

AGENDA ITEM 2A.

**APPROVAL OF MINUTES OF THE SEPTEMBER 21, 2023
JOINT MEETING OF THE
ILLINOIS STUDENT ASSISTANCE COMMISSION AND
THE INVESTMENT COMMITTEE**

Submitted for: Action

Summary: This report includes the minutes of the investment portion of the joint meeting of the Illinois Student Assistance Commission and the Investment Committee held on September 21, 2023

Action requested: That the Investment Committee approve the investment portion of minutes of the September 21, 2023, Joint 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**

**September 21, 2023
1:00 p.m.**

COMMISSIONERS PRESENT:

Kevin Huber, Commissioner, Board Chair, Investment Committee Member
Maureen Amos, Commissioner, Investment Committee Member
Darryl Arrington, Commissioner, Audit Committee Chair
Jonathon Bullock, Commissioner
Thomas Dowling, Commissioner, Audit Committee Member
Payton Ade, Student Commissioner

COMMISSIONERS PRESENT via WebEx:

James Hibbert, Commissioner, Investment Committee Member
Franciene Sabens, Commissioner

COMMISSIONERS ABSENT:

Elizabeth Lopez, Commissioner, Vice Chair, Audit Committee Member

INVESTMENT COMMITTEE MEMBERS PRESENT:

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

INVESTMENT COMMITTEE MEMBERS PRESENT via WebEx:

James Hibbert, Commissioner, Investment Committee Member

STAFF PRESENT:

Carol Cook, Senior Advisor, Program Services and Compliance
Shana Rogers, Managing Director, RPPA
Shoba Nandhan, Chief Financial Officer
Katherine Gricevich, Director of Government Relations
Kishor Desai, Chief Internal Auditor
Roger Rojas, Director of Investments
Harikumar Pillai, Chief Information Officer
Rolake Adedara, Deputy Chief Financial Officer
Rich Nowell, Interim General Counsel
Stephanie Schmitz-Bechteler, Managing Director, Program Services and Compliance
Natalie Wandall, Secretary to Commission
Jackie Eckley, Asst Director, Program Communication Service
Michael Wilder, Network Technician/LAN Administrator
Lisa Schlessinger, Staff Attorney
Lisa Murphy-Coveny, Deputy General Counsel
Victoria Spivak, Director of Strategy, Research, & Impact
Shonda Brown, Office Manager
Lynne Baker, Managing Director of Communications
Jaqueline Moreno, Chief Service Officer
Eddie Brambila, Managing Director, Capacity and Development
Ellen Greenan, Deputy Director, MAP Forecasting and Analysis

STAFF PRESENT via Webex:

Eric Zarnikow, Executive Director

PUBLIC ATTENDANCE:

James O'Connor, Callan LLC
Jose Roa, OAG
Eric Hiatt
Roy Gonzalez

The joint meeting of the Illinois Student Assistance Commission and the Investment Committee was called to order at 1:12 p.m.

Mr. Zarnikow, ISAC's Executive Director, began by explaining that the Open Meetings Act provides for virtual meetings when the Governor has issued a health-related disaster proclamation. He explained that Governor Pritzker's extension of the Gubernatorial COVID-19 Disaster Proclamation had expired. Therefore, 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 further stated that because the meeting was being held in person, it would not be recorded.

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 explained that Commissioner Sabens was unable to attend the meeting in person due to a scheduling conflict with her employer. He confirmed her ability to hear the meeting and be heard by those in attendance.

Commissioner Arrington **MOVED THAT** the Commission approve Commissioner Saben's remote attendance. Commissioner Dowling seconded the motion, which was unanimously approved by a vote of the Commissioners attending in person.

Chair Huber explained that Commissioner Hibbert was unable to attend the meeting in person due to illness. He confirmed Commissioner Hibbert's ability to hear the meeting and be heard by those in attendance.

Commissioner Dowling **MOVED THAT** the Commission approve Commissioner Hibbert's remote attendance to both the Commission and Investment Committee. Commissioner Arrington seconded the motion, which was unanimously approved by a vote of the Commissioners attending in person.

Commissioner Huber **MOVED THAT** the Investment Committee approve Commissioner Hibbert's remote attendance to Investment Committee meeting. Commissioner Amos seconded the motion, which was unanimously approved by a vote of the Investment Committee members attending in person.

Item 1. Announcements

Chair Huber announced that the next regularly scheduled meeting of the Commission is Thursday December 7, 2023, 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 members of their obligation to record their hours spent on commission business and requested that they return the documentation at the end of the meeting.

Item 1A. Approval of the Tentative 2024 Meeting Dates and Locations (Action: Commission)

There was discussion about the timing of the meetings throughout the year.

Commissioner Amos **MOVED THAT** the Commission approve the tentative 2024 meeting dates and locations as presented in the agenda book. Commissioner Arrington seconded the motion, which was unanimously approved by a vote of the Commission including Commissioners Sabens and Hibbert.

Item 1B. Approval of the Tentative 2024 Meeting Dates and Locations (Action: Investment Committee)

Commissioner Huber **MOVED THAT** the Investment Committee approve the tentative 2024 meeting dates and locations as presented in the agenda book. Commissioner Amos seconded the motion, which was unanimously approved by a vote of the Investment Committee including Commissioner Hibbert.

Item 2. Approval of Meeting Minutes (Action)

Item 2A. Approval of the investment portion of the minutes of the June 22, 2023 Joint Commission and Investment Committee Meeting (Action: Investment Committee)

Commissioner Amos **MOVED THAT** the Investment Committee approve the minutes of the June 22, 2023 Joint Commission and Investment Committee meeting. Commissioner Huber seconded the motion, which was unanimously approved by a vote of the Investment Committee including Commissioner Hibbert.

Item 2B. Approval of the Full Minutes of the June 22, 2023 Joint Commission and Investment Committee Meeting (Action: Commission)

Commissioner Dowling **MOVED THAT** the Commission approve the full minutes of the June 22, 2023 meeting. Commissioner Arrington seconded the motion, which was unanimously approved by a vote of the Commission including Commissioners Sabens and Hibbert.

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 Amos **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 September 16, 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 Huber seconded the motion, which was unanimously approved by a vote of the Investment Committee including Commissioner Hibbert.

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

Commissioner Amos **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 September 16, 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 Arrington seconded the motion, which was unanimously approved by a vote of the Commission including Commissioners Sabens and Hibbert.

Item 4. Executive Director’s Report (Information)

Ms. Nandhan reviewed the financial statements that appear in Section 4 of the agenda book.

There was discussion about how scholarships are distributed depending on whether the funds come from federal funding or a state funding.

Mr. Zarnikow provided an update on staffing at ISAC and highlighted significant staffing changes. Mr. Zarnikow emphasized that ISAC is undergoing a lot of change and succession planning to set up ISAC for future success. He recognized Starlin Sebring who celebrated her 40th anniversary of working at ISAC.

Mr. Zarnikow reviewed the fiscal year 2024 MAP program including the suspense date for new awards and the current increase in the volume of low-income students attending school and participating in the MAP program. Mr. Zarnikow then discussed the future of MAP, looking ahead to fiscal year 2025, and the impacts of the changes coming from federal FAFSA simplification on the program. He noted the challenges relating to the timing, but indicated that ISAC is organized and prepared to implement the changes as soon as the new FAFSA is released by the Department of Education.

Mr. Zarnikow shared that ISAC is short one commissioner and has 5 who are serving on expired terms. He said ISAC is working with the Governor’s office to try and get all commissioners on a current term.

There was discussion regarding the release date of the Alternative Application for Illinois financial Aid to keep it consistent with the 2024-2025 FAFSA application.

Item 5. Monetary Award Program (MAP) Start-Up Formula (Action: Commission)

Ms. Rogers reviewed MAP data from the previous year.

Ms. Rogers reviewed the anticipated changes associated with the *FAFSA Simplification Act*. She outlined the proposed start up formula and the information used to create the formula. There was discussion by the Commissioners who gave special thanks to ISAC staff for their efforts with providing information on simplified FAFSA application, stating that students benefit from information as soon as possible in order to make informed decisions.

Commissioner Dowling **MOVED THAT** the Commission approve the MAP formula found in Table One, at the end of this item, as the FY2025 MAP Start-up Formula. This is the same as the FY2024 MAP Recompute Formula approved at the June 22, 2023 meeting, with some additional clarification necessitated by FAFSA Simplification. Commissioner Amos seconded the motion, which was unanimously approved by a vote of the Commission, including Commissioners Sabens and Hibbert.

Item 6. Approval of Proposed Amendment to the Internal Administrative Rules (Action: Commission)

Mr. Nowell presented on proposed changes to the internal rules as stated on pages 6-1 through 6-12 of the Agenda Book.

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

“**BE IT RESOLVED** that the Commission approves the proposed amendments to the Illinois Student Assistance Commission’s internal rule titled ‘Public Information, Rulemaking and Organization’ and directs the Executive Director to cause the amendment to be filed with JCAR.”

Commissioner Arrington seconded the motion, which was unanimously approved by a vote of the Commission, including Commissioners Sabens and Hibbert.

Item 7. College Illinois! Prepaid Tuition Program Investments

Item 7A. Investment Update (Information)

Mr. Rojas reviewed the College Illinois fund risk profile and performance as of June 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.

There was a discussion about the 1-year relative attribution and performance contributions from each asset class, with investment staff and Callan reviewing the key drivers and variances.

Item 7B. Appointment of Investment Advisory Panel Members

Mr. Rojas explained the duties of the Investment Advisory Panel and the process of recommendation for appointment and approval by the Commission. Mr. Rojas reviewed the recommendation for the reappointment of Mr. Louis Paster as provided in the agenda book.

Commissioner Amos **MOVED THAT** the Commission approve the reappointment of Mr. Louis Paster (recommended by the Commission) to the College Illinois! Investment Advisory Panel for a term expiring November 19, 2026. Commissioner Arrington seconded the motion, which was unanimously approved by a vote of the Commission including Commissioners Sabens and Hibbert.

Mr. Rojas reviewed the recommendation for the reappointment of Mr. Paul Chatalas as provided in the agenda book.

Commissioner Amos **MOVED THAT** the Commission approve the appointment of Mr. Paul Chatalas (recommended by GOMB) to the College Illinois! Investment Advisory Panel for a term expiring November 19, 2026. Commissioner Dowling seconded the motion, which was unanimously approved by a vote of the Commission including Commissioners Sabens and Hibbert.

Mr. Rojas also reviewed the recommendation for the appointment and reappointment of Mrs. Carmen Heredia Lopez (to replace Mrs. Jeanna Cullins) as provided in the agenda book.

Commissioner Arrington **MOVED THAT** the Commission approve the appointment of Mrs. Carmen Heredia-Lopez (to replace Mrs. Jeanna Cullins) to the College Illinois! Investment Advisory Panel for a term expiring November 19, 2023. Furthermore, that the Commission approves the reappointment of Mrs. Heredia-Lopez for a new three-year term expiring on November 19, 2026. Commissioner Amos seconded the motion, which was unanimously approved by a vote of the Commission including Commissioners Sabens and Hibbert.

Item 7C. Approval of Changes to the Watch List (Action: None at this time)

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.

Item 7D. International Equity Restructuring Proposal (Action: Investment Committee and Commission)

Mr. Rojas explained the need to replace Rhumblin Advisers with State Street Global Advisors (SSgA) as the new manager for the proposed international equity passive strategy commingled fund benchmark against the MSCI ACWI ex US. There was a discussion on the reasons for the proposal change in provider and the new timeline of the asset class transition. There was also a discussion about the benefit of continuing to do business with Rhumblin. Mr. Rojas confirmed that Rhumblin has managed the trust fund US Equity passive strategies since 2009 and staff does not anticipate a change in the management of that asset class given their excellent performance over time.

Commissioner Amos **MOVED THAT** the Investment Committee approve ISAC investment staff's recommendation to transition the International Equity portfolio to a passive commingled fund managed by State Street Global Advisors benchmark against the MSCI ACWI ex US. Commissioner Huber seconded the motion, which was unanimously approved by a vote of the Investment Committee, including Commissioner Hibbert.

Commissioner Dowling **MOVED THAT** the Commission approve Investment Committee's recommendation to transition the International Equity portfolio to a passive commingled fund managed by State Street Global Advisors benchmark against the MSCI ACWI ex US. Commissioner Amos seconded the motion, which was unanimously approved by a vote of the Commission, including Commissioners Hibbert and Sabens.

Item 7E. Compliance Review (Information)

Mr. Rojas presented the Compliance Review as provided in the agenda book.

Mr. Zarnikow thanked Mr. Rojas for his efforts and abilities at negotiating reduced fees with the College Illinois! investment managers.

Item 7F. Prepaid Tuition Program Update (Information)

Mr. Zarnikow presented an update on the prepaid tuition program. He noted that there is a difference in how numbers are presented in the two reports and that the final actuarial report would be released in late October when it is completed. The final actuarial report will be provided to commission members.

Item 8. Outreach Update

Ms. Moreno presented an overview of what College Access & Outreach (CAO) does to serve students. She emphasized that college access is just the first step in college success. Ms. Moreno explained that CAO hosts more than 100 parent outreach events each year, organizes the College Changes Everything conference, which this past July had 550 people register for it from all over the state, and puts on the FAFSA Symposium and the PaCE Symposium for school counselors and college access practitioners. She also highlighted the team's involvement in The Illinois Education Career Success Network to increase quality post-secondary enrollment, the Launch initiative to foster innovation in college to career transition support, and Illinois College Access Network (ICAN) which ISAC took over in 2021.

Ms. Moreno then discussed how state policy decisions are made by sharing a graphic showing the different levels of stakeholders that need to be served. She went through an example using FAFSA Completion and PaCE Implementation as examples.

There was discussion about a budgeted item to refresh the website, which is part of communications, not CAO. The website refresh is still in the procurement process.

Commissioner Sabens applauded the school outreach as a school counselor. There was discussion about PaCE implementation in middle schools and what tools will be provided to schools without resources to procure their own tracking.

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.

Item 10. Public Comment

No requests for public comment were made.

Item 11. Closed Session

Chair Huber noted that the agenda items to be discussed in closed session were the evaluation of Executive Director Zarnikow and the approval of the redetermination regarding the confidentiality of closed minutes. He explained the process that the board followed in completing Mr. Zarnikow's evaluation.

Next, Chair Huber advised that the Commission was provided with the Interim General Counsel's recommendation for the redetermination regarding the confidentiality of closed minutes of the Commission.

He asked if any of the Commissioners wished to go into closed session for discussion of either of these issues. There was no request to enter closed session.

Item 12. Approval of Closed Session Items (Action)

Item 12A. Personnel Matters (Action: Commission)

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

“BE IT RESOLVED that the Commission approve a salary increase for Executive Director Zarnikow of 4.0%, effective July 1, 2023. This is the same percentage increase that was given generally to ISAC employees effective July 1st.”

Commissioner Bullock seconded the motion, which was unanimously approved by a vote of the Commission, including Commissioners Hibbert and Sabens.

Mr. Zarnikow thanked the commission for their support and the ISAC team for making ISAC as effective as it is as a state agency. He stated that it continues to be an honor to be able to serve as ISAC’s Executive Director.

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

Commissioner Amos **MOVED THAT** the Commission approve the following resolutions:

“BE IT RESOLVED that the Commission has determined the need for confidentiality no longer 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 be open to the public.”

Commissioner Arrington seconded the motion, which was unanimously approved by a vote of the Commission, including Commissioners Sabens and Hibbert.

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, including Commissioners Sabens and Hibbert.

The meeting adjourned at approximately 3:20 p.m.

Respectfully submitted,

Lisa R. Schlessinger