

**AGENDA ITEM 2B**

**APPROVAL OF MINUTES OF THE JUNE 24, 2019 JOINT MEETING  
OF THE ILLINOIS STUDENT ASSISTANCE COMMISSION AND THE  
INVESTMENT COMMITTEE**

**Submitted for:** Action

**Summary:** This report includes the minutes of the joint meeting of the Illinois Student Assistance Commission and the Investment Committee held on June 24, 2019

**Action requested:** That the Commission approve the minutes of the June 24, 2019 meeting.

**MINUTES OF THE JOINT MEETING OF THE  
ILLINOIS STUDENT ASSISTANCE COMMISSION AND  
THE INVESTMENT COMMITTEE**

**Michael A. Bilandic Building  
Room N-505  
160 N. LaSalle Street, Chicago, IL**

**June 24, 2019  
1:00 p.m.**

**COMMISSIONERS PRESENT:**

Kevin Huber, Commissioner, Board Chair, Investment Committee Member  
Niketa Brar, Commissioner, Investment Committee Member  
Mark Donovan, Commissioner, Investment Committee Member  
Kim Savage, Commissioner, Audit Chair and Committee Member  
James Hibbert, Commissioner, Audit Committee Member  
Elizabeth Lopez, Commissioner, Audit Committee Member  
Emma Johns, Student Commissioner

**COMMISSIONERS ABSENT:**

Miguel del Valle, Commissioner, Vice Chair, Audit Committee Member

**STAFF PRESENT:**

Eric Zarnikow, Executive Director  
Lynne Baker, Managing Director, Communications  
Ramnath Cidambi, Chief Information Officer  
Carol Cook, Director, Program Services and Compliance  
Kishor Desai, Chief Internal Auditor  
Katharine Gricevich, Director, Government Relations  
Ellen Greenan, Deputy Director, MAP Forecasting and Analysis  
Karen Salas, General Counsel  
Shana Rogers, Managing Director, RPPA  
Shoba Nandhan, Chief Financial Officer  
Wendy Funk, Managing Director of Finance and Accounting  
Evelyn Smith, Director Loan Portfolio  
Roger Rojas, Investment Officer  
Natalie Wandall, Secretary to Commission  
Melvin Dsouza, Telecom and Network Engineer  
Tiara Woods, HR Generalist

**PUBLIC ATTENDANCE:**

Jim O'Connor, Callan  
Brienne Weymouth, Callan  
Eric Hiatt, University of Illinois  
Meegan Bassett, Women Employed

**Item 1. Announcements**

At 1:05 p.m. Chair Kevin Huber called the June 24, 2019 Commission meeting to order. A roll call of the Commission was taken, and a quorum was established. Then, a roll call of the Investment Committee was taken, and a quorum was established.

Mr. Huber announced that all the required annual Ethics forms have been completed by Commissioners.

Mr. Huber reminded Commissioners to record any time spent on state business as a volunteer. Please complete time slots on days you were reviewing or attending meetings, sign the form and return to Natalie. As a volunteer, it is important we have a record of your service.

The next regularly scheduled joint meeting of the Commission and the Investment Committee is Thursday, September 12th at 1:00 p.m. here in Chicago. The Audit Committee is scheduled to start at 11:30 a.m.

**Item 2. Approval of the Minutes (Action)**

**Item 2A. Approval of the Minutes of the April 4, 2019 Joint Meeting of the Commission, Investment Advisory Panel and Investment Committee (Action: Commission)**

Mr. Donovan **MOVED THAT** the Commission approve the minutes of the April 4, 2019 Joint Meeting of the Commission, Investment Advisory Panel and Investment Committee. Ms. Savage seconded the motion, which was unanimously approved by the Commission.

**Item 2B. Approval of the Minutes of the April 25, 2019 meeting of the Investment Committee (Action: Investment Committee)**

Mr. Donovan moved that the Investment Committee approve the minutes of the April 25, 2019 meeting. Chair Huber seconded the motion, which was unanimously approved by the Investment Committee.

**Item 3. Executive Director's Report - Eric Zarnikow**

Mr. Zarnikow provided an update on the financial performance of ISAC and noted that year-to-date the agency is above budget on the revenue side and below budget on the expense side. He did note that ISAC is about \$500,000 below budget on FFELP revenue and that FFELP revenue is continuing to decline as expected.

Mr. Zarnikow stated that House Bill 2691 was signed by the Governor. The bill creates the Retention of Illinois Students and Equity (RISE) Act. The provisions become effective on January 1, 2020. As a result of this Bill, Illinois residents who do not qualify for federal financial aid will be able to apply for state financial aid. A state version of the FAFSA will need to be developed. This will be a big task for Program Services, RPPA, IT, Legal, Communications and other parts of the Agency.

Under the bill, students can receive 135 MAP paid credit hours. The sub-limit of 75 credit hours before students reach junior status has been removed.

Mr. Zarnikow stated that the College Changes Everything conference will be held on Thursday, July 18<sup>th</sup> in Tinley Park. Generally, there are about 500 people in attendance. Commissioners were invited to contact Mr. Zarnikow for registration information if they would like to attend.

**Item 4. State Legislative Update - Katharine Gricevich**

Ms. Gricevich presented the legislative updates as described in the agenda book. She focused on the FY2020 budget highlights and the RISE Act. There was robust discussion and questions by commissioners, particularly around the implementation of the RISE Act. Ms. Gricevich stated that preparation for the implementation of the program continues and that staff has received advice from other states with similar laws. She added that a proposed trailer bill was under development to address privacy and other nuances that may need to be addressed to implement the Act.

Mr. Zarnikow stated that about 1/3 of General Assembly members were new this year and that there were a lot of bills that were considered. This created a lot of work for Katharine and the team. As far as the ISAC budget, the \$50 million increase for MAP and the additional operations funding for the agency was a home run for the ISAC budget. We will continue to work on resolving the situation with College Illinois! and may need some additional legislative consultant support.

**Item 5. Approval of Fiscal Year 2020 Monetary Award Program (MAP) Recompute Formula (Action) - Shana Rogers**

Ms. Rogers explained that the goal of the recompute formula recommendation is to increase access to MAP. It is recommended that the maximum award be increased from \$4,968 to \$5,340 and that 4 weeks of suspended MAP awards be released, which will add 6,700 more recipients.

Ms. Savage **MOVED THAT** the FY2020 MAP recompute eligibility formula shown in Table 2, which eliminates the reduction factor and increases the maximum award to \$5,340 be approved by the Commission. The increased appropriation will also enable the release of suspended awards. Staff to retain authority to reduce second- and third-term claims as a last resort, if necessary to keep claims within the appropriation. Ms. Brar seconded the motion which was unanimously approved by the Commission.

**Item 6. FY 2020 Internal Budget – Shoba Nandhan**

Ms. Nandhan provided an overview presentation on the Fiscal Year 2020 budget. She also gave a brief history and explanation of the Federal Education Loan Program (FFELP) and how it relates to ISAC's revenues, expenditures and operations. Commissioners asked questions and discussed FFELP and specific line items in the agency budget including personnel, College Illinois! and GEARUP. Ms. Nandhan called commissioners attention to the list of contracts included in the budget book.

Mr. Hibbert **MOVED THAT** the FY 2020 budgets for ISAC's Student Loan Operating Fund, IDAPP, College Illinois! Prepaid Tuition Program and the Gear Up Grant as printed in the agenda

book be approved by the Commission. Mr. Donovan seconded the motion which was unanimously approved by the Commission.

**Item 7. College Illinois! Prepaid Tuition Program Investments – Roger Rojas**

**Item 7A. Investment Update (Information)**

Mr. Rojas reviewed the fund risk profile, current asset allocation and performance attribution as provided in the consultant (Callan) quarterly report. Infrastructure writedowns have been the key driver behind the recent relative fund underperformance.

Mr. Rojas provided a brief overview of the College Illinois! investments across asset classes and reviewed more thoroughly all closed-end funds investments with its outstanding risks and current/projected realizations.

**Item 7B. Compliance Review (Information)**

Mr. Rojas reviewed the compliance report as provided in the agenda book including minority brokerage, minority investment manager participation and investment expenses.

**Item 7C. Approval of Changes to the Watch List and Manager Recommendation**

**Item 7C1. Approval of Changes to the Watch List (Action: Investment Committee)**

Mr. Rojas provided an overview of the Watch List memorandum as provided in the agenda book, in which no managers were recommended for addition to the Watch List. Chair Huber stated that no action was required.

**Item 7C2. Approval of Manager Recommendation (Action: Commission)**

Mr. Rojas provided an overview of the College Illinois! investment in Pinnacle Asset Management. Mr. Rojas reviewed investment staff rationale and recommendation to terminate Pinnacle, which was already reviewed and approved by the Investment Committee at the April 25, 2019 meeting.

Mr. Donovan **MOVED THAT** the Commission approve recommendation of the Investment Committee to terminate Pinnacle Asset Management L.P. Ms. Savage seconded the motion which was unanimously approved by the Commission.

**Item 7D. Asset Allocation Review (Action: Commission)**

Mr. Rojas reviewed the proposed modest changes to the interim asset allocation as well as the slight revisions to the Private Equity and Fund Policy benchmarks as provided in the agenda book. The long-term asset allocation remained unchanged.

Ms. Brar **MOVED THAT** the Commission approve the Investment Committee's recommended changes to the Asset Allocation and benchmark. Mr. Donovan seconded the motion which was unanimously approved by the Commission.

**Item 7E. Investment Policy Review and Adoption (Action: Commission)**

Mr. Rojas reviewed the slight language changes proposed to the College Illinois! Investment Policy (including the new interim asset allocation) as provided in the agenda book, which were already reviewed and approved by the Investment Committee at the April 25, 2019 meeting.

Mr. Hibbert **MOVED THAT** the Commission approve the Investment Committee's recommended revisions and to adopt the Investment Policy as revised. Mr. Donovan seconded the motion which was unanimously approved by the Commission.

**Item 7F. Prepaid Tuition Program Update - Verbal Update**

Mr. Zarnikow provided a thorough update on the status of the College Illinois! program to the Commission Board. He stated that enrollment continues to be on hold pending legislative action. He noted that ISAC had received feedback from some of the sponsors of the proposed legislation to provide the full faith and credit of the state to the program. They indicated that to have a chance at passage other members of the General Assembly had indicated they would only support full faith and credit of the state to the College Illinois! program under the condition that ISAC agrees not to sell new contracts in the future.

He also discussed that the final results of the actuarial update of the program as of June 30, 2019 will be available publicly in late October or early November. Based on investment activity through the current date it is likely that College Illinois! will be below the assumed investment rate of return for the FY2019 fiscal year.

**Item 8A. Approval of FY20 Internal Audit Plan – (Action) - Kishor Desai**

Ms. Savage indicated the FY2020 Internal Audit Plan was approved by the Audit Committee at its meeting prior to the meeting of the Commission today.

Mr. Desai stated that the first 11 audits are statutorily required.

In response to a question from a Commissioner Mr. Desai stated that his audits cover everything that he feels is important to the Commission.

Mr. Zarnikow stated that an anonymous annual risk survey is sent to management to try and identify areas of most risk in the agency. and the goal is to make sure the audit plan reflects the areas of risk in the agency.

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

**“BE IT RESOLVED** that the Commission approve the Fiscal Year 2020 Internal Audit Plan as recommended by the Audit Committee for approval.”

Mr. Hibbert seconded the motion, which was unanimously approved by the Commission.

**Item 8B. Audit Committee Update – (Information) - Commissioner Savage**

Ms. Savage stated that during the Audit Committee meeting, members discussed the status update of the FY2019 audits which were completed on time and within budget. Internal control was also discussed. The FY2020 audit plan was approved. Closed session minutes from the April 4, 2019 meeting were approved to be released to the public.

**Item 9. PUBLIC COMMENT**

There was no public comment.

**Item 10. Closed Session**

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

Ms. Brar **SO MOVED**, Ms. Savage seconded the motion, which was approved unanimously by roll call vote.

The Commission went into closed session at 2:53 p.m. and returned to open session at 3:18 p.m.

**Item 11A. Approval of Closed Session Items – Personnel items**

Mr. Donovan **MOVED THAT** the performance feedback for Mr. Zarnikow be provided by the Chair directly to Mr. Zarnikow and that Mr. Zarnikow be given a salary increase not to exceed 2.5%.

Chair Huber seconded that motion which was unanimously approved.

**Closing Remarks**

Mr. Zarnikow stated that this will be Mr. del Valle's last meeting. Mr. del Valle has served since 2011, and he provided invaluable service to ISAC. Mr. del Valle was an advocate for students and worked for the best interest of first- generation students.

Mr. Zarnikow stated that Ms. Johns has been reappointed. Her term will last until June 2020.

Seeing no further business to come before the Commission, Chair Huber asked for a motion to adjourn. Mr. Donovan **SO MOVED** and Chair Huber seconded that motion, which was unanimously approved by the Commission. The meeting adjourned at 3:28 p.m.

Respectfully submitted,

Tiara Woods