

AGENDA ITEM 2B.

**APPROVAL OF MINUTES OF THE JUNE 18, 2020
JOINT MEETING OF THE
ILLINOIS STUDENT ASSISTANCE COMMISSION,
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 18, 2020

Action requested: That the Commission approve the minutes of the June 18, 2020 Joint Meeting.

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

VIDEO CONFERENCE

June 18, 2020

1:00 p.m.

COMMISSIONERS PRESENT via WebEx:

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
Jonathon Bullock, Commissioner
Thomas Dowling, Commissioner
Emma Johns, Student Commissioner

STAFF PRESENT via WebEx:

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
Carmen Heredia, Chief Investment Officer
Roger Rojas, Investment Officer
Karen Salas, General Counsel
Shana Rogers, Managing Director, RPPA
Shoba Nandhan, Chief Financial Officer
Wendy Funk, Managing Director, Accounting and Finance
Darla Puckel, Asst Director, College Illinois! Operations
Jackie Eckley, Asst Director, Program Communication Service
Anne Hunter, Deputy Director, Financial Reporting
Evelyn Smith, Director, Loan Portfolio
Marisa Lowe, Deputy Director, Budget & Financial Analysis
Christy Shields, Director, Program & Product Services

STAFF PRESENT COND'T:

Ellen Greenan, Deputy Director MAP
Kim Eck, Manager, Partner Services
Eddie Brambila, Managing Director Capacity Development
Sam Nelson, Director Capacity Management
Paul Oliver, Manager, ISAC Call Center
Vickie Baba, Director, HRD
Natalie Wandall, Secretary to Commission
Michael Wilder, Telecom and Network Engineer
Kathleen Cole, Staff Attorney

PUBLIC ATTENDANCE Via WebEx:

Jim O'Connor, Callan
Brienne Weymouth, Callan
Eric Hiatt, University of Illinois
Dr. Holly Falk-Krzesinski
Elyse Weller
Darryl Williams
Henry Mohn
Justin Slaughter
Unidentified Caller 1
Unidentified Caller 2

Item 1. Announcements

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 today is being conducted through electronic means pursuant to Governor Pritzker's extension of his Gubernatorial COVID-19 Disaster Proclamation and Public Act 101-0640 which suspends the Open Meetings Act requirements for physical presence at meetings of public bodies during gubernatorial disaster proclamations.

Mr. Zarnikow stated further that is not practical or prudent to conduct the meeting in person or at the usual meeting location in downtown Chicago due to the COVID-19 disaster, so we will proceed virtually.

He further stated that with all ISAC public meetings, there is a specific time reserved in the agenda for public comment. Instructions for making public comments will be given shortly.

He indicated that WebEx instructions for all would be provided by Eddie Brambila.

He also explained that the new law requires a roll call for every vote and gave Commission members instructions for doing that.

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

Chair Huber stated that he agreed with Mr. Zarnikow, that it is not practical or prudent to conduct the meeting in person or at the usual meeting location in downtown Chicago due to the COVID-19 disaster, so the meeting is proceeding virtually.

Chair Huber called for a roll call of the Commission. A roll call of the Commission members was taken, and a quorum was established.

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

Chair Huber stated that the next regularly scheduled joint meeting of the Commission and the Investment Committee will be on Thursday September 17, 2020 in Chicago. The Audit Committee is scheduled to start at 11:30 a.m. and the Commission Meeting at 1:00 p.m. Currently we plan to meet in the Michael A. Bilandic Building, but we may need to do another virtual meeting.

Item 2. Approval of the Commission and Investment Committee Meeting Minutes (Action)

Item 2A. Approval of the April 28, 2020 Minutes of the Joint Commission/ Investment Meeting (Action: Commission)

Mr. Arrington **MOVED THAT** the Commission approve the minutes from the April 28, 2020 meeting. Mr. Dowling seconded the motion and a roll call was taken which was unanimously approved by the Commission.

Item 2B. Approval of the May 28, 2020 Minutes of the Investment Committee Meeting (Action: Investment Committee)

Mr. Hibbert **MOVED THAT** the Investment Committee approve the minutes of the May 28, 2020 Investment Committee meeting. Ms. Amos seconded the motion and a roll call was taken which was unanimously approved by the Investment Committee

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

Mr. Zarnikow noted the June 4th message that ISAC issued in the aftermath of the killing of George Floyd, Breonna Taylor, Ahmaud Arbery and many others and that ISAC will continue to promote equity to combat institutional racism.

Mr. Zarnikow mentioned that Ms. Moreno will have a presentation on ISAC outreach efforts at the September Commission Meeting. ISAC also has a communication effort to remind people to contact their financial aid offices if their financial circumstances may have changed due to the pandemic.

He explained that ISAC is being careful as more employees come back to our offices.

The Fall seems to lean towards cautious reopening of educational institutions. The goal is to get students back to school as safely as possible.

Ms. Brar noted that she has been pushing for racial equity reform her entire career. Most importantly, Ms. Brar asks that we engage our ISAC Corps members, by September, to deal with the issues of racial equity.

Mr. Zarnikow agreed with Ms. Brar and mentioned that he learns a great deal from our ISAC Corps team. He stated that we will put that on the agenda for the September Commission Meeting and are conscious as an agency about equity issues. He also noted that Governor Pritzker is also very focused on an equity agenda.

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

Ms. Gricevich stated that the General Assembly worked mostly remotely this past session. In late May, legislators did meet and passed 22 bills. She also stated that the Fiscal Year 2021(FY21) budget is mostly at last year's levels. The Governor has said that

if more federal money does not come to the state, that the state will have to look at where the budgets gaps are. The increases in the FY21 budget for ISAC that the Governor proposed have been set aside due to the pandemic. The state passed a budget for ISAC that is level with the FY20 budget, which is good, considering the pandemic. Finally, she noted that November 17th is the scheduled start of the General Assembly Fall veto session, but that this date could change.

Mr. Zarnikow thanked Ms. Gricevich for her work and Ms. Amos agreed.

Item 5. Approval of Fiscal Year 2021 (FY21) Monetary Award Program (MAP) Recompute Formula - (Action) Shana Rogers

Ms. Rogers began by noting that establishing the MAP eligibility formula early is good for financial aid offices. She also stated that we did receive level funding for MAP. She then reviewed the table on page 5-5 of the Agenda Book as that sets forth the recomputed formula. She explained that there were a few changes for FY21, but overall the biggest impact is COVID-19.

Ms. Rogers went on to explain that application volume is down, mostly with independent and community college students. The pandemic has discouraged people from pursuing financial aid.

Ms. Amos asked for clarification on the numbers being lower. Ms. Rogers explained applications for MAP, which are done by filing the Free Application for Federal Student Aid (FAFSA) were down from the prior year even before the shutdown related to the pandemic began. Mr. Zarnikow further explained that there is so much uncertainty right now for students and families and the overall situation is very concerning.

He also mentioned that there is a new requirement that all, graduating seniors attending public high schools complete the FAFSA, complete the alternative application for state financial aid or sign a waiver.

Mr. Dowling asked about the model they use to calculate the formula, and Ms. Rogers explained how the formula works. Ms. Brar asked about the timeline for independent and community college students to apply and Ms. Rogers explained that the application process for FY20 was from October 1, 2019 through June 26, 2020 and that there is a possibility that we could extend the processing into July to help more students. Ms. Brar also asked if there was anything built into the plan that can be reviewed by the ISAC team. Mr. Zarnikow answered that there will be a chance to look at this again and get advice. Ms. Rogers added that they are always cognizant of helping late filers, but also explained that the community college students' claim rate is lower.

Finally, Mr. Zarnikow added that MAP recipients have a great need and there just is not enough money. Because there is not enough MAP money, to serve late filers you have to not give money to students who filed earlier in the process. In addition, the pandemic has

really complicated things. MAP really does try to help fill the financial gap for low income students to go to school.

Ms. Amos **MOVED THAT** the Commission approve to continue using the FY21 MAP eligibility formula approved last September and to approve the reduction of second and third term claims if a review following the first-term claim deadline deems it necessary to keep claims within the appropriation. Mr. Bullock seconded the motion, and a roll call was taken which was unanimously approved by the Commission.

Item 6. Fiscal Year 2021 (FY21) Budget Review and Approvals - Shoba Nandhan

Item 6A. Approval of the Student Loan Operating Fund (SLOF) Budget (Action)

Ms. Nandhan went over the summary table on page 6A-1 of the Agenda Book.

Item 6B. Approval of the Illinois Designated Account Purchase Program (IDAPP) Budget (Action)

Ms. Nandhan went over the summary table on page 6B-1 of the Agenda Book.

Item 6C. Approval of the College Illinois! Prepaid Tuition Program Budget (Action)

Ms. Nandhan reviewed the summary table on page 6C-1 of the Agenda Book.

Item 6D. Approval of the GEAR UP Grant Budget (Action)

Ms. Nandhan reviewed the summary income statement on page 6D-1 of the Agenda Book.

Item 6E. Contracts for Annual Budget Approval Process (Action)

Ms. Nandhan reviewed the information in section 6E of the Agenda Book

Mr. Zarnikow explained that student loans that ISAC owns or services are excluded from the CARES Act relief for student loan borrowers. He noted that Ms. Nandhan, her team, and Ms. Salas were very involved in the process, and they did a markable job in helping ISAC respond quickly to the pandemic as it relates to student loans. He then gave a quick summary of the Appropriations (state funded), and Spending Authority from other sources as shown on page 6-2, sections 1 and 2 of the Agenda Book.

Ms. Nandhan gave an internal budget overview and spoke about FFELP winding down. As was noted on page 6-4 of the Agenda Book, ISAC will see decreases in FFELP revenue in FY21 because of the pandemic relief measures. Ms. Nandhan also noted FFELP revenues use to cover the entire costs of operating the agency, but now more of the operating costs are covered by the State funding. She also stated that the cost associated with the ISACorps will increase in the next fiscal year.

Mr. Arrington **MOVED THAT** the Commission approve the FY21 budgets for ISAC's Student Loan Operating Fund, IDAPP, College Illinois! Prepaid Tuition Program, the Gear Up Grant, and the list of contracts as printed in the Agenda Book.

Mr. Hibbert seconded the motion and a roll call was taken which was unanimously approved by the Commission.

Item 7. College Illinois! Prepaid Tuition Program Investments – (Information)
Carmen Heredia / Roger Rojas

Item 7A. Investment Update (Information)

Ms. Heredia reviewed the updated performance review for the first quarter of 2020. For the April 28th, 2020 meeting some managers had estimated performance numbers. Now we have the final performance numbers for first quarter 2020 for all investment managers. She also noted that at the May 28, 2020 Investment Committee meeting, economic and capital markets review discussions went in-depth. Our conservative asset allocation helped us outperform our benchmark for the year ended March 31, 2020. She also provided performance updates for the public markets managers since the end of the first quarter 2020.

Mr. Rojas reviewed thoroughly all closed-end fund investments including outstanding risks and current/projected realizations. Mr. Rojas indicated that he foresees further writedowns in coming quarters for Alinda, TRG and CM Growth.

Finally, Mr. Rojas reviewed the Asset Allocation, Status Updates and Search Update sections as shown in the agenda book.

Item 7B. 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.

Item 7C. Asset Allocation Review (Action: Commission)

Ms. Heredia reviewed the proposed asset allocation for the College Illinois! portfolio. Ms. Heredia provided an update on proposed changes to the rebalancing ranges for fixed income and absolute return. The proposed revisions were reviewed by the Investment Committee at their meeting on May 28, 2020 and they voted to recommend adoption by the Commission Board.

Mr. Hibbert **MOVED THAT** the Commission approve the proposed Investment Policy Asset Allocation and benchmark change recommendation. Ms. Johns seconded the motion and a roll call was taken which was unanimously approved by the Commission.

Item 7D. Investment Policy Review and Adoption (Action: Commission)

Ms. Heredia reviewed the proposed revisions to the Statement of Investment Policy for the College Illinois! Prepaid Tuition Program. The proposed revisions were reviewed by the Investment Committee at their meeting on May 28, 2020 and they voted to recommend adoption by the Commission Board.

Mr. Hibbert **MOVED THAT** the Commission approve the proposed revisions to the Statement of Investment Policy. Mr. Arrington seconded the motion and a roll call was taken which was unanimously approved by the Commission.

Item 7E. Prepaid Tuition Program Update (Information)

Ms. Gricevich stated that the Governor’s proposed FY21 budget included funding for College Illinois!. Because the state passed a budget for FY21 that was generally flat with the FY20 budget, that funding for College Illinois! was not included. However, the Governor publicly stated his support for funding the unfunded liability of College Illinois! over time. We will continue to work to get funding for College Illinois! in future budgets.

Item 8. Audit Committee

Item 8A. Approval of the Fiscal Year 2021 (FY21) Internal Audit Plan (Action) - Kishor Desai

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

“**BE IT RESOLVED** that the Commission approve the FY21 Internal Audit Plan as recommended by the Audit Committee for approval.”

Mr. Dowling seconded the motion and a roll call was taken which was unanimously approved by the Commission.

Item 8B. Audit Committee Update (Information) - Niketa Brar

Mr. Zarnikow stated that the Audit Committee met today, and he gave a brief overview and update on the Audit Committee meeting.

Item 9. Public Comment

Dr. Holly Falk-Krzesinski spoke about her concerns with the funding of College Illinois! prepaid tuition program. Her main request was for ISAC to be even more proactive in getting funding for College Illinois!

Mr. Hibbert and Ms. Brar dropped off to attend other calls.

Item 10. Closed Session: Closed Minutes

Mr. Dowling **MOVED THAT** they go into closed session to discuss personnel matters as allowed by subsection 2(c)(1) of the Open Meetings Act. Ms. Johns seconded the motion and a roll call was taken which was unanimously approved by the Commission.

The closed session started at 3:33 p.m.

The Commission returned to open session at 4:03 p.m.

Item 11. Approval of Closed Session Action Items

Item 11A. Personnel Evaluation (Action)

Ms. Sabens **MOVED THAT** the Commission approve a 1.5% raise for Mr. Zarnikow retroactive to January 1, 2020. This is consistent with increases received by other ISAC employees. The Board will reconsider future raises to provide increases consistent with those received by other ISAC employees. Ms. Amos seconded the motion and a roll call was taken which was unanimously approved by the Commission.

Mr. Zarnikow thanked the commissioners and the senior leadership team for all their work.

Seeing no further business to come before the Commission, Chair Huber asked for a motion to adjourn. Mr. Bullock **SO MOVED** and Ms. Johns seconded that motion and a roll call was taken which was unanimously approved by the Commission.

The meeting adjourned at approximately 4:10 pm.

Respectfully submitted,

Kathleen Cole