

AGENDA ITEM 2C

APPROVAL OF MINUTES OF THE DECEMBER 5, 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 December 5, 2019.

On December 5, 2019, two Commissioners arrived late and others informed us that they might need to leave early due to illness. As is reflected in the minutes, the Chair “stated that he would proceed with Investment Committee action items and Commission informational items until another Commissioner arrived.”

As a result, the meeting was conducted out of agenda order until enough Commissioners arrived to establish a quorum. After they arrived, a Commission quorum was established. The minutes being approved today reflect the changes in the Agenda order.

Action requested: That the Commission approve the minutes of the December 5, 2019 Joint Meeting of the Commission and the Investment Committee.

**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

December 5, 2019
1:00 p.m.

COMMISSIONERS PRESENT:

Kevin Huber, Commissioner, Board Chair, Investment Committee Member
Maureen Amos, Commissioner, Investment Committee Member
James Hibbert, Commissioner, Investment Committee Member
Niketa Brar, Commissioner, Audit Chair and Committee Member
Elizabeth Lopez, Commissioner, Vice Chair, Audit Committee Member
Darryl Arrington, Commissioner, Audit Committee Member
Franciene Sabens, Commissioner

COMMISSIONERS ATTENDED VIA TELEPHONE:

Jonathon Bullock, Commissioner

COMMISSIONERS ABSENT:

Emma Johns, Student Commissioner

STAFF PRESENT:

Eric Zarnikow, Executive Director
Lynne Baker, Managing Director, Communications
Ramnath Cidambi, Chief Information Officer
Carol Cook, Director, Program Services and Compliance
Christy Shields, Director, Program and Product Services
Kishor Desai, Chief Internal Auditor
Katharine Gricevich, Director, Government Relations
Carmen Heredia, Chief Investment Officer
Roger Rojas, Investment Officer
Karen Salas, General Counsel
Jacqueline Moreno, Managing Director, College Access Initiatives
Shana Rogers, Managing Director, RPPA
Shoba Nandhan, Chief Financial Officer
Wendy Funk, Managing Director, Accounting and Finance
Evelyn Smith, Director, Loan Portfolio
Natalie Wandall, Secretary to Commission

STAFF PRESENT COND'T:

Michael Wilder, Telecom and Network Engineer
Kathleen Cole, Staff Attorney

PUBLIC ATTENDANCE:

Jim O'Connor, Callan LLC
Nick O'Dea, University of Illinois
Meegan Bassett, Women Employed

Item 1. Announcements

At 1:00 p.m. Chair Kevin Huber called the December 5, 2019 meeting to order by announcing that this was a Joint Meeting of the Illinois Student Assistance Commission (Commission) and the Investment Committee. A roll call of the Investment Committee was taken and a quorum was established. With only 5 Commissioners physically present, a Commission quorum could not be established. The Chair advised that roll call for the Commission would be taken later when at least 6 Commissioners were physically present. He further stated that he would proceed with Investment Committee action items and Commission informational items until another Commissioner arrived.

Chair Huber announced that the next regular meeting of the Commission is scheduled for Thursday, April 9, 2020.

Item 2. Approval of Minutes by the Investment Committee

Item 2A. Approval of the Minutes of the September 12, 2019 Joint Commission/Investment Committee Meeting (Action: Investment Committee)

Chair Huber **MOVED THAT** the Investment Committee approve the minutes of the September 12, 2019 meeting as incorporated into the full Commission minutes. Commissioner Hibbert seconded the motion, which was unanimously approved by the Investment Committee.

Item 3. College Illinois! Prepaid Tuition Program Investments-Carmen Heredia/Roger Rojas

Item 3A. Investment Update (Information)

Ms. Heredia provided an overview of the College Illinois! Prepaid Tuition Program Investments by referring to the Callan quarterly report as of September 30, 2019. She referred to the actual versus target allocation and put that in context of our long-term asset class targets. She pointed out that our portfolio looks different from peers due to the fact that the College Illinois! Trust Fund has not sold contracts for the last three fiscal years and our funded ratio is approximately 70%. Further, she focused on the portfolio's attribution and highlighted the areas that helped and hurt portfolio performance. We are expecting to get cash in the portfolio next month from the

termination of one of our investment managers. Ms. Heredia answered questions from Commissioners on our asset class weights, risk and liquidity profile.

Mr. Rojas reviewed thoroughly all the private investments with its outstanding risks and current/projected realizations. He noted that the Infrastructure asset class in particular remains the primary risk to the College Illinois! Fund's performance.

Item 3B. Approval of Changes to Watch List - (Action: Investment Committee)

Mr. Zarnikow noted that no managers were being recommended for addition to the Watch List. Mr. Zarnikow and Chair Huber concurred that no action was required.

Item 3C. 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. No violations or issues of concern were identified. Ms. Lopez asked if we had a target established for minority brokerage utilization. Mr. Rojas noted that there is no specific target set but we encourage investment managers to increase minority brokerage utilization to the highest-level possible subject to best execution.

Item 3D. Actuarial Soundness Valuation Report - (Information)

Ms. Heredia explained that ISAC's actuary is Gabriel, Roeder, Smith and Company (GRS), and that they completed the Actuarial Soundness Valuation Report as of June 30, 2019. She reviewed the summary of the actuarial soundness valuation report and noted the assumptions and resulting unfunded liability of approximately \$317 million.

Ms. Brar asked about the demographic experience and Mr. Zarnikow explained that it is the variance of the actual experience in the current year versus what was projected. Ms. Brar then asked how tuition and fee growth are projected. Mr. Zarnikow explained that we look internally at past data and latest information our research team has obtained to make our long-term tuition and fee growth projections. We try to be toward the conservative range of reasonable assumptions in our analysis and focus on the long-term.

ISAC's actuarial assumptions are also reviewed by GRS to ensure that they are reasonable and are also reviewed by ISAC's external auditors. Mr. Huber then asked if we look at in-state versus out-of-state in the demographic experience. Mr. Zarnikow indicated that the analysis does take that into account.

Item 1. Announcements continued – Roll Call of Commission

Chair Huber stated that a quorum of the Commission can be established as Ms. Brar and Ms. Amos have now joined the meeting. Roll call was taken and a quorum was established.

He then explained that Commissioner, Josh Bullock, could not physically attend the meeting due to a scheduling conflict with his employer and that he would be in attendance electronically.

Ms. Lopez **MOVED THAT** the commissioners physically present vote to approve Commissioner Bullock's electronic attendance. Mr. Arrington seconded the motion, which was unanimously approved by the Commission by roll call vote.

Chair Huber then pointed out the procedural requirements in relation to remote attendance.

Item 3E. Prepaid Tuition Program Update (Information)

Mr. Zarnikow noted that the Actuarial Soundness Valuation Report has been made public and is on ISAC's website. The agency staff continues to work with the Governor's office trying to find a solution that will address the College Illinois! unfunded liability and protect current contract holders.

Item 2B. Approval of the Minutes of the September 12, 2019 Joint Commission/Investment Committee Meeting (Action: Commission)

Ms. Brar **MOVED THAT** the Commission approve the minutes of the September 12, 2019 Joint Meeting of the Commission and the Investment Committee. Mr. Arrington seconded the motion, which was unanimously approved by the Commission.

Item 4. Approval of Proposed Administrative Program Rules Amendments - Illinois Veterans Grant (IVG) Program (Action) - Carol Cook

Ms. Cook stated that Emergency Rules were filed. She also noted that the main change in the rules could be found on page 4-8(c) of the Agenda Book. Ms. Amos asked if we know how many people this will affect and Ms. Cook and Ms. Gricevich stated that they did not know for sure.

Ms. Brar requested that ISAC initiate a conversation with JCAR to change the wording in administrative rules from "he/she" to "they."

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

"BE IT RESOLVED that the Commission accepts the proposed program rules amendments cited in this agenda item for submission and consideration by the Joint Committee on Administrative Rules (JCAR); and, barring any material modification, or unresolved objection by JCAR, the Commission authorizes the Executive Director to proceed with adopting the program rules as amended."

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

Item 5. Approval of the Fiscal Year 2021 Appropriated Funds Budget (Action) – Eric Zarnikow - Shoba Nandhan - Katharine Gricevich.

Mr. Zarnikow and Ms. Nandhan provide the Commission with an overview of the state budget process and ISAC's FY21 Budget request. Mr. Zarnikow explained that except for IDAPP and College Illinois! which are unappropriated funds the budget for appropriated funds is not final until the General Assembly ultimately passes a budget that the Governor signs.

Ms. Nandhan provided an explanation and overview of Federal Family Education Loan Program (FFELP) revenues. Mr. Zarnikow explained that we are asking for money from State General Revenue Funds (GRF) because as expected ISAC's revenues from the FFELP program are declining.

Ms. Gricevich stated that the Monetary Award Program (MAP) is ISAC's flagship grant program and ISAC's top funding priority. ISAC is hoping that the Governor will ask for an increase in the MAP appropriation in his budget request, possibly by \$50 million.

Ms. Brar **MOVED THAT** the Commission approve a Fiscal Year 2021 budget request totaling \$808.3 million as detailed in Table 1. Ms. Amos seconded the motion, which was unanimously approved by the Commission.

Ms. Brar and Mr. Hibbert both had to leave the meeting at 2:35.

Item 10. Public Comment

There were no public comments.

Item 6. Executive Director's Report (Information) - Eric Zarnikow

Mr. Zarnikow provided a brief update on ISAC's financial performance fiscal year to date through the end of October. He also stated that ISAC tries to only use GRF to the extent needed to break even for the year.

He also provided brief updates in four areas. First, he indicated that to provide additional security for ISAC's data, ISAC is implementing two-factor identification for GAP access. Second, he talked about ISAC's three-year strategic priorities. Third, he discussed the cost of living adjustments for ISAC's employees. He explained that ISAC would provide cost of living adjustments that are consistent with what is being provided for other state employees. Fourth and finally, he informed the Commission that the State Scholars are now being awarded on a rolling basis and that about 18,000 students a year are recognized. A video related to the ISACorps was then shown.

Ms. Sabens indicated that her students were excited about the Illinois State Scholars badges. For improving outreach, we need to reach more students in the Southern Illinois area.

Mr. Bullock indicated he needed to leave the meeting at 2:50.

Item 7. State Legislative Update (Information) - Katharine Gricevich

Ms. Gricevich explained that there were no new developments since November 19th. She then went on to discuss four issues. First, she noted that there was a Bill to better protect applicants' privacy for all of ISAC's programs. Second, for the AIM High program, she stated that there was a small change to the unit of time from the academic year to the fiscal year. Third, she stated that they were responding to a proposal to work on the teacher shortage. However, the proposal has been pulled back. Fourth and final, in the Spring we will work on how AIM High funds will be appropriated.

Item 8. Gear Up Program (Information) - Jacqui Moreno

Ms. Moreno gave an overview of the Gaining Early Awareness and Readiness for Undergraduate Program (GEAR UP). She noted that ISAC applied for the GEAR UP grant in 2014 but did not get the grant until 2016. The GEAR UP grant is for seven years. She said they accepted the award, but found that it was difficult to implement in the limited amount of time available. She said that GEAR UP starts in middle school and that they worked hard to get schools to participate in the program. They finally achieved full participation in 2018-19 and that the majority of the schools are rural and are outside of Rockford or Springfield. She noted that currently, ISAC is serving approximately 8,400 students with the GEAR UP grant at those middle schools.

Mr. Zarnikow added that the State of Hawaii flew 17 people to Illinois to visit and to learn about the GEAR UP Program that ISAC runs.

Item 9. Audit Committee Update (Information)

Mr. Zarnikow mentioned that they had a productive Audit Committee meeting in that Mr. Desai and Ms. Nandhan gave a comprehensive overview of their respective areas.

Item 11. Closed Session: Personnel

The Closed Session regarding personnel issues will be moved to April 2020.

Mr. Zarnikow explained that Mr. Huber did a 360-evaluation process/human resources process with all of Mr. Zarnikow's direct reports. The results of the process were summarized and shared by Mr. Huber with Mr. Zarnikow. Mr. Zarnikow thanked everyone involved in the evaluation process for their constructive feedback.

Seeing no further business to come before the Commission, Chair Huber asked for a motion to adjourn. Ms. Amos **SO MOVED** and Mr. Arrington seconded that motion, which was unanimously approved by the Commission. The meeting adjourned at approximately 3:10 pm.

Respectfully submitted,

Kathleen Cole