

**AGENDA ITEM 2.**

**APPROVAL OF MINUTES OF THE SEPTEMBER 16, 2021 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 September 16, 2021.

**Action requested:** That the Commission approve the minutes of the September 16, 2021 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**

**September 16, 2021**

**1:00 p.m.**

**COMMISSIONERS PRESENT via WebEx:**

Kevin Huber, Commissioner, Board Chair, Investment Committee Member  
Niketa Brar, Commissioner, Audit Chair and Committee Member  
Maureen Amos, Commissioner, Investment Committee Member  
James Hibbert, 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  
Emma Johns, Student Commissioner

**STAFF PRESENT via WebEx:**

Eric Zarnikow, Executive Director  
Harikumar Pillai, Acting Chief Information Officer  
Carol Cook, Director, Program Services and Compliance  
Christy Shields, Director, Program and Product Services  
Kishor Desai, Chief Internal Auditor  
Katharine Gricevich, Director, Government Relations  
Carmen Heredia, Chief Investment Officer  
Roger Rojas, Investment Officer  
Karen Salas, General Counsel  
Jacqueline Moreno, Managing Director, College Access Initiatives  
Shana Rogers, Managing Director, RPPA  
Shoba Nandhan, Chief Financial Officer  
Wendy Funk, Managing Director, Accounting and Finance  
Natalie Wandall, Secretary to Commission  
Lynne Baker, Managing Director, Communication  
Manuel Talavera, Professional Development Specialist  
Meghan Chrum, Professional Development Specialist  
Eddie Brambila, Managing Director, Capacity Development and Training

**STAFF PRESENT COND'T:**

Linda Jeffries, Managing Director, Communications  
Vicki Baba, Director, HRD  
Marisa Lowe, Deputy Director, Budget and Financial Analysis  
Gloria Legette, Deputy General Counsel  
Lisa Murphy-Coveny, Senior Compliance Counsel  
Ellen Greenan, Senior Research Associate, RPPA  
Anne Hunter, Deputy Director, Financial Reporting

**PUBLIC ATTENDANCE:**

Jim O'Connor, Callan LLC  
Brienne Weymouth, Callan LLC  
Evelyn Molina  
Mark Schopp  
Eric Hiatt  
Justin Slaughter  
Corinne Kodama  
Kim  
Jackie  
CS  
Call in User

The Joint Meeting of the Illinois Student Assistance Commission and the Investment Committee was called to order at 1:08 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 is not practical or prudent to conduct the meeting in person or at the usual meeting location in downtown Chicago, so the meeting was conducted virtually. Mr. Zarnikow indicated that he was physically present at ISAC's headquarters in Deerfield.

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 Commission 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 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.

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

### **Item 1. Announcements**

Chair Huber announced that the next regularly scheduled joint meeting of the Commission and the Investment Committee will be on Thursday, December 2, 2021. He indicated that the Audit Committee is scheduled to begin at 11:00 a.m. and the Commission Meeting at 1:00 p.m. He further advised that the meetings are scheduled to take place virtually, however notification of any changes would be provided. The Chair then congratulated the student commissioner Ms. Emma Marie Johns as she has graduated Summa Cum Laude from Southern Illinois University with a B.S. in Physiology, minors in Chemistry and American Sign Language, and is now a second-year medical doctoral candidate at SIU SOM.

### **Item 1A. Approval of the 2022 Meeting Dates and Locations-Commission (Action)**

Commissioner Sabens **MOVED THAT** the that the Commission approve the tentative 2022 meeting dates and locations as presented in the agenda book. Commissioner Arrington seconded the motion, which was unanimously approved by roll call vote of the Commission.

**Item 1B. Approval of the 2022 Meeting Dates and Locations- Investment Committee (Action)**

Commissioner Amos **MOVED THAT** the that the Investment Committee approve the tentative 2022 meeting dates and locations as presented in the agenda book. Commissioner Hibbert seconded the motion, which was unanimously approved by roll call vote of the Investment Committee.

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

**Item 2A. Approval of the June 17, 2021 Minutes of the meeting of the Investment Committee (Action: Investment Committee)**

Commissioner Amos **MOVED THAT** the Investment Committee approve the minutes of the June 17, 2021 Investment portion of the minutes from the June 17, 2021 Commission meeting. Commissioner Hibbert seconded the motion, which was unanimously approved by a roll call vote of the Investment Committee.

**Item 2B. Approval of the June 17, 2021 Minutes of the meeting of the Commission (Action: Commission)**

Commissioner Bullock **MOVED THAT** the Commission approve the minutes of the June 17, 2021 joint meeting. Commissioner Arrington seconded the motion, which was unanimously approved by a roll call vote of the Commission.

**Item 3. Strategic Plan for Higher Education (Action)**

Mr. Zarnikow introduced the IBHE Strategic Plan for Higher Education included in the agenda book. He explained that the plan was developed in collaboration with the Illinois Community College Board and other stakeholders including members of ISAC staff and the Commission. He advised that Staff recommends that the Commission move to endorse the plan.

Commissioner Bullock **MOVED THAT** the Commission endorse the IBHE strategic plan for higher education, *A Thriving Illinois: Higher education Paths to Equity, Sustainability and Growth*. Commissioner Sabens seconded the motion, which was approved by a roll call vote of the Commission. Commissioner Brar abstained from the vote.

**Item 4. Executive Director's Report (Information)**

Mr. Zarnikow provided an update regarding the deconversion of the FFELP program portfolio. There was discussion regarding the methods of communication and the need to ensure that effective communication to borrowers is a priority during the transition.

Mr. Zarnikow expressed ISAC's commitment to diversity, equity, and inclusion (DEI) and identified a number of steps that ISAC has taken in an effort to promote DEI goals within the agency. Those items included developing an advisory committee, reviewing current policies, providing opportunities to participate in racial healing circles and instituting a language accessibility plan. In addition, he noted that ISAC was one of the first agencies to move toward eliminating gender specific pronouns from agency administrative rules.

Finally, Mr. Zarnikow advised the Commission of the challenges that two members of the ISAC family are facing due to recent gun violence. Condolences were expressed.

#### **Item 5. Monetary Award Program (MAP) Start-Up Formula (Action)**

Shana Rogers gave an overview of the FY23 MAP Start Up Formula by reviewing the information on 5-1 to 5-9 of the agenda book. She advised that the proposed formula was the same as the FY22 recompute formula approved by the Commission at a previous meeting. There was discussion regarding the number of expected applications and the impact of the FAFSA mandate as well as the pandemic on that number. Further discussion addressed whether the award could increase at the rate of the increase in the cost of attendance and the impact of flat state funding.

Commissioner Amos **MOVED THAT** the Commission approve the MAP formula found in Table One as the FY 2023 MAP Start-Up Formula, which is the same as the FY 2022 MAP Recompute Formula approved at the June 17, 2021 Commission Meeting. Commissioner Sabens seconded the motion, which was unanimously approved by a roll call vote of the Commission.

#### **Item 6. Approval of the Proposed Administrative Program Rules and Amendments**

##### **Item 6A. Peremptory Rules Amendments (Information)**

Ms. Cook reported on the peremptory rules amendments that were completed in response to the passage of the federal FAFSA Simplification Act, which removed the requirement of Selective Service registration for student aid eligibility. She informed the commission that the rules had been approved at the September 14, 2021 JCAR meeting and appear on page 6B-1 to 6B-18 of the agenda book.

##### **Item 6B. Proposed Rules Amendment (Action)**

Ms. Cook further reported on the proposed amendments to the administrative program rules for the MTI program. She explained that the 45-day comment period would end on September 26, 2021 and, as of the date of the meeting, no comments had been received. She further explained that the revised items, which appear on page 6B-19 to 6B-30 of the agenda book, were necessary to provide funding priority for minority males and bilingual students. She requested that the Commission approve the following resolution:

**“BE IT RESOLVED** that the Commission accepts the proposed administrative program rules 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 amended.”

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

## **Item 7. College Illinois! Prepaid Tuition Program Investments-**

### **Item 7A. Investment Update (Information)**

Ms. Heredia provided an update of the College Illinois! Prepaid Tuition Program Investments. She discussed the markets' continued recovery and surge year-over-year in global equity markets. Further, she reviewed the risk profile of the College Illinois! portfolio found on page 7A-2 of the agenda book. She acknowledged the diligent work of investment staff, accounting, and the investment consultant Callan. Ms. Heredia advised the Commission that even though the program is winding down, staff and the consultant are fully engaged in managing the portfolio prudently. She went on to review the portfolio's public markets asset classes and respective investment managers.

Mr. Rojas reviewed all private investments with their outstanding risks (primarily infrastructure assets) and current/projected realizations. Mr. Rojas also reviewed the Asset Allocation, Status Updates and Search Update sections of the agenda book. He highlighted that Ativo has recovered rather well year to date despite being added to the Watch list, but they still need to continue making progress.

### **Item 7B. Appointment of Investment Advisory Panel members (Action)**

Ms. Heredia explained that *The Illinois Prepaid Tuition Act* requires the Commission to appoint a seven (7) member Investment Advisory Panel. She explained that the panel members are appointed to serve a term of 3 years. She described Commissioner Hibbert's qualifications and highlighted that he has provided valuable assistance to the Panel since his appointment in 2015. She explained that Commissioner Hibbert has agreed to continue to serve on the Panel and that ISAC staff recommends his reappointment.

Ms. Heredia asked for a motion that the Commission approve the reappointment of Mr. James Hibbert (recommended by the Commission) to the College Illinois! Investment Advisory Panel, for a term expiring November 19, 2024.

Commissioner Amos **SO MOVED**. Commissioner Lopez seconded the motion. A roll call vote was taken, and the resolution was unanimously approved by the Commission.

Ms. Heredia notified the Commission that Investment Advisory Panel member, Rodrigo Garcia, had left his position at the Illinois State Treasurer's office, but would continue to serve on the panel until a replacement could be appointed. The Illinois State Treasurer's Office recommended Mr. Fernando Diaz to replace Mr. Garcia on the panel. Ms. Heredia described Mr. Diaz's qualifications.

Ms. Heredia asked for a motion to approve the appointment of Mr. Fernando Diaz (recommended by the State Treasurer) to the College Illinois! Investment Advisory Panel for the remaining term expiring November 19, 2022.

Commissioner Arrington **SO MOVED**. Commissioner Bullock seconded the motion. A roll call vote was taken, and the resolution was unanimously approved by the Commission.

Ms. Heredia notified the Commission that the Office of the Illinois Comptroller recommended Mr. Andrew Ranck to replace Mr. Chasse Rehwinkel on the Investment Advisory Panel once his term expires. Ms. Heredia described Mr. Ranck's qualifications. She asked for a motion to approve the appointment of Mr. Andrew Ranck to the College Illinois! Investment Advisory Panel for a term three-year term beginning November 20, 2021 and expiring on November 19, 2024.

Commissioner Lopez **SO MOVED**. Commissioner Hibbert seconded the motion. A roll call vote was taken, and the resolution was unanimously approved by the Commission.

#### **Item 7C. Approval of Changes to Watch List - (Action: Investment Committee)**

Mr. Rojas informed the Commission that staff was not recommending any new manager to be added to the Watch List at this time. Mr. Hibbert inquired about Garcia Hamilton's poor relative performance; Mr. Rojas noted that investment staff concerns regarding this manager have been increasing over the past 2 years. Ms. Heredia noted that staff would conduct a review of the manager in the upcoming quarter.

#### **Item 7D. 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 7E. Prepaid Tuition Program Update (Information)**

Mr. Zarnikow announced that the challenge of getting a line item in the Illinois budget for College Illinois! was a success but maintaining it and increasing it in future budget cycles will take continuing efforts.

Ms. Heredia stated that ISAC had only very recently received a draft of the Actuarial Soundness report. She presented an overview of the report, noting changes in the expected unfunded liability based upon funding provided by the State budget, higher than expected investment returns, changes in the forecasted tuition inflation and changes in assumptions. There was discussion about providing the final written report to the Commission.

#### **Item 8. Outreach Update (Information)**

Ms. Moreno explained the budget, hiring and attrition expectations for the ISACorps members. She explained that the pandemic impacted the retention rate resulting in changes to the budget. She provided an overview of the ISACorps performance over the past year and explained some of the effects of the pandemic on the operations such as the increased number of seminars and workshops necessary to reach students.

There was discussion regarding the average retention of ISACorps members and methods for measuring the efficacy of ISACorps programs. Discussion was also had about the need to ensure that all areas of the State have access to services provided by the corps and the possibility of



making the FAFSA completion program a part of the regular school curriculum. Finally, there was discussion regarding the FAFSA mandate and the overuse of FAFSA completion waivers.

**Item 9. Audit Committee Update (Information)**

Mr. Zarnikow reviewed the activity of the Audit Committee at the meeting which occurred earlier in the day.

**Item 10. Public Comment**

There were no requests for public comment.

**Item 11. Closed Session**

There were no requests to enter closed session

**Item 12. Approval of Closed Session Action Items**

**Item 12A. Personnel**

Chair Huber explained the process for Mr. Zarnikow's job performance review. To facilitate the process an evaluation survey instrument was sent to and completed by all 10 Commissioners. In addition, an evaluation survey instrument was sent to and completed by Mr. Zarnikow's Executive Staff members. He stated that he met separately with each Executive staff member to discuss Mr. Zarnikow's performance. The evaluation process by the Commission Board has been a very robust evaluation process, well beyond what would typically be done at a state agency. He then stated that he met for extended periods of time to discuss the results with Mr. Zarnikow. Based upon the amount of feedback and discussions with staff and individual commissioners and given Mr. Zarnikow's overall very positive performance, Chair Huber asked if the commission thought it necessary to go into closed session for further discussion of Mr. Zarnikow's performance and compensation. Hearing no request to go into closed session, Chair Huber asked for a motion to approve a salary increase for Mr. Zarnikow as follows:

**"BE IT RESOLVED** that the Commission approve a salary increase for Executive Director Zarnikow of 3.95%, effective July 1, 2021. This is the same percentage increase that was given to ISAC employees and other state employees effective July 1<sup>st</sup>."

Commissioner Hibbert so **MOVED**. Commissioner Sabens seconded the motion, which was unanimously approved by roll call vote of the Commission.

**Item 12B. Approval of Redetermination Regarding Confidentiality of Closed Minutes of the Commission (Action)**

Chair Huber advised that the General Counsel had reviewed the closed minutes referenced in the Agenda Item and had made a redetermination that they should remain closed. He then asked the commission if going into closed session was necessary. Hearing no request to go into closed session to discuss closed minutes, he asked for a motion that the Commission approve the following resolution:

**“BE IT RESOLVED** that the Commission has determined the need for confidentiality still exists for the minutes of its closed sessions for September 16, 2013, January 10, 2014, January 30, 2014, April 22, 2014, July 22, 2014 and therefore should remain closed”.

Commissioner Lopez **SO MOVED**. Commissioner Bullock seconded the motion. A roll call vote was taken, and the resolution was unanimously approved by the Commission.

Seeing no further business to come before the Commission, Chair Huber asked for a motion to adjourn. Commissioner Johns **SO MOVED** and Commissioner Brar seconded that motion. A roll call vote was taken, and the motion was unanimously approved by the Commissioners. The meeting adjourned at approximately 3:37 p.m.

Respectfully submitted,

Lisa Murphy-Coveny