

**AGENDA ITEM 2.**

**APPROVAL OF MINUTES OF THE APRIL 4, 2019 MEETING  
OF THE INVESTMENT COMMITTEE**

**Submitted for:** Action

**Summary:** This report contains the minutes of the investment related items from the joint meeting of the Investment Committee, Investment Advisory Panel and the Commission held on April 4, 2019

**Action requested:** That the Investment Committee approve the minutes of the April 4, 2019 meeting as incorporated into the full Commission minutes.

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

**Michael A. Bilandic Building  
Room N-505  
160 N. LaSalle Street, Chicago, IL  
April 4, 2019  
1:00 p.m.**

**COMMISSIONERS PRESENT:**

Kevin Huber, Commissioner, Board Chair, Investment Committee Member  
Niketa Brar, Commissioner, Investment Committee Member  
Mark Donovan, Commissioner, Investment Committee Member  
Kim Savage, Commissioner, Audit Chair and Committee Member  
James Hibbert, Commissioner, Audit Committee Member  
Elizabeth Lopez, Commissioner, Audit Committee Member

**INVESTMENT ADVISORY PANEL MEMBERS PRESENT:**

Jeanna Cullins, Investment Advisory Panel Member  
James Hibbert, Investment Advisory Panel Member  
Louis Paster, Investment Advisory Panel Member  
Chasse Rehwinkel, Investment Advisory Panel Member  
Karen Kissel, Investment Advisory Panel Member

**COMMISSIONERS ABSENT:**

Emma Johns, Student Commissioner  
Miguel del Valle, Commissioner, Vice Chair, Audit Committee Member

**INVESTMENT ADVISORY PANEL MEMBERS ABSENT:**

Janice Reedus, Investment Advisory Panel Member  
Steven Powell, Investment Advisory Panel Member

**STAFF PRESENT:**

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  
Natalie Wandall, Secretary to Commission  
Michael Wilder, Telecom and Network Engineer  
Kathleen Cole, Staff Attorney

## **PUBLIC ATTENDANCE:**

Jim O'Connor, Callan  
Nick O'Dea, University of Illinois  
Meegan Bassett, Women Employed

### **Item 1. Announcements**

At 1:00 p.m. Chair Kevin Huber called the April 4, 2019 meeting to order by announcing that this was a Joint Meeting of the Illinois Student Assistance Commission (Commission), the Investment Committee, and the Investment Advisory Panel. A roll call of the Commission was taken and a quorum was established. A roll call of the Investment Committee was taken and a quorum was established. A roll call of the Investment Advisory Panel was taken and a quorum was established. Chair Huber announced that on Tuesday, April 2nd, the Governor made two appointments to the ISAC Commission Board. Mr. Huber was pleased both could be here today. Both appointments filled previously vacant slots.

Jim Hibbert has been reappointed to the ISAC Commission Board and also continues to serve on College Illinois! Investment Advisory Panel, so he has a dual role here today and we are pleased that he is here.

Elizabeth Lopez is newly appointed by the Governor to the ISAC Commission Board and today is her first Commission meeting. We are pleased that she is joining us on the Board. Chair Huber asked Ms. Lopez to introduce herself.

Elizabeth Lopez introduced herself and explained that she was litigation counsel for United Airlines, Inc. Her resume was provided to all in attendance.

Chair Huber then announced that it was the time of year for Commissioners to complete the Statements of Economic Interest and the Ethics Training. He explained that they should have received the paper Statement of Economic Interest from the Secretary of State's office and that that must be reviewed by our Ethics Officer, Karen Salas. Ms. Salas has extra copies of the paper form on hand today. Chair Huber also explained that the Commissioners should have received the Supplemental Statement of Economic Interest form from the Executive Ethics Commission, which requires you to certify your answers to some questions completely online. Both Statements of Economic Interest are due May 1, 2019.

Chair Huber noted that there is an Investment Committee Meeting scheduled for Thursday, April 25, 2019 at 1:00 p.m. The meeting will take place across the street in the Thompson Center, room 105. Chair Huber informed them that the Investment Committee members are expected to be there, but other Commissioners or Investment Advisory Panel members are welcome, but not required to attend.

Finally, the next regularly scheduled meeting of the Commission is Thursday, June 13, 2019, here in Chicago. The Audit Committee is scheduled to start at 11:30 a.m. and the Commission meeting will start at 1:00 p.m.

### **Item 2. Approval of Minutes (Action)**

#### **Item 2A. Approval of the Minutes of the September 13, 2018 Joint Commission/Investment Committee Meeting (Action: Investment Committee)**

Mr. Donovan **MOVED THAT** the Investment Committee approve the minutes of the September 13, 2018 meeting as incorporated into the full Commission minutes. Ms. Brar seconded the motion, which was unanimously approved by the Investment Committee.

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

### **Item 7A. Investment Update (Information) - Carmen Heredia**

Ms. Heredia introduced James O'Connor, ISAC's new consultant liaison from Callan, who will be working on our account alongside Brianne Weymouth. Ms. Heredia gave a detailed analysis of the investment portfolio and highlighted the fact that the portfolio is close to its policy targets. Further, she provided a synopsis of performance results for the 4th quarter 2018, one year, and longer-term time periods. Ms. Heredia reviewed the attribution, risk and liquidity analysis of the entire investment portfolio. She then reviewed the public markets asset classes in detail.

Mr. Rojas stated that the High Yield and REIT managers provided strong downside protection as expected during a challenging year for equities and credit markets. Both Absolute Return managers also provided the expected diversification benefits during a difficult market period.

Mr. Rojas reviewed in detail the concerning situation regarding TRG (The Rohatyn Group, former AIRRO fund) and its potential valuation impact. Chair Huber asked about the TRG investment, which Mr. Rojas reviewed thoroughly and warned of likely future writedowns as well as long-term challenges. Mr. Rojas also noted that staff has some concerns regarding the current valuation of CM Growth (which saw a writedown in 4Q18), Alinda and LARP.

Chair Huber asked Mr. Rojas to analyze the Closed-End Limited Partnership Performance Summary provided in the Agenda Book and Mr. Rojas went through each of the funds.

### **Item 7B. Compliance Review (Information) - Roger Rojas**

Mr. Rojas reviewed the compliance information provided in the agenda book. Mr. Rojas highlighted that investment expenses, which have been in a declining trend, are likely to remain skewed over the next few quarters as carried interest from several closed-end funds continues to be realized. Staff completed its sixth comprehensive ADV review for all investment managers as well as the custodian and consultant. In addition, staff completed the 2018 DDQ review. No issues were found during our compliance review.

### **Item 7C. Investment Advisory Panel Comments - Carmen Heredia**

Ms. Heredia confirmed that we have a strategic investment plan detailed in the Statement of Investment Policy and a robust compliance review process for the investment portfolio given the resources we have. Mr. Hibbert noted that the first quarter 2019 market returns have been positive. Ms. Heredia noted that as of March 31, 2019, our portfolio moved into positive territory fiscal year-to-date using preliminary Northern Trust performance figures.

### **Item 6. College Illinois! Prepaid Tuition Program Update - Eric Zarnikow/ Katharine Gricevich**

Ms. Gricevich described the two College Illinois! related bills, one in the House and the other in the Senate. The two bills are identical, and they seek to replace the "moral obligation of the state" with the "full faith and credit of the state." The Senate bill has advanced farther along than the House bill. She also noted that ISAC's first priority is making sure that people who are currently in the program get the benefit of their bargain.

She noted that for the Senate Higher Education Committee hearing regarding the Senate version of the bill over 1,000 electronic witness slips had been filed in favor of the bill which is a strong show of support. SB 2137 was approved unanimously by the Committee with the agreement that it would be amended later to state that there would be no future College Illinois! contract sales. The House bill has not been heard in a Committee yet.

We are continuing to build a coalition of support to honor these contracts. There has been some negative press related to College Illinois! as a result of the legislative efforts. In particular, Crain's continues to be

critical of the program. The legislators are not deterred by the negative press. We continue to communicate with the about 35,000 outstanding contract holders. Ms. Gricevich also stated that they have talked with the Governor's Office of Management and Budget (GOMB). Mr. Zarnikow explained that the "moral obligation" is a real legal concept. In summary, he stated that our argument is that if the state is going to pay anyway pursuant to the moral obligation, then just tell people that by providing full faith and credit to relieve their angst.

Respectfully submitted,

Kathleen Cole