

AGENDA ITEM 2.

APPROVAL OF MINUTES OF THE APRIL 12, 2017 MEETING

Submitted for: Action

Summary: This report includes the minutes of the meeting held on April 12, 2017.

Action requested: That the Commission approve the minutes of the meeting on April 12, 2017.

MINUTES OF A JOINT MEETING
OF THE
ILLINOIS STUDENT ASSISTANCE COMMISSION
THE INVESTMENT COMMITTEE AND THE INVESTMENT ADVISORY PANEL

Michael A. Bilandic Building
160 N. LaSalle, Room N-502
Chicago, Illinois

April 12, 2017

1:00 p.m.

COMMISSIONERS PRESENT: Asaf Bar-Tura
Niketa Brar
Mark Donovan, Investment Committee Member
Kevin Huber, Investment Committee Member
Claudia Quezada
Kim Savage, Audit Committee Member
Kyle Walsh, Student Commissioner

COMMISSIONERS ABSENT: Miguel del Valle, Vice Chair

STAFF PRESENT: Eric Zarnikow, Executive Director
Vicki Baba, Director, Human Resources and Development
Lynne Baker, Managing Director, Communications
Ramnath Cidambi, Chief Information Office
Carol Cook, Director, Program Services and Compliance
Kent Custer, Chief Investment Officer
Kishor Desai, Chief Internal Auditor
Wendy Funk, Managing Director, Finance and Accounting
Katharine Gricevich, Director, Government Relations
Ann Hunter, Assistant Comptroller, Financial Reporting
Shoba Nandhan, Chief Financial Officer
Roger Rojas, Investment Analyst
Karen Salas, General Counsel
Evelyn Smith, Director, Portfolio Management
Debora Calcara, Commission Secretary

PUBLIC ATTENDANCE: Jessie Gotsdiner, Women Employed
Sarah Labadie, Women Employed
Brianne Weymouth, Callan Associates

Item 1. Announcements

Chair Huber brought the April 12, 2017 meeting of the Commission to order at 1:02 p.m. He announced the meeting today was a joint meeting of the Commission and the Investment Committee and the required joint meeting with the Investment Advisory Panel. He then asked that a roll call be taken of the Commission, the Investment Committee and the Investment Advisory Panel, which established a quorum was present.

Chair Huber expressed the Commission's appreciation to Commissioners Roberts, Griffin and Asgedom who have resigned their position due to their increased professional obligations. He stated their commitment and support of the work of the Commission is very much appreciated.

Continuing, he welcomed four new members to the Commission, Ms. Niketa Brar, Ms. Claudia Quezada, Dr. Asaf Bar-Tura and Student Commissioner Kyle Walsh. He then asked that they briefly introduce themselves and share a little of their background.

Chair Huber stated the next regular meeting of the Commission is scheduled for Wednesday, June 14, 2017.

Item 2. Approval of the Minutes of the December 1, 2016 Meeting

Ms. Savage **MOVED THAT** the Commission approve the minutes of the December 1, 2016 meeting of the Commission. Mr. Donovan seconded the motion, which was approved unanimously.

Chair Huber then advanced in the agenda to the College Illinois! investment items.

Item 4. College Illinois! Prepaid Tuition Program Investments

Item 4A. Approval of the Appointment of an Investment Committee Member

Mr. Donovan **MOVED THAT** the Commission approve the appointment of Niketa Brar as an Investment Committee Member. Ms. Savage seconded the motion, which was approved unanimously.

Mr. Custer took the opportunity to introduce Brianne Weymouth with Callan Associates. He then thanked the members of the Investment Advisory Panel for their attendance today.

Item 4B. Approval of Minutes of the March 23, 2016 Investment Committee Meeting

Mr. Donovan, a member of the Investment Committee, **MOVED THAT** the Investment Committee approve the minutes of the March 23, 2017 meeting of the Investment Committee. Chair Huber seconded the motion, which was approved unanimously.

Item 4C. Approval of Minutes of the September 15, 2017 Investment Advisory Panel Meeting

Mr. Paster, a member of the Investment Advisory Panel, **MOVED THAT** the Investment Advisory Panel approve the minutes of the September 15, 2016 meeting of the Investment Advisory Panel. Ms. Cullins seconded the motion, which was approved unanimously.

Item 4D. 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 status updates.

Mr. Custer took the opportunity to invite Commissioners to an investment seminar being provided by Callan Associates in October which will focus on institutional investment and is designed specifically for board members.

Item 4E. Investment Advisory Panel

Mr. Custer expressed his appreciation for the Panel's helpful counsel. He then asked if any member of the Panel wished to address the Commission at the outset. Seeing none, Mr. Custer thanked them for attending today.

Chair Huber asked that each member of the Panel briefly introduce themselves. Mr. Huber stated that Ms. Winterfield resigned her position from the panel in November and thanked her for her contribution during her tenure.

Responding to Dr. Bar-Tura regarding minority brokerage utilization, Mr. Custer noted that the Investment Policy encourages the utilization of minority owned brokers subject to best execution, but there is not a specific target for use of minority brokers. Mr. Custer added that the Investment Policy does have established goals regarding utilization of minority owned investment managers. He added that that staff plans to conduct further review regarding minority brokerage usage as well as the use of veteran owned investment managers and brokerage during the Investment Policy Review.

Ms. Quezada inquired what the process is when adding managers to the Watch List and how many funds are currently on that list. Mr. Custer stated that currently there is only one fund, Pinnacle, on the Watch List. He briefly reviewed the Watch List process, noting that there are no absolute triggers, but that all investment managers are reviewed quarterly, including relative performance vs. benchmarks and peer groups, when appropriate.

Mr. Custer reviewed the investment services procurements of 2016 including custodian, intermediate duration fixed income, and international equity. He stated that the Rhumblin contract for passive domestic equity had been renewed earlier in April, prior to the June expiration. Looking forward, he mentioned the T. Rowe Price and State Street contracts for bond investment management would expire in 2018 and staff would likely proceed with contract renewal prior to expiration.

Discussion was held on the current sales for the enrollment period now in process. Mr. Donovan shared that the key driver of improvement to the unfunded liability has been moderating tuition inflation, which could reverse in the future.

Seeing no further discussion related to the College Illinois! Investments, Chair Huber excused the members of the Investment Advisory Panel should they wish to leave.

Item 3. Executive Director's Report

Mr. Zarnikow provided a brief update on the financials provided in the agenda book. He took the opportunity to recognize ISAC's Information Technology staff who has been providing IT services to other state agencies.

Item 5. Illinois PaCE: Postsecondary and Career Expectations

Mr. Zarnikow provided a background on the adopted House Resolution 477, which is a resolution calling for the agencies participating in the Illinois Pathways Interagency Committee to study methods to better prepare high school graduates for success in college and/or career. House Bill 5729, which incorporated the work of the House Resolution 477 was introduced and passed in July 2016, Public Act 99-0674 established the Postsecondary Workforce Readiness Act. This Postsecondary and Workforce Readiness Act indicates that education agencies must jointly adopt the Illinois PaCE or similar framework by July 1, 2017.

Discussion was held on how this will be incorporated into the agency and measuring success of the program.

Ms. Brar **MOVED THAT** the Commission approve the adoption by the Illinois Student Assistance Commission, as a member of the Illinois Pathways Interagency Committee, of the Postsecondary and Career Expectations, or PaCE by July 1, 2017.

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

Item 6. Proposed Administrative Program Rules Amendments

Ms. Cook provided an overview of the proposed administrative program rules amendments being brought to the Commission for approval. She stated that if approved today it will be presented to the Joint Committee on Administrative Rules (JCAR) at their May meeting and then formally adopted by our Executive Director with the effective date of July 1 for the 2017-2018 academic year.

Ms. Quezada **MOVED THAT** the Commission approve the following resolution:

“BE IT RESOLVED that the Commission accepts the proposed administrative program rules amendments, as modified thus far during the rulemaking process, for submission to the Joint Committee on Administrative Rules.

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

Item 7. Institutional Application to Participate in ISAC Gift Assistance Programs – Hebrew Theological College

Ms. Savage **MOVED THAT** the Commission approve the following resolution:

“BE IT RESOLVED that the Commission approves the application of Hebrew Theological College for participation in ISAC-administered gift assistance programs for which it is eligible, effective for the fall term of the 2017-2018 academic year, with payment of awards to be subject to available funding.”

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

Item 8. State Legislative Update

Ms. Gricevich provided a status update on the current legislation that could affect ISAC’s mission.

Item 9. Federal Family Education Loan Program (FFELP) Update

Ms. Nandhan presented an update on the Federal Family Education Loan Program (FFELP). Discussion was held on relaying the message to the legislature on the importance of providing operating funds to the agency as well as funding the ISACorp as the FFELP program winds down.

Item 10. Audit Committee

Item 10A. Approval of the Appointment of an Audit Committee Member

Ms. Savage **MOVED THAT** the Commission approve the appointment of Commissioners Claudia Quezada and Dr. Asaf Bar-Tura as members of the Audit Committee.

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

Item 10B. Audit Committee Update

Ms. Savage provided an overview of the agenda for the Audit Committee held prior to the Commission meeting today.

Item 11. Public Comments

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

Item 12. Closed Session

Chair Huber stated that Commissioners received the closed minutes of the June 17, 2016 meeting and the closed minutes redetermination agenda items and asked if there were any questions or concerns regarding those items. Seeing no need to adjourn into closed session to discuss the items, he continued with action on those items.

Item 13. Approval of Closed Session Action Items

Item 13A. Closed Minutes of the June 17, 2016 Meeting

Ms. Savage **MOVED THAT** the Commission approve the closed minutes of the June 17, 2016 meeting.

Mr. Walsh seconded the motion which was approved unanimously.

Item 13B. Approval of the Report of Determination Regarding Confidentiality

Mr. Walsh **MOVED THAT** the Commission 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 the July 22, 2014 and therefore should remain closed”.

BE IT FURTHER RESOLVED that the need for confidentiality no longer exists for the minutes of the closed session for the April 8, 2016 joint meeting of the Investment Committee and the Audit Committee.

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

Ms. Savage **MOVED THAT** that the April 12, 2017 meeting be adjourned, Ms. Brar seconded the motion, which was approved unanimously. The meeting adjourned at 3:11 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