

AGENDA ITEM 2B.

**APPROVAL OF MINUTES OF THE JUNE 16, 2022
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 16, 2022

Action requested: That the Commission approve the minutes of the June 16, 2022, Joint Meeting.

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

**VIDEO CONFERENCE
Instruction to be provided by ISAC.org**

**June 16, 2022
1:00 p.m.**

COMMISSIONERS PRESENT via WebEx:

Kevin Huber, Commissioner, Board Chair, Investment Committee Member
Maureen Amos, Commissioner, Investment Committee Member
Elizabeth Lopez, Commissioner, Vice Chair, Audit Committee Member
Darryl Arrington, Commissioner, Audit Committee Member
Franciene Sabens, Commissioner
Jonathon Bullock, Commissioner
Thomas Dowling, Commissioner
Payton Ade, Student Commissioner

COMMISSIONERS ABSENT

Niketa Brar, Commissioner, Audit Chair and Committee Member
James Hibbert, Commissioner, Investment Committee Member

INVESTMENT COMMITTEE MEMBERS PRESENT via WebEx:

Kevin Huber, Commissioner, Board Chair, Investment Committee Member
Maureen Amos, Commissioner, Investment Committee Member

INVESTMENT COMMITTEE MEMBERS ABSENT:

James Hibbert, Commissioner, Investment Committee Member

STAFF PRESENT via WebEx:

Eric Zarnikow, Executive Director
Carol Cook, Managing Director, Program Services and Compliance
Shana Rogers, Managing Director, RPPA
Shoba Nandhan, Chief Financial Officer
Wendy Funk, Managing Director, Accounting and Finance
Kishor Desai, Chief Internal Auditor
Carmen Heredia, Chief Investment Officer
Roger Rojas, Investment Officer
Harikumar, Pillai, Chief Information Officer
Linda Jeffries, Deputy Director, Finance and Accounting
Rich Nowell, Interim General Counsel

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Stephanie Schmitz-Bechteler, Director, Special Projects and Program Services
Vicki Baba, Director, HRD
Gloria Legette, Deputy General Counsel
Ellen Greenan, Deputy Director, RPPA
Marisa Lowe, Deputy Director, Budget and Financial Analysis
Natalie Wandall, Secretary to Commission
Lisa Murphy-Coveny, Deputy General Counsel
Jackie Eckley, Asst Director, Program Communication Service
Anne Hunter, Deputy Director, Financial Reporting
Karisa Ott, Program Review Manager, Finance and Accounting
Dada Ibrahimovic, Professional Development Specialist
Manuel Talavera, Professional Development Specialist
Meghan Chrum, Professional Development Specialist
Paul Oliver, Manager, ISAC Call Center
Ana Moya, Professional Development Specialist
Thomas Semanic, Capacity Development and Training
Tania Mendoza, Product Services

PUBLIC ATTENDANCE via WebEx:

Brianne Weymouth, Callan LLC
Jim Van Heuitt, Callan LLC
James O'Connor, Callan LLC
Eric Hiatt, University of Illinois
Heather Granart
Karen Leveque
Lisa Hanson
John Cage
Elizabeth Groves
Kelli Thomas
MaryAnn Carroll
Krystle Riggle
Madilyn Dotson
Melanie Lechtenberg
Sue Swisher
Dyan Root
Yvette McGhee
Christine Grenenbacher
Corinne Kodama
Clare Timm

The joint meeting of the Illinois Student Assistance Commission and the Investment Committee was called to order at 1:04 p.m.

Mr. Zarnikow, ISAC's Executive Director, began by explaining that the meeting was being conducted through electronic means pursuant to Governor Pritzker's extension of the Gubernatorial COVID-19 Disaster Proclamation and the Open Meetings Act. Mr. Zarnikow advised that it was not practical or prudent to conduct the meeting in person or at a regular meeting location in downtown Chicago due to the COVID-19 disaster, so the meeting was conducted virtually. He noted, however, that he was physically located at ISAC's headquarters in Deerfield, Illinois.

He further stated that, as with all ISAC public meetings, a specific time is reserved in the agenda for public comment.

He explained that the applicable law requires a roll call for every vote and gave members the relevant instructions.

He indicated that there would be a verbatim recording of the whole meeting, open and closed sessions, as required by law.

WebEx instructions, including those for public comment, were provided by Manuel Talavera.

Mr. Zarnikow then explained that although Chair Huber was on the call, for scheduling reasons Vice Chair Lopez would run the meeting. He then turned the meeting over to Vice-Chair Lopez who called for a roll call of the Commission. A roll call of the Commission members was taken, and a quorum was established.

Vice Chair Lopez called for a roll call of the of the Investment Committee. A roll call of the Investment Committee members was taken, and a quorum was established.

Item 1. Announcements

Vice Chair Lopez announced that the next regularly scheduled joint meeting of the Commission and the Investment Committee will be on Thursday September 22, 2022. The joint meeting will begin at 1:00 p.m. The Audit Committee is scheduled to meet that same day at 11:00 a.m. Currently the meetings are expected to be held in person and notice will be provided if that changes.

Item 2. Approval of Minutes (Action)

Item 2A. Approval of the Minutes of the April 14, 2022 Joint Commission, Investment Committee and Investment Advisory Panel Meeting (Action: Commission)

Commissioner Arrington **MOVED THAT** the Commission approve the minutes of the April 14, 2022, joint Commission, Investment Committee and Investment Advisory Panel meeting. Commissioner Bullock seconded the motion, which was unanimously approved by a roll call vote of the Commission.

Item 2B. Approval of the Minutes of the May 26, 2022, Investment Committee Meeting (Action: Investment Committee)

Investment Committee member Huber **MOVED THAT** the Investment Committee approve the minutes of the May 26, 2022, Investment Committee meeting. Investment Committee member Amos seconded the motion, which was unanimously approved by a roll call vote of the Investment Committee.

Item 3. Executive Director's Report (Information)

Ms. Nandhan reviewed the financial update as presented in Section 3 of the agenda book. She reminded the Commission of the circumstances and the impact of the decision to exit the FFEL program. She highlighted the income and expenditures on page 3-3 of the agenda book.

Mr. Zarnikow explained that, in addition to the FFELP deconversion, ISAC has been working to complete a State required ERP implementation to a new SAP system. He also outlined new programs and initiatives that ISAC is participating in including, the State Higher Education Executives Organization's (SHEEO) FAFSA Simplification effort, the National College Access Network's (NCAN) college and career readiness initiative, and the PaCE framework for career exploration. He stated that ISAC has also presented webinars, both internally and outside of the agency, to more than 2,000 attendees to support those who may be eligible for the federal Public Service Loan Forgiveness Program. Finally, he updated the Commission on the number of long-serving employees and the need to continue succession planning.

There was discussion regarding the Appropriation Summary report on page 3-7 of the agenda book and the target dates for spending on certain programs. There was also discussion about possible outreach to increase participation in the Exonerated Persons Grant Program.

Item 4. Approval of Fiscal Year 2022 Monetary Award Program (MAP) Recompute Formula (Action)

Ms. Rogers explained that the MAP start up formula was approved in September 2021 to allow ISAC to begin announcing MAP grant awards to eligible students who planned to attend College in the 2022-2023 academic year. She advised that the FY23 budget included a \$122 million increase to bring MAP funding to an all-time high of \$601 million. She presented the recompute formula and explained the processes and factors used to determine the adjustments.

There was discussion regarding the calculation of the ISAC Adjusted EFC on page 4-8 of the agenda book. There was further discussion regarding tuition differentials.

Commissioner Amos **MOVED THAT** the Commission approve the MAP eligibility formula as written in the agenda book. The recommended formula uses FY2022 tuition and fees and Pell table and a \$7,200 maximum award. Commissioner Bullock seconded the motion, which was unanimously approved by a roll call vote of the Commission.

Item 5. Fiscal Year 2023 Budget Review and Approvals (Information)

Mr. Zarnikow gave an overview of some of the items that have impacted the budget and the proposal, including the transition from SLOF to GRF and the need for succession planning. He explained that while the budget is conservative, it is designed so that there will not be a need to request additional funding.

Ms. Nandhan explained the total administrative funding for the agency rather than funding for specific programs. She reviewed the adjustment in the allocations from 2022 to 2023 due to the transition from FFELP. Further, she explained the factors leading to increases in certain costs. There was discussion regarding the method for determining the expenditure amounts in the tables of pages 5-5 and 5-8 of the agenda book.

Commissioner Amos **MOVED THAT** the Commission approve the Fiscal Year 2023 budgets for the Illinois Student Assistance Commission (ISAC) General Revenue Fund (GRF) Student Loan Operating Fund (SLOF), Illinois Designated Account Purchase Program (IDAPP), College Illinois!® Prepaid Tuition Program and the GEAR UP Grant as well as the contracts as printed in the agenda book. Chair Huber seconded the motion, which was unanimously approved by a roll call vote of the Commission.

Item 6. College Illinois! Prepaid Tuition Program Investments

Item 6A. Prepaid Tuition Program Update (Information)

Mr. Zarnikow provided a status update of the recent \$230 million supplemental FY22 funding intended to essentially address the unfunded liability of the College Illinois! program and explained that the amount was based upon the June 30, 2021, actuarial update and projected assumptions. Mr. Zarnikow also addressed the potential impact of the recent investment market conditions on the funded status of the plan as of June 30, 2022. He also advised that the audited financial statements for College Illinois! were completed and provided to the appropriate parties.

Item 6B. Investment Update (Information)

Ms. Heredia summarized the current market conditions and the equity benchmarks. She identified the recommendation for the current College Illinois! portfolio to stay invested and diversified. Further, she reviewed the market for the 1st quarter of 2022. In addition, Ms. Heredia provided an update on the College Illinois! Prepaid Tuition Program performance and reviewed the portfolio managers on pages 6B-2 through 6B-4 of the agenda book.

Mr. Rojas reviewed the closed-end fund investments on pages 6B-4 through 6B-5 of the agenda book including outstanding risks and current/projected realizations. Mr. Rojas indicated that staff foresees the potential for further write-downs in coming quarters for Alinda, TRG and CM Growth. Mr. Rojas also reviewed the Asset Allocation on page 6B-5 of the agenda book, noting that the table did not reflect the recent \$230 million in supplemental funding. Finally, he went over the Status Updates and Search Update sections as shown on pages 6B-5 and 6B-6 of the agenda book.

Item 6C. Compliance Review (Information)

Mr. Rojas reviewed the Compliance item as provided in the agenda book and noted that no issues or violations were identified.

Item 6D. Asset Allocation Review (Action: Commission)

Ms. Heredia provided a summary of the information that was discussed at the May 26, 2022, Investment Committee Meeting. She described in-depth investment evaluation and analysis that was performed by investment staff and Callan and identified processes and factors that were used to determine the proposed asset class mixes for the College Illinois! portfolio on page 6D-3 of the agenda book. Subsequently, she reviewed in detail the recommended asset mix and further discussed the recommendation to change the US Equity and Private Equity asset class index benchmark to the Wilshire 5000.

Mr. Van Heuitt, from Callan LLC, reviewed the information from the Asset Allocation and Liability Study in the agenda book. He identified the statistical probability that each of the asset class mixes would meet the target ranges of returns.

Commissioner Amos **MOVED THAT** the Commission approve the new Investment Policy Asset Allocation targets recommended by the Investment Committee, and approve the change of the US Equity and Private Equity asset class benchmark to the Wilshire 5000. Chair Huber seconded the motion, which was unanimously approved by a roll call vote of the Commission.

Item 6E. Treasury Proposal for State Funding Received (Action: Commission)

Ms. Heredia reviewed the information on pages 6E-1 and 6E-2 of the agenda book. She emphasized the program's high need for liquidity while minimizing risk. She added that \$5 million of the supplemental funding was already spent on tuition payment obligations. She reviewed the investment options for investing the state funding that was received and provided support for investment consultant and investment staff's recommendation of a laddered bond portfolio managed by Garcia Hamilton & Associates.

Commissioner Amos **MOVED THAT** the Commission approve the investment of the State of Illinois funding in a laddered portfolio of US Treasury securities to be managed in a separate account by Garcia Hamilton & Associates recommended by the Investment Committee. Chair Huber seconded the motion, which was unanimously approved by a roll call vote of the Commission.

Item 6F. Investment Policy Review and Adoption (Action: Commission)

Mr. Rojas reviewed the Statement of Investment Policy Revisions memorandum as provided in the agenda book, which included revisions to the asset allocation targets and rebalancing ranges, as well as revisions to the fund policy benchmark per the new asset allocation that was reviewed and approved under agenda item 6D. Mr. Rojas also asked the commissioners to review the policy goals relating to diversity of fiduciaries (section II.B. in page 1 of the investment policy) and utilization of minority investment managers (section II.C. in page 2 of the investment policy).

Commissioner Bullock **MOVED THAT** the Commission approve the proposed revisions to the Statement of Investment Policy. Commissioner Arrington seconded the motion, which was unanimously approved by a roll call vote of the Commission.

Item 7. Audit Committee Update (Information and Action)

Item 7A. Approval of Fiscal Year 2023 Internal Audit Plan (Action)

Mr. Zarnikow explained that the Audit Committee previously met and approved the FY23 internal audit plan presented in the agenda book and that Mr. Desai was on the line to answer any questions.

Vice-Chair Lopez asked for a motion to approve the following resolution:

“**BE IT RESOLVED** that the Commission approve the Fiscal Year 2023 Internal Audit Plan as recommended by the Audit Committee for approval”

Commissioner Arrington **SO MOVED**. Commissioner Dowling seconded the motion, which was unanimously approved by a roll call vote of the Commission.

Item 7B. Audit Committee Update (Information)

Mr. Zarnikow provided a summary of the items reviewed and the actions taken by the Audit Committee at the meeting earlier in the day.

Item 8. Public Comment

No requests for Public Comment were made.

Seeing no further business to come before the Commission, Vice-Chair Lopez asked for a motion to adjourn. Commissioner Bullock **SO MOVED** and Commissioner Dowling seconded that motion, which was unanimously approved by a roll call vote of the Commission.

The meeting adjourned at approximately 3:10 p.m.

Respectfully submitted,

Lisa Murphy-Coveny