

AGENDA ITEM 2B.

**APPROVAL OF MINUTES OF THE MAY 26, 2022
INVESTMENT COMMITTEE**

Submitted for: Action

Summary: This report includes the minutes of the Investment Committee held on May 26, 2022

Action requested: That the Investment Committee approve the minutes of the May 26, 2022.

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

**VIDEO CONFERENCE
Instruction to be provided by ISAC.org**

May 26, 2022

1:00 p.m.

INVESTMENT COMMITTEE MEMBERS PRESENT via WebEx:

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

STAFF PRESENT via WebEx:

Eric Zarnikow, Executive Director
Carmen Heredia, Chief Investment Officer
Roger Rojas, Investment Officer
Rich Nowell, Interim General Counsel
Natalie Wandall, Secretary to Commission
Manuel Talavera, Professional Development Specialist
Lisa Murphy-Coveny, Deputy General Counsel
Dada Ibrahimovic, Professional Development Specialist

PUBLIC ATTENDANCE via WebEx:

Jim Van Heuitt, Callan LLC
Brienne Weymouth, Callan LLC
James O'Connor, Callan LLC

The meeting of the Illinois Student Assistance Commission Investment Committee was called to order at 1:04 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 was not practical or prudent to conduct the meeting in person or at a regular meeting location in downtown Chicago due to the COVID-19 disaster, so the meeting was conducted virtually. He noted, however, that he was physically located at ISAC's headquarters in Deerfield, Illinois.

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 members the relevant instructions.

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

WebEx instructions, including those for public comment, were provided by Manuel Talavera.

Mr. Zarnikow then turned the meeting over to Ms. Heredia who 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

Ms. Heredia announced that the next meeting of the Investment Committee would be a joint meeting with the Commission on Thursday June 16, 2022. She advised that the meeting is expected to be in person in the Chicago area and at ISAC's Springfield office. She explained that members would be informed once the plans were finalized.

There were no requests for public comment.

Item 2. Approval of Minutes of the April 14, 2022, joint Commission, Investment Committee and Investment Advisory Panel- Investment Portion (Action)

Investment Committee Member Huber **MOVED THAT** the Investment Committee approve the investment related portion to the minutes of the April 14, 2022, joint meeting as will be incorporated into the full Commission minutes. Investment Committee Member Amos seconded the motion, which was unanimously approved by a roll call vote of the Investment Committee.

Item 3. Investment Update (information)

Ms. Heredia provided a report of the financial and economic markets for the 1st quarter of 2022 and provided an update on the College Illinois! Prepaid Tuition Program portfolio. She specifically addressed the investment risk profile, portfolio liquidity and performance. She continued with a detailed portfolio review of the public markets' portfolio performance as well as the open-end funds.

Mr. Rojas reviewed thoroughly all closed-end fund investments including outstanding risks and current/projected realizations. Mr. Rojas indicated that staff foresees the potential for further write-downs in coming quarters for Alinda, TRG and CM Growth. In addition, he reviewed the Asset Allocation, Status Updates and Search Update sections as shown in the agenda book.

Item 4. Asset Allocation and Liability Study (Action)

Ms. Heredia explained that although the next formal asset allocation and liability study will be completed for fiscal year 2024, the recent receipt of \$230 million into the College Illinois! Prepaid Tuition Fund prompted investment staff, along with Callan LLC and GRS, to analyze and evaluate various scenarios and investment options. She explained the updates and assumptions for the review and presented the suggested asset mixes that appear on page 4A-3 of the agenda book.

Jim Van Heuitt, of Callan LLC, presented the asset allocation and liability study by providing an overview of the market assumptions and the asset-liability study process which included scenario analysis. He then reviewed proposed asset mix scenarios, the probabilities for the ranges of projected rates of return and the probabilities for ranges of plan assets. There was discussion regarding the assumed rates of return and actuarial soundness report asset smoothing.

Investment Committee Member Hibbert **MOVED THAT** the Investment Committee approve the agreed upon Investment Policy Asset Allocation and recommend such Investment Policy Allocation targets for approval by the Commission at the June 16, 2022, Commission meeting. Investment Committee Member Amos seconded the motion, which was unanimously approved by a roll call vote of the Investment Committee.

Item 5. Treasury Proposal for State Funding Received (Action)

Ms. Heredia presented the treasury proposal for the \$230 million that was received by the College Illinois! Prepaid Tuition Fund. She stated that investment staff, along with Callan and GRS, completed an in-depth analysis of various scenarios and investment options. She explained the steps that were taken during the analysis and presented four investment options for the new funding. Further, Ms. Heredia presented the recommendation of the investment staff and consultants to the Investment Committee and explained the rationale that led to the recommendation. There was discussion regarding the rate of return and the applicable fees.

Investment Committee Member Hibbert **MOVED THAT** the Investment Committee approve the recommendation of investment staff and investment consultant to invest the funding (\$230 million

received from the State of Illinois) in a laddered portfolio of U.S. Treasury Securities to be managed in a separate account by existing manager, Garcia Hamilton & Associates; and to recommend the investment for approval by the Commission at the June 16, 2022, Commission meeting. Investment Committee Member Amos seconded the motion, which was unanimously approved by a roll call vote of the Investment Committee.

Item 6. Approval of Changes to the Watch List (Action)

Mr. Rojas presented a brief overview of the manager's performance for year ending March 31, 2022. He noted that Garcia Hamilton is still on the Watch List, but the manager had a very strong 1Q22 and is outperforming for all trailing periods. Investment staff plans to reevaluate Garcia's Watch List status by year end.

Mr. Rojas noted that Ativo was placed on the Watch List at the March 18, 2021 meeting of the Investment Committee. Investment staff has been very pleased with Ativo's relative performance since 2021 and we continue to have conviction in the team and investment process. Therefore, investment staff is recommending Ativo be removed from the Watch List.

Investment Committee Member Amos **MOVED THAT** the Investment Committee approve the recommendation to remove Ativo Capital Management from the Watch List. Investment Committee Member Hibbert seconded the motion, which was unanimously approved by a roll call vote of the Investment Committee.

There was a discussion regarding the fees negotiated with Garcia Hamilton & Associates for the management of the U.S. Treasury laddered portfolio per state funding received. Investment staff noted that the cost agreed upon was extremely attractive and that we were unlikely to find a more competitive option. Callan agreed with investment staff and noted that the cost generally tends to be much higher than the agreed pricing.

Seeing no further business to come before the Investment Committee, Ms. Heredia asked for a motion to adjourn. Committee Member Huber **SO MOVED.** Committee Member Hibbert seconded that motion, which was unanimously approved by a roll call vote of the Investment Committee.

The meeting adjourned at approximately 2:41 p.m.

Respectfully submitted,

Lisa Murphy-Coveny