

AGENDA ITEM 2.

**APPROVAL OF MINUTES OF THE APRIL 5, 2018
JOINT MEETING OF THE COMMISSION
AND THE
INVESTMENT ADVISORY PANEL**

Submitted for Action:

Action

Summary:

This report includes the minutes pertaining to the Investment Advisory Panel for the joint meeting of the Commission and the Investment Advisory Panel which was held on April 5, 2018. Although the full minutes of the meeting have been approved by the Commission it is still necessary for the Panel to approve their portion of the meeting

Action requested:

That the Investment Advisory Panel approve the minutes of the April 5, 2018 meeting as incorporated into the full Commission Minutes.

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

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

April 5, 2018

1:00 p.m.

COMMISSIONERS PRESENT: Niketa Brar, Investment Committee Member
Mark Donovan, Investment Committee Member
James Hibbert, Investment Advisory Panel Member
Kevin Huber, Chair, Investment Committee Member
Claudia Quezada, Audit Committee Member
Kim Savage, Audit Committee Member
Dr. Patrick M. Twomey

COMMISSIONERS ABSENT: Miguel del Valle, Vice Chair, Audit Committee Member

**INVESTMENT ADVISORY
PANEL PRESENT:** James Hibbert
Louis Paster
Janice Reedus
Chasse Rehwinkel

STAFF PRESENT: Eric Zarnikow, Executive Director
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
Katharine Gricevich, Director, Government Relations
Kenya Harris, Communications
Shoba Nandhan, Chief Financial Officer
Roger Rojas, Investment Officer
Karen Salas, General Counsel
Christy Shields, Program Services and Compliance
Natalie Wandall, Assistant to Executive Director
Michael Wilder, Telecom and Network Engineer
Debora Calcara, Commission Secretary

PUBLIC ATTENDANCE: Ryan Ball, Callan Associates
Patrick James, School Art Institute, Chicago
Mark Szymanoski, DeVry University
Brienne Weymouth, Callan Associates

Item 1. Announcements

Chair Huber brought the April 5, 2018 meeting to order and asked that a roll call be taken, which established a quorum was present. He then announced this was a required joint meeting of the Commission and the Investment Advisory Panel and asked that a roll be taken of the Investment Advisory Panel which established a quorum was present.

Chair Huber reminded the Commission that they are to complete the State required Ethics Training for 2018 before the April 18, 2018 deadline and also the Statement of Economic Interest for 2018 must be completed before the May 1, 2018 deadline. He then stated the next regular meeting of the Commission is scheduled for June 14, 2018.

Item 2. Approval of the Minutes of the November 15, 2017 Meeting

Dr. Twomey **MOVED THAT** the minutes of the November 14, 2017 meeting of the Commission be approved. Ms. Quezada seconded the motion, which was approved unanimously.

Item 3. Executive Director's Report

Mr. Zarnikow briefly reviewed the financial reports as provided in the agenda book. He also provided an update on the Monetary Award Program for FY19 stating that the suspense date was February 28th and noted the filing volume down significantly for FY19.

Item 4. College Illinois!® Prepaid Tuition Program Investments

Item 4B. Approval of the Minutes of the September 14, 2017 Meeting of the Investment Advisory Panel Meeting

Chair Huber asked for a motion by a member of the Investment Advisory Panel to approve the minutes of the September 14, 2017 meeting. Ms. Reedus **SO MOVED** and Mr. Paster seconded the motion, which was approved unanimously.

Item 4C. Approval of the Appointment of an Investment Advisory Panel Member

Mr. Custer reviewed Ms. Jeanna Cullins' service on the Investment Advisory Panel and expressed appreciation for her contributions and willingness to continue serving on the Panel.

Dr. Twomey **MOVED THAT** the Commission approve the reappointment of Ms. Jeanna Cullins to the College Illinois! Investment Advisory Panel for a term expiring November 19, 2020.

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

Item 4D. Investment Advisory Panel Comments

Mr. Custer reviewed the role and process of the Investment Advisory Panel and their focus on the Investment Policy and the annual report. He noted that members of the Panel receive copies of Investment Committee agenda materials and are invited, but not required, to attend these meetings. Mr. Custer then asked the Panel if there were any questions or concerns that Panel members would like to share with the Commission. No comments were provided by the Panel to the Commission.

Item 4A. Investment Update

Mr. Custer provided a brief overview of the Investment Update as provided in the agenda book. He discussed the moderation in risk related to the November 2017 changes to the asset allocation, noting a reduction in expected volatility of about one percent at a cost of about 20 basis points of performance. Mr. Custer noted that staff is currently working on the asset allocation study which is required every three years and is expected to be presented at the June meetings of the Investment Committee and Commission.

Item 5. College Illinois! Prepaid Tuition Program Update

Mr. Custer recapped the recent history of College Illinois!, including key initiatives, ongoing sales challenges, and actuarial trends. He then reviewed the decision to place enrollment on hold pending legislative discussions, due to ongoing weak sales and funding concerns. He stated that the top priority is protecting current contract holders and beneficiaries and that the primary focus is securing legislative support such as stronger state backing or new funding. Staff believes that reopening enrollment as soon as possible could mitigate state funding requirements, but supportive legislation is needed to reopen enrollment.

Item 6. State Legislative Update

Continuing with the College Illinois! Update, Ms. Gricevich stated that as a result of the need to secure legislation for the College Illinois Prepaid Tuition Program, ISAC has issued a Request For Quotes for a legislative consultant to help with strategy going forward.

In response to questions from Investment Advisory Panel members, Chasse Rehwinkel and Louis Paster, a brief discussion was held on similar prepaid tuition and college savings programs and trends in other states.

Mr. Paster emphasized the urgency of the situation and the importance of protecting against adding to the unfunded liability. Mr. Zarnikow noted that the agency is evaluating all options at this critical juncture of the program, but needs involvement from legislators. Ms. Brar and Mr. Huber suggested that the agency considers organizing an outreach effort to current contract holders to ensure legislators are aware of the program situation and provide needed support. Mr. Zarnikow noted that the agency provides periodic program updates to contract holders and will continue to evaluate if, how, and when to appropriately engage contract holders in this process.

Mr. Zarnikow stated that it is difficult to approach legislators during an election year, but the longer this is delayed the more imperative it is to find a solution as the actuarial projection as of June 30, 2017 estimates that funding will likely be needed for the program by 2025. Ms. Brar suggested providing legislators with a breakdown of contract holders in their legislative districts which will show who will be impacted.

Continuing, Ms. Gricevich provided an overview of the legislative update provided in the agenda book.

Item 7. Approval of Proposed Administrative Program Rules and Amendments

Dr. Twomey **MOVED THAT** the Commission approve the following Resolution:

“**BE IT RESOLVED** that the Commission accepts the proposed administrative program rule and amendments, as modified thus far during the rulemaking process, for submission to the Joint Committee on Administrative Rules (JCAR) and, barring any material modifications or objection by JCAR, the Commission authorizes the Executive Director to proceed with adopting the program rules as amended.”

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

Item 8. Audit Committee Update

Ms. Savage provided an overview of the agenda and actions taken by the Audit Committee at their meeting prior to the full Commission meeting today.

Item 9. Public Comments

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

Item 10. Closed Session

Chair Huber stated that Commissioners have had the opportunity to review the Redetermination Regarding Confidentiality of Closed Minutes agenda item. Unless there are questions or concerns they will not go into closed session to discuss, however, if anyone does have questions or concerns they would go into closed session. Seeing no questions or concerns the Commission did not adjourn into closed session.

Item 11A. Approval of Closed Session Items

Mr. Donovan **MOVED THAT** the Commission approve the following Resolution:

“**BE IT RESOLVED** that the Commission has determined that the need for confidentiality still exists for the minutes of the closed sessions for the dates indicated in the agenda book and therefore they should remain closed.

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

Seeing no further business to come before the Commission, Mr. Huber asked for a motion to adjourn. Ms. Savage **SO MOVED** and Mr. Donovan seconded the motion, which was approved unanimously. The meeting adjourned at 2:34 p.m.

Respectfully submitted,



Debora A. Calcara
Secretary to the Commission