

AGENDA ITEM 2C.

**APPROVAL OF MINUTES OF THE DECEMBER 6, 2018 JOINT MEETING OF THE
COMMISSION AND THE INVESTMENT COMMITTEE**

Submitted for: Action

Summary: This report includes the minutes of the joint meeting of the Investment Committee and the Commission held on December 6, 2018.

Action requested: That the Commission approve the minutes of the December 6, 2018.

**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 6, 2018
1:00 p.m.**

COMMISSIONERS PRESENT: Miguel del Valle, Commission Vice Chair and Audit Committee Member
James Hibbert, Commissioner and Investment Advisory Panel Member
Kevin Huber, Commission Chair and Investment Committee Member
Emma Johns, Commissioner
Claudia Quezada, Audit Committee Member
Kim Savage, Audit Committee Member

COMMISSIONERS ABSENT: Niketa Brar, Investment Committee Member
Mark Donovan, Investment Committee Member
Dr. Patrick Twomey, Commissioner

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
Erin Mitchell
Shoba Nandhan, Chief Financial Officer
Roger Rojas, Investment Officer
Karen Salas, General Counsel
Shana Rogers, Managing Director, RPPA
Alan Wall
Natalie Wandall, Assistant to Executive Director
Michael Wilder, Telecom and Network Engineer
Kathleen Cole, Staff Attorney

PUBLIC ATTENDANCE: Ryan Ball, Callan and Associates
Eric Hiatt, University of Illinois
Jessie Gotsdiner, Women Employed

Item 1. Announcements

At 1:00 p.m. Chair Kevin Huber called the December 6, 2018 meeting to order by announcing that this was intended to be a Joint Meeting of the Illinois Student Assistance Commission (ISAC) and the Investment Committee. However, because we do not have a quorum present today of the Investment Committee, we will proceed with a meeting of just the Commission. A roll call of all Commissioners (the Commission) was taken and a quorum was established. Chair Huber announced that Thursday, April 4, 2019 at 1:00 p.m. will be the next meeting of the Commission. The next Audit Committee meeting will be April 4, 2019 at 11:30 a.m.

Item 2. Approval of Minutes

Item 2A. Approval of the Minutes of the September 13, 2018 Joint Commission/Investment Committee Meeting (Action: Investment Committee)

Mr. Huber explained that because we do not have a quorum of the Investment Committee today, the approval of minutes by the Investment Committee will be deferred to the next Investment Committee Meeting.

Item 2B. Approval of the Minutes of the September 13, 2018 Joint Commission/Investment Committee Meeting (Action: Commission)

Ms. Savage **MOVED THAT** the Commission approve the minutes of the September 13, 2018 Joint Meeting of the Commission and the Investment Committee. Ms. Quezada seconded the motion, which was unanimously approved by the Commission.

Item 3. Executive Director's Report (Information) - Eric Zarnikow

Mr. Zarnikow stated that according to the financial statements through October 31, 2018, we are off to a good start. Revenues are up about one million above budget. For 2019-20, there will be about 21,000 Illinois State Scholars named. He also noted that this is the 60th year of the State Scholars Program.

For the AIM HIGH Grant Program, ISAC created an Advisory Committee. The rules process went well. Mr. Zarnikow stated that there is a bill for them to use the unused funds. He also thanked the ISAC team for implementing this program.

Finally, Mr. Zarnikow noted that ISAC received a lot of media coverage for "College Changes Everything" program. He thanked the ISAC team for that as well.

Item 4. State Legislative Update (Information) - Katharine Gricevich

Ms. Gricevich discussed the legislative report provided in the agenda book.

Ms. Gricevich also stated that, with Governor-elect Pritzker, the working group is still focused on helping students. Two main areas are the Common App System and the Funding Formula for Public Universities.

Governor-elect Pritzker talked about increasing funding for MAP; the student-loan refinancing program; Illinois being on a path towards free college education; and student support services.

Item 5. Proposed Administrative Rules (Action) - Carol Cook

Ms. Cook explained that the agency had to file Emergency Rules for the AIM HIGH program. They were filed on September 13, 2018 and will expire on February 9, 2019. There was one official public comment. We modified the proposed rules. Next, ISAC will take the rules to JCAR for approval.

Mr. Hibbert asked if they were comfortable with the criteria and Ms. Cook responded affirmatively.

Mr. Hibbert **MOVED THAT** the Commission approve the following resolution:

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

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

Item 6. Approval of the Fiscal Year 2020 Appropriated Fund Budget (Action) - Eric Zarnikow/ Shoba Nandhan/ Katharine Gricevich

Mr. Zarnikow gave an overview of the budget request in the Agenda book.

Mr. Zarnikow stated that ISAC was recommending an increase of \$100 million in MAP, increases in smaller programs and \$6 million for agency funding (\$2 million for operational funding and \$4 million for outreach activities). ISAC proposes that new AIM HIGH pilot program be flat-funded. Because MAP is need-based aid and AIM HIGH is merit-based aid, ISAC has prioritized the request for additional funding toward need-based aid.

Ms. Johns had a question regarding the Illinois Future Teachers Corps (IFTC) Scholarships, and Ms. Gricevich explained that the IFTC program was phased out for the Golden Apple Program.

Regarding the Veteran Grants and the National Guard Grants, Ms. Savage noted that colleges have to absorb a lot of cost for those grants.

Mr. Zarnikow further explained that ISAC also needs additional operational and outreach funding because FFELP is continuing to wind down and the additional state funding requested replaces Federal funding that is reducing.

Mr. Huber asked why we are asking for more money for the Minority Teacher Scholarships.

Mr. Zarnikow explained that the grant requires the student to teach, and if not, then the grant becomes a loan. ISAC believes, that based on expected demand, we could use additional funding for the the Minority Teacher Scholarships program .

Ms. Quezada **MOVED THAT** the Commission approve a FY 2020 budget request totaling \$822.3 million as detailed in Table 1.

Ms. Johns seconded the motion, which was unanimously approved by the Commission.

Item 7. College Illinois! Prepaid Tuition Program Investments - Carmen Heredia-Lopez/Roger Rojas

Item 7A. Investment Update (Information)

The Callan Associates quarterly report through September 30, 2018 was sent to the Commission and Investment Committee under separate cover.

Ms. Heredia-Lopez gave an investment update on the College Illinois! Prepaid Tuition Program. She presented an overview of investment performance of the College Illinois! Trust Fund as provided in the agenda book. Referencing the Callan quarterly report, Ms. Heredia-Lopez reviewed the attribution of the investment portfolio as well as its risk profile and performance. She presented the recent performance of public market investments. Mr. Rojas reviewed the private markets portfolio and highlighted the notable risks remaining at TRG, CM Growth and Alinda.

Staff met independently with the Investment Advisory Panel on October 30, 2018 and provided a full update on College Illinois! and the investment portfolio. The panel appreciated the update and did not provide any advice that they wanted shared with the Commission Board. .

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

Ms. Heredia-Lopez and Mr. Rojas reviewed the Watch List as provided in the agenda book and noted that no changes were being recommended to the Investment Committee. Chair Huber stated that no action was required

Item 7C. Compliance Review (Information)

Mr. Rojas reviewed the compliance information provided in the agenda book. Mr. Rojas highlighted that investment expenses, which have been in a declining trend, are likely to be skewed over the next few quarters as carried interest from several closed-end funds are expected to be realized. He had no other significant changes to report for the quarter and no issues were found.

Item 7D. Actuarial Soundness Valuation Report (Information)

Ms. Heredia-Lopez and Mr. Zarnikow reviewed the actuarial soundness valuation report as provided in the agenda book. The unfunded liability improved slightly year over year. The agency continues to work with legislators and the Governor's office regarding the challenges facing the program and the need to take action now to strengthen the program.

Item 7E. Prepaid Tuition Program Update (Information)

Mr. Zarnikow updated the Commission on the status of College Illinois!. According to the actuarial report, by the year 2026, the Program would need State funding. He explained that College Illinois! is backed by the State's moral obligation to pay contractual obligations during a funding shortfall. Currently, the Program is not open for contract sales. Mr. Zarnikow explained that staff continues talking to the legislator regarding strengthening College Illinois! beyond the moral obligation with the State's full faith and credit guarantee. We are making progress towards getting proposed legislation filed.

Item 8. Approval of the Illinois Designated Account Program (IDAPP) Investment Policy (Action)
Eric Zarnikow/ Shoba Nandhan/ Carmen Heredia-Lopez

Mr. Zarnikow explained that every three years the Commission must re-approve the Illinois Designated Account Program (IDAPP) Investment Policy. IDAPP investments are limited to conservative, low-risk investments. Proposal was made to make ISAC's CIO also serve as IDAPP's CIO unless otherwise specified by ISAC's Executive Director. The policy draft presented with the agenda items reflects this change.

Mr. Hibbert **MOVED THAT** the Commission approve the Illinois Designated Account Program (IDAPP) Investment Policy. Ms. Savage seconded the motion, which was unanimously approved by the Commission.

Item 9. Audit Committee Update - Commissioner Savage

Ms. Savage noted that the Audit Committee approved the Committee's 2019 meeting calendar. She stated that they reviewed the audit plan and that there were no findings thus far, and that things were moving forward. Finally, she noted that they had a report from the CFO regarding ISAC's financial statements.

Item 10. Public Comment

There were no public comments.

Seeing no further business to come before the Commission, Chair Huber asked for a motion to adjourn. Ms. Johns **SO MOVED** and Ms. Quezada seconded that motion, which was unanimously approved by the Commission. The meeting adjourned at 2:32 p.m.

Respectfully submitted,

Kathleen Cole