 2016 budgets for the Illinois Student Assistance Commission (ISAC), Student Loan Operating Fund (SLOF), Illinois Designated Account Purchase Program (IDAPP), and the College Illinois!® Prepaid Tuition Program, as printed in the agenda book as discussed at this meeting.

Ms. Savage **SO MOVED**, Mr. Roberts seconded the motion, which was approved unanimously via roll call vote.

Item 9. Internal Audit

Item 9A. Audit Committee Update

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

Item 9B. Review and Approval of Fiscal Year 2016 Internal Audit Plan

Ms. Savage **MOVED THAT** the Commission approve the Fiscal Year 2016 Internal Audit Plan as presented in the agenda book.

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

Item 10. Public Comment

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

Item 11. Closed Session

Chair Hubbard asked for a motion to go into closed session to discuss closed minutes and personnel issues as allowed by subsection 2(c)(1) and (11) of the Open Meetings Act.

Mr. del Valle **SO MOVED** and Mr. Huber seconded the motion, which was approved by roll call vote. The Commission went into closed session at 4:05 p.m. and returned to open session at 4:26 p.m.

Item 12. Approval of Closed Session Action Items

Item 12A. Approval of Minutes of the January 27, 2015 Closed Session and Determination Regarding Confidentiality

Chair Hubbard asked for a motion to approve the following Resolution:

“BE IT RESOLVED that the Commission approve the minutes of its closed session on January 27, 2015 and has determined that the need for confidentiality does not exist and therefore should be opened to the public.”

Ms. Mims **SO MOVED**, Ms. Savage seconded the motion, which was approved unanimously.

Item 12B. Approval of Closed Session Minutes Redetermination Regarding Confidentiality

Chair Hubbard asked for a motion to approve the following Resolution:

“BE IT RESOLVED that the Commission has determined the need for confidentiality still exists for the minutes of its closed sessions for September 16, 2013, January 10, 2014, January 30, 2014, April 22, 2014 and July 22, 2014 and therefore should remain closed.”

Mr. Roberts **SO MOVED**, Ms. Mims seconded the motion, which was approved unanimously.

Item 12C. Approval of Closed Meetings Records Retention Determination

Chair Hubbard asked for a motion to approve the following Resolution:

“BE IT RESOLVED that the Commission acknowledges that the closed minutes from September 2004 through September 2013 have been previously approved by the Commission and therefore approves the destruction of the audio recordings and typed transcripts in accordance with the Open Meetings Act requirements.”

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

Item 12D. Personnel Evaluation

Chair asked for a motion to approve the personnel item discussed in closed session.

Mr. del Valle **SO MOVED**, Ms. Savage seconded the motion, which was approved unanimously.

Item 13. Approval of Open Meetings Records Retention Determination

Ms. Mims **MOVED THAT** the Commission acknowledge that the minutes from September 2000 through November 2012 have been previously approved by the Commission, and therefore approves the destruction of the audio records and/or typed transcripts in accordance with the Open Meetings Act requirements.

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

Ms. Savage **MOVED THAT** that the June 19, 2015 meeting be adjourn, Ms. Mims seconded the motion, which was approved unanimously. The meeting adjourned at 4:31 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