

AGENDA ITEM 2.

APPROVAL OF MINUTES OF THE NOVEMBER 18, 2015 MEETING

Submitted for: Action

Summary: This report includes the detailed minutes of the meeting held on November 18, 2015.

Action requested: That the Commission approve the minutes of the November 18, 2015 meeting.

MINUTES OF A JOINT MEETING
OF THE
ILLINOIS STUDENT ASSISTANCE COMMISSION

University of Illinois at Chicago
Conference Center, Third Floor, Illinois Room B
750 South Halsted
Chicago, IL

November 18, 2015

1:00 p.m.

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

COMMISSIONERS ABSENT: Selamawi Asgedom
Kendall Griffin, Audit Committee Member

STAFF PRESENT: Eric Zarnikow, Executive Director
Lynne Baker, Managing Director, Communications
Brian Begrowicz, Deputy Chief Financial Officer
Carol Cook, Director, Program Services and Compliance
Kent Custer, Chief Investment Officer
Kishor Desai, Director, Internal Audit
Katharine Gricevich, Director, Government Relations
Sandra Houston, Director, College Illinois![®] Prepaid Tuition Program
Susan Kleemann, Managing Director, RPPA
Shoba Nandhan, Chief Financial Officer
Harikumar Pillai, Manager, Information Security & Telecom
Roger Rojas, Investment Analyst
Debora Calcara, Commission Secretary

PUBLIC ATTENDANCE: Marcus Szymanoski, DeVry Group
Brienne Weymouth, Callan Associates

Item 1. Announcements

Vice Chair del Valle brought the November 18, 2015 meeting to order at 1:05 p.m. He then asked that a roll call be taken, which established a quorum was present.

Vice Chair del Valle recognized Provost Rick Gislason, Vice Chancellor for Academic Affairs, who welcomed the Commission on behalf of the University of Illinois at Chicago. Provost Gislason spoke briefly about the University and thanked the Commission for their work.

Item 1A. Approval of the 2016 Meeting Dates and Locations

Mr. Donovan **SO MOVED** that the Commission approve the tentative 2016 meeting dates and locations as presented. Ms. Savage seconded the motion, which was unanimously approved. The tentative 2016 meeting dates and locations are as follows:

- Thursday, January 28, 2016, Chicago
- Friday, April 1, 2016, Chicago
- Thursday, June 30, 2016, Chicago
- Wednesday, September 14, 2016, Chicago
- Friday, November 18, 2016, 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 October 15, 2015 Commission Meeting Minutes

Mr. Roberts **MOVED THAT** the Commission approve the minutes of the October 15, 2015 meeting of the Commission. Ms. Savage 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. Mr. Zarnikow stated the College Illinois! Prepaid Tuition Program opened enrollment on November 2 and will continue through May 31. He stated that a marketing update will be presented at the January meeting.

Item 5. Monetary Award Program (MAP) Update

Ms. Gricevich provided the Commission with a legislative update related to the General Assembly’s delay in approving a budget for 2016. It is her estimation that due to the Governor’s veto of the higher education budget which was passed by the General Assembly, there would probably be no action taken on the 2016 budget until January.

Ms. Cook provided the Commission with an update on how Program Services Operations is handling the MAP claim process for the fall term as well as the second term claims due to the 2016 budget delay. She indicated most schools are crediting MAP for students for the fall term, however should there still be no budget going into the second term it is uncertain if schools can continue to credit their students.

Mr. Zarnikow stated that a majority of the schools will not be able to credit MAP and will use the student's PELL grant and/or student loan funds for second term until MAP is paid. This will create hardship for students because they normally use those funds for books, living costs, transportation, etc. Where schools advance the MAP funding assuming that the state will ultimately pay, there are concerns mounting such as will the school allow a student to continue to enroll, to transfer to another school or to graduate if they have an unpaid balance due to lack of MAP funding.

Mr. Zarnikow reminded the Commission at its last meeting staff was asked to research changing the rules for schools eligibility to participate in ISAC's gift assistance programs. He indicated that while staff will continue to work on this issue there is no answer to be given at this time. He reminded the Commission of its role, which is to make college accessible and affordable for students of Illinois. He referenced a statement made during a meeting of the MAP Taskforce where a member reminded the Taskforce that we could not use MAP to solve all the problems in higher education and we shouldn't deviate from the purpose of MAP. He stated we should be careful that we ultimately do not have unintended consequence when making changes. He stated this is not a simple issue but a very complex task. He reassured the Commission that work continues on this issue and will be reported back to the Commission at future meetings.

Mr. Zarnikow provided the Commission with research data showing college ranking systems as well as MAP-eligible school's graduation rates.

Item 6. Approval of the Fiscal Year 2017 Appropriated Funds Budget

Mr. Zarnikow noted this is the budget brought to the Commission at its October meeting as an information item and is now being brought to the Commission for approval.

Ms. Mims **SO MOVED** that the Commission approve the FY 2017 budget request totaling \$799.6 million as detailed in Table 1 of the agenda book. By source of funds, this request consists of \$444.3 million in State General Funds, in addition to the authority to spend \$328.7 million in federal student loan funds, \$15.5 million in federal scholarship and grant funds, \$10.7 million in other state funds, and \$400,000 in other federal funds.

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

Item 7. Approval of Illinois Designated Account Purchase Program (IDAPP) Investment Policy

Mr. Zarnikow noted no significant changes have been made to the investment policy since its last approval in January 2013.

Mr. Donovan **SO MOVED** that the Commission adopt the IDAPP investment policy included in the agenda book.

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

Item 8. College Illinois!® Prepaid Tuition Program Investments

Item 8A. 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 8B. Approval of International Equity Procurement

Mr. Custer stated that the contracts for all three international equity managers will expire on December 24, 2015 and while a competitive search has been initiated it will not be completed prior to the expiration of the contracts due to the implementation of new procurement rules and the turnover of the State Procurement Officials. Therefore, sole source contracts are necessary to maintain the current managers until the competitive search is completed.

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

BE IT RESOLVED that the Commission approves the continued engagement of Ativo Capital, Cornerstone Capital Management, and Pyrford International until a competitive procurement for international equity investment services is completed and the resulting contracts have been executed.

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

Item 8C. Actuarial Soundness Valuation Report

Mr. Custer reviewed the summary of the actuarial soundness valuation report as provided in the agenda book.

Item 8D. Approval of the Review of Fiduciary Diversity Policy and Minority Investment Manager Policy

Mr. Custer stated that Public Act 98-1022 (the Act) became effective on January 1, 2015, which amended the Illinois Pension Code and the Prepaid Tuition Act to subject the Prepaid Tuition Program to certain sections of the Pension Code related to increasing racial, ethnic and gender diversity of investment fiduciaries and investment managers. He noted that the Commission was required to adopt a policy by February 1, 2015, which the Commission approved at its January 27, 2015 meeting.

Mr. Custer stated that the Act also requires the Commission to annually review the goals established by these policies. He noted those policies have been included in the agenda book for the Committee's review.

Mr. Custer noted that at its meeting prior to the Commission meeting today, the Investment Committee amended the proposed resolution to include that the Commission evaluate the need for specific guidelines for minority brokerage and veteran participation.

Ms. Mims **MOVED THAT** that the Commission approve the following resolution:

BE IT RESOLVED that the Commission has reviewed the College Illinois! Investment Policy, which was adopted at the April 1, 2015 meeting of the Commission as it relates to diversity of fiduciaries and minority investment managers and asked that the Commission evaluate more specific guidelines for minority brokerage and veteran participation.”

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

Item 9. Audit Committee Update

Ms. Savage reviewed what is on the agenda for the Audit Committee, which will hold their meeting immediately following the Commission meeting today.

Mr. Donovan **MOVED THAT** that the November 18, 2015 meeting be adjourn, Ms. Savage seconded the motion, which was approved unanimously. The meeting adjourned at 2:40 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