

AGENDA ITEM 2B.

**APPROVAL OF MINUTES OF THE DECEMBER 7, 2023
ILLINOIS STUDENT ASSISTANCE COMMISSION
INVESTMENT COMMITTEE**

Submitted for: Action

Summary: This report includes the investment portion of minutes of the joint Commission meeting held on December 7, 2023

Action requested: That the Investment Committee approve the investment portion of minutes of the December 7, 2023 joint Commission meeting.

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

**Illinois Student Assistance Commission
3rd Floor, Room 3030
1755 Lake Cook Road, Deerfield, IL
and
Illinois Student Assistance Commission
3rd Floor Conference Room
500 West Monroe, Springfield, IL**

**December 7, 2023
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
Darryl Arrington, Commissioner, Audit Chair, Audit Committee Member
Elizabeth Lopez, Commissioner, Vice Chair, Audit Committee Member
Thomas Dowling, Commissioner, Audit Committee Member
Franciene Sabens, Commissioner

COMMISSIONERS ABSENT:

Jonathan Bullock, Commissioner
Payton Ade, Student Commissioner

INVESTMENT COMMITTEE MEMBERS PRESENT:

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

STAFF PRESENT:

Eric Zarnikow, Executive Director
Carol Cook, Senior Advisor
Shana Rogers, Managing Director, RPPA
Shoba Nandhan, Chief Financial Officer
Katherine Gricevich, Director of Government Relations
Kishor Desai, Chief Internal Audit Officer
Roger Rojas, Director of Investments
Harikumar Pillai, Chief Information Officer

Rolake Adedara, Deputy Chief Financial Officer
W. Grant Farrar, General Counsel
Stephanie Schmitz-Bechteler, Managing Director, Program Services and Compliance
Vicki Baba, Human Resources and Development Director
Natalie Wandall, Secretary to Commission
Michael Wilder, Network Technician/LAN Administrator
Lisa Schlessinger, Compliance Counsel
Kathryn Cataldo, Staff Attorney
Lisa Murphy-Coveny, Deputy General Counsel
Victoria Spivak, Director of Strategy, Research, & Impact
Lynn Baker, Managing Director of Communications

PUBLIC ATTENDANCE:

James O'Connor, Callan LLC
Brienne Weymouth, Callan LLC
Jalani Saadiq, Advance Illinois

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 would take place under the general provisions of the Open Meetings Act, which allow meetings to take place in two locations connected electronically provided both locations are open to the public. The meeting was being held at ISAC's offices in Deerfield and in Springfield, Illinois. He reminded that we need a quorum of Commissioners in-person to be able to continue.

He then turned the meeting over to Chair Huber who called for a roll call of the Commission. A roll call of the Commission members was taken, and a quorum was established.

A roll call of the Investment Committee was taken, and a quorum was established.

Chair Huber confirmed the ability to hear the meeting and be heard by those in attendance via WebEx.

Item 1. Announcements

Chair Huber announced that the next regularly scheduled meeting of the Commission is Thursday April 18, 2024, which will be held at ISAC's Springfield and Deerfield locations. He noted that the Audit Committee meeting that day would be held only in the Deerfield location and that the Audit Committee meeting is scheduled to start at 11:00 a.m. and the Commission meeting is scheduled to start at 1:00 pm.

Chair Huber reminded the Commissioners of their obligation to complete and return their "Notice and Acknowledgement of Receipt of Revolving Door Provisions (5 ILCS 430/5-45(H))" to Natalie Wandall.

Chair Huber reminded the members of the need to record their hours spent on commission business, including time traveling to and from the meetings and requested that they return the documentation at the end of the meeting. He also reminded the members that they can request to be reimbursed for travel expenses incurred to attend the meetings.

Chair Huber also advised that several agenda items would be heard in alternate order from their publication in the agenda, so that all Commissioners could be present to vote on items requiring Commissioner action.

Item 2. Approval of Meeting Minutes (Action)

Item 2A. Approval of the investment portion of the minutes of the September 21, 2023 Joint Commission and Investment Committee Meeting (Action: Investment Committee)

Commissioner Amos **MOVED THAT** the Investment Committee approve the minutes of the September 21, 2023 Joint Commission and Investment Committee meeting. Commissioner Hibbert seconded the motion, which was unanimously approved by a vote of the Investment Committee.

Item 2B. Approval of the Full Minutes of the September 21, 2023 Joint Commission and Investment Committee Meeting (Action: Commission)

Commissioner Arrington **MOVED THAT** the Commission approve the full minutes of the September 21, 2023 meeting. Commissioner Lopez seconded the motion, which was unanimously approved by a vote of the Commission.

Item 3. Approval of the Destruction of Open Meeting Verbatim Records (Action)

Item 3A. Approval of the Investment Committee Open Meeting Verbatim Records for Destruction (Action: Investment Committee)

Commissioner Hibbert **MOVED THAT** the Investment Committee approve the following resolution:

BE IT RESOLVED that the Investment Committee approves the destruction of the verbatim records of the open session of the December 2, 2021, meeting as at least 18 months have transpired since the completion of that meeting and 24 months have transpired since the web posting.

Commissioner Amos seconded the motion, which was unanimously approved by a vote of the Investment Committee.

Item 3B. Approval of the Commission Open Meeting Verbatim Records for Destruction (Action: Commission)

Commissioner Dowling **MOVED THAT** the Commission approve the following resolution:

BE IT RESOLVED that the Commission approves the destruction of the verbatim records of the open session of the December 2, 2021 meeting as at least 18 months have transpired since the completion of that meeting and 24 months have transpired since the web posting.

Commissioner Lopez seconded the motion, which was unanimously approved by a vote of the Commission.

Item 10. Public Comment

Mr. Jalani Saadiq, Director of Government Relations at Advance Illinois – spoke in favor of continued and increased ISAC budget appropriations for various programs including MAP, MTI and ECACE.

Mr. Zarnikow also acknowledged and thanked Advance Illinois for their support and partnership.

Item 5. Approval of the Fiscal Year 2025 Appropriated Funds Budget Request (Action: Commission)

Mr. Zarnikow reviewed ISAC's proposed budget requests, which are subject to further amendment and approval by the Governor's office and State legislature. He explained the basis

for the requests for increased funding including the assumptions made regarding tuition inflation, increased demand related to FAFSA simplification, and use of professional judgment. Mr. Zarnikow further highlighted a request for new state funding for the ECACE program. The program is in its third year and final year of being funded with federal dollars.

There was discussion regarding the amount of total agency spending for the past several years. Ms. Nandhan and Mr. Zarnikow provided the information. There were also discussions regarding the transfer of grant programs to ISAC and funding for early childhood education.

Commissioner Sabens **MOVED THAT** the Commission approve the FY2025 budget request totaling approximately \$960.1 million as detailed in Table 1. Commissioner Amos seconded the motion, which was unanimously approved by a vote of the Commission.

Item 7. Approval of Proposed Administrative Program Rules and Amendments (Action: Commission)

Ms. Cook presented on proposed changes to proposed administrative program rules and amendments as stated on pages 7-1 through 7-55 of the Agenda Book. The rules were published in October and the public comment period ended on December 3. ISAC did not receive any public comment on the rules.

There was discussion regarding the information that would be available to institutions and the certifications made in ISAC's GAP access system.

Commissioner Dowling **MOVED THAT** the Commission approve the following resolution:

“BE IT RESOLVED that the Commission accepts the proposed administrative program rules and amendments for submission to the Joint Committee on Administrative Rules (JCAR) and, barring any unresolved objection by JCAR or material modification (unless the material modification is made to ensure compliance with any prospective amendments to the statute(s) governing these rules), the Commission authorizes the Executive Director to proceed with adopting the program rules as written and amended.”

Commissioner Sabens seconded the motion, which was unanimously approved by a vote of the Commission.

Item 4. Executive Director's Report (Information)

Mr. Zarnikow provided an update on staffing at ISAC, highlighting the number of staff retiring or eligible to retire and new hires to the agency. Mr. Zarnikow extended congratulations and thanks to staff celebrating anniversaries with the agency including Carol Cook celebrating forty years with ISAC.

Mr. Zarnikow reviewed the financial statements that appear in Section 4 of the agenda book.

There were inquiries regarding the monthly income yield indicated in the report.

Mr. Zarnikow reported that the state performs an annual employee engagement survey in the summer. Mr. Zarnikow briefly summarized results, including that almost all metrics on the survey were rated more highly than both the State and ISAC's results last year.

Chair Huber thanked Ms. Nandhan and others for their service. Chair Huber also congratulated the agency on the results on the employee engagement survey.

Item 6. FAFSA Simplification Update (Information)

Dr. Schmitz-Bechteler provided an update on FAFSA Simplification. The FAFSA '24-25 form is to be released by the federal government by December 31, 2023. She highlighted four goals, including developing and implementing FAFSA simplification communications and outreach plans, updating ISAC technology and data security processes and systems to meet new specs and needs, evaluating the impact of FAFSA simplifications changes on MAP grant and MAP formula, and to make any necessary changes to alternative application for Illinois Financial Aid to align with the '24-25 federal form.

Mr. Zarnikow thanked Dr. Schmitz-Bechteler for spearheading the FAFSA simplification process for the organization, which involves over 50 people across ISAC.

Commissioner Amos shared that institutions have been working to prepare students and families for the new FAFSA. She congratulated the ISAC team for working hard on this issue.

Item 8. College Illinois! Prepaid Tuition Program Investments

Item 8A. Investment Update (Information)

Commissioner Lopez left the meeting at 2:31 p.m. before this agenda item was heard.

Mr. Rojas reviewed the College Illinois! fund risk profile and performance as of September 30, 2023 as provided in the Callan quarterly report. In addition, he presented an update on the College Illinois! Prepaid Tuition Program portfolio managers as provided in the agenda book. Mr. Rojas also reviewed the Asset Allocation, Status Updates, and Search Update sections as shown in the agenda book.

Mr. Rojas noted that the transition of the International Equity asset class from its active management to a passive strategy managed by State Street Global Advisors was completed successfully. During the transition process investment staff was able to outperform the Non-US Equity market and generated savings of approximately \$875,000 for the College Illinois Trust Fund. There was a request for clarification on the savings and the transfer which was explained by Mr. Rojas.

Item 8B. Approval of Changes to the Watch List (Action: None)

Mr. Rojas reviewed the Approval of Changes to the Watch List memorandum as provided in the agenda book. He noted that no managers were being recommended for addition to the Watch List. There was no recommendation from the Commissioners either.

Item 8C. Compliance Review (Information)

Mr. Rojas presented the Compliance Review as provided in the agenda book. No issues or concerns were identified.

Item 8D. Actuarial Soundness Valuation Report (Information)

Mr. Rojas reviewed the Actuarial Soundness Valuation Report Summary provided in the agenda book. Mr. Rojas noted that the Actuarial Soundness Report as of June 30, 2023 has been completed and was posted in the College Illinois! website on October 27, 2023.

Mr. Rojas and Mr. Zarnikow noted that we are very pleased to report that the program was fully funded as of June 30, 2023.

There was a discussion regarding the Change in Assumptions/Methods vs. Actual Demographic Experience, as well as the Other Demographic Experience factor, both of which contributed positively to reduce the unfunded liability in FY23.

Item 8E. Prepaid Tuition Program Update (Information)

Mr. Zarnikow presented an update on the prepaid tuition program, and reported that the program was fully funded. He acknowledged and thanked the Pritzker administration for its support of College Illinois! Prepaid Tuition Program. He also noted that there is a difference in how numbers are presented in the two reports and that we will issue the final actuarial report in late October when it is completed. The final actuarial report will be provided to Commission members.

Item 9. Audit Committee Update (Information)

Audit Committee Chair, Commissioner Arrington, reported the items that were discussed and approved at the Audit Committee meeting, which had taken place earlier in the day.

Mr. Zarnikow thanked the Commissioners for their continued service on the Commission.

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

The meeting adjourned at approximately 3:03 p.m.

Respectfully submitted,

Kathryn Cataldo