

**Iowa College Student Aid Commission**

**GEAR UP IOWA SCHOLARSHIP TRUST  
February 2016**

***Recommended Action:***

***Authorize staff to amend the contract for the GEAR UP Iowa 1.0 scholarship trust.***

As a requisite for the receipt of a GEAR UP grant from the U.S. Department of Education, grantees must draw down each year and hold in reserve 50% of the award to provide scholarships to eligible students served by the grant. The Commission must hold these funds in reserve and make them available to students upon completion of secondary school and enrollment in an institution of higher education. Students from the first grant were the graduating class of 2014 and are currently in their second year of postsecondary education.

The Commission has a current contract with Bankers Trust to maintain the Scholarship Trust funds for the previous GEAR UP grant (2008 – 2014). This contract is to be amended to ensure:

- Funds remain available to the cohort for the required time period, 6 years from graduation (2020);
- Remaining funds can be distributed consistent with the GEAR UP Statute (Higher Education Act of 1965, as amended, Title IV, Part A, Subpart 2, Chapter 2), as applicable;
- Remove language from the fee schedule referencing costs associated with direct disbursements to colleges by Bankers Trust;
- Appoint BTC Capital Management as the Investment Advisor;
- Modify the existing investment policy to ensure the right balance between investment returns and liquidity requirements for the Trust funds.

These funds will continue to be maintained and drawn down in this Trust until the expiration of the current contract.

## *AMENDMENT TO TRUST AGREEMENT*

This amendment is dated January 15, 2016, and amends the Trust Agreement dated June 30, 2009, between Iowa College Student Aid Commission and Bankers Trust Company. The parties amend the contract as follows:

1. Delete the last unnumbered paragraph of Article II and substitute the following in its place:

Any funds remaining in the Trust upon termination of the Trust will be distributed consistent with Article III.

2. Delete Article III and substitute the following in its place:

This Trust is being established to hold funds available through the GEAR UP Iowa Federal Grant program during the six-year funding period being in 2008 and continuing through the distribution/scholarship years beginning in 2013.

Federal Grant money contributed by the Department of Education under the Program will be held in Trust with Bankers Trust as Trustee for the life of the Program unless removed or a successor trustee is appointed.

The Trust will terminate upon completion of the GEAR UP Iowa program at the final distribution/scholarship award year in 2020 or upon completion of all distributions. Direction to terminate the Trust and close corresponding Trust accounts will be provided in writing by the Commission.

The Trust may also be terminated upon material changes to the original grant proposal which may include, but are not limited to, a reduction of annual award or termination of award by the Department of Education.

Upon termination of this trust, Trustee will distribute the remaining Trust assets to another GEAR UP Iowa trust designated by the Commission consistent with the Commission's written instructions.

3. Delete Exhibit D and substitute with revised Exhibit D.
4. Delete Article VI and substitute the following in its place:

MidAmerican Investment Group, d/b/a BTC Capital Management, Des Moines, Iowa is hereby appointed Advisor and accepts the duties and obligations subject to the scope and terms of the GEAR UP Iowa investment policy, a copy of which is attached.

5. Delete Article VIII and substitute the following in its place:

Exhibit G, Investment Policy, shall be reviewed as appropriate. Any amendments to the Investment Policy must be approved by the Board and should be promptly given to the investment manager.

Iowa College Student Aid Commission

By: \_\_\_\_\_  
Karen Misjak, Director

BANKERS TRUST COMPANY

By: \_\_\_\_\_  
Mellissa A. Stover, Esq., Associate Managing Director

**EXHIBIT D TO TRUST AGREEMENT  
BANKERS TRUST – JANUARY 2016**



**FEE SCHEDULE**

Prepared for Iowa Student Aid Commission  
GEAR UP Iowa Program

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Investment Management Services 0.10% annually

*Fee schedule is based on the fair market value of assets.*

*Investment management fees are billed quarterly in arrears.*

Administrative Services - Trustee \$500.00 annually

*Annual fee for Trustee services to be prorated and collected from investment income on a quarterly basis.*

*Trustee fee includes general account administration, online account access and monthly statements.*

Effective January 2016

**Gear UP Iowa**  
**Investment Policy Statement Exhibit G**  
**PROGRAM 1.0**  
**Attached to IPS dated January 2016**

Asset Type	Allocation Ranges
<b>Liquidity:</b>	
Money Market Funds, US Treasury, Agency, Comm Paper, CD (1)	0 - 100%
<b>Fixed Income:</b>	
US Treasury, Agency, Corporate, CD, MBS, CMBS, Preferred stock (1)(2)	0 - 100%
Foreign Fixed Income	NONE
<b>Equity:</b>	
Large/Mid Cap Stocks	0 - 20%
Small Cap Stocks	
International Equity	NONE
Real Estate Investment Trusts	

**Additional Guidelines at Time of Purchase:**

		At Time of Purchase:
Individual Equity Investments	< 5% total assets	Size restriction
Per Issuer Credit Exposure (3) (4)	< 5% total assets	Size restriction
Average Life or Maturity per Bond Issue	< 10 years	Maturity Restriction
Commercial Paper	A1/P1 Maturing < 270 days	Rating minimum
Corporate, MBS, CMBS, Preferred Stock (2)	Credit Quality >= A3	Rating minimum
Certificates of Deposit	<= FDIC Insurance Limit or Complies w/ Iowa Code 12 C	Size restriction
Government Agency Per Issuer Exposure (4)	< 25% total assets	Size restriction
Dollar Denominated Investments	100%	Sector restriction

(1) Certificates of Deposit are limited to FDIC insured limit with the exception where the certificate of deposit is collateralized pursuant to the provision of Iowa Code Chapter 12C.

(2) Rating based on industry standards of the highest rating, or highest two of three ratings from the National Rating Services

(3) Excludes Money Market Mutual Funds, Mutual Funds, and Exchange Traded Funds

(4) Excludes Full Faith and Credit US Govt Guaranteed or certificates of deposit collateralized according to provisions of IA Code Chapter 12C

**Allowable Investment Vehicles**

- Individual Securities
- Exchange Traded Funds (ETF)
- Mutual Funds
- Registered Money Market Funds that comply with Rule 2a-7 [Government Only]
- Commercial Paper and FDIC insured Certificates of Deposit
- Mortgage-backed (MBS, CMO, and CMBS) and Asset-backed (ABS) securities
- Real Estate Trusts (REIT) and Preferred stock (PFD)