

AGENDA ITEM 2.

**APPROVED MINUTES OF THE NOVEMBER 18, 2015
MEETING OF THE INVESTMENT COMMITTEE**

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

University of Illinois at Chicago
Conference Center, Third Floor, Illinois Room B
750 South Halsted
Chicago, IL

November 18, 2015

11:30 a.m.

COMMITTEE MEMBERS PRESENT: Mark Donovan
Kevin Huber
Verett Mims

STAFF PRESENT: Eric Zarnikow, Executive Director
Kent Custer, Chief Investment Officer
Roger Rojas, Investment Analyst
Debora Calcara, Commission Secretary

**INVESTMENT CONSULTANT
PRESENT:** Brianne Weymouth, Callan Associates

Item 1. Announcements

Mr. Custer asked that a roll call be taken of the Investment Committee, which established a quorum was present at 11:35 a.m.

Item 2. Approval of Minutes of the October 15, 2015 Investment Committee Meeting

Ms. Mims **MOVED THAT** the minutes of the October 15, 2015 joint meeting of the Investment Committee and the Commission be approved. Mr. Donovan seconded the motion, which was approved unanimously.

Item 3. Investment Update

The Callan Associates quarterly report through September 30, 2015 was sent to the Investment Committee under separate cover. Mr. Custer reviewed the risk and performance of the College Illinois! Trust Fund, including a discussion of each asset class and the current asset allocation.

He then provided an update on current and planned searches, including searches for intermediate fixed income and international equity investment management services. He noted that procurement of investment services remains a concern and recent changes in state procurement officials had slowed implementation of the new administrative rules for investment searches

Mr. Custer then summarized increased outreach to minority investment managers, noting 11 related meeting so far in 2015.

Mr. Custer informed the Committee the Investment Advisory Panel met on October 29 and indicated there were no concerns to be brought to the Committee at this time.

Item 4. Approval of Changes to the Watch List

Mr. Custer reviewed Watch List information, noting that Security Capital Preferred Growth fund is still on the Watch List. No changes to the watch list were recommended and no action was taken.

Item 5. Compliance Review

Mr. Custer briefly discussed the Compliance Review memorandum provided in the agenda book. Compliance monitoring activity included investment policy guidelines, minority brokerage, minority investment manager participation, investment expenses and on-site meetings conducted by Mr. Rojas.

Mr. Huber emphasized the need for investment managers minority brokerage utilization to be consistent. He also suggested reminding ISAC investment managers that the Commission and Investment Committee is closely monitoring minority brokerage.

Item 6. Recommendation of International Equity Procurement

Mr. Custer noted that the contract for all three international equity managers will expire on December 24, 2015 and that a competitive search is being initiated, but will not be complete prior to the expiration of the contracts due to the implementation of new procurement rules and the turnover of the State Procurement Officials. Therefore, sole source contracts are necessary to maintain the current managers until the competitive search is completed. Commissioner Donovan commented on the need to get caught up on searches and avoid interim contracts.

Mr. Huber **MOVED THAT** the Committee approve the following resolution:

“BE IT RESOLVED that the Investment Committee recommends approval by the Commission of the continued engagement of Ativo Capital, Cornerstone Capital Management, and Pырford International until competitive procurement for international equity investment services is completed and the resulting contracts have been executed.”

Ms. Mims seconded the motion, which was approved unanimously.

Item 7. Approval of Review of Fiduciary Diversity Policy and Minority Investment Manager Policy

Mr. Custer stated that Public Act 98-1022 (the Act) became effective on January 1, 2015, which amended the Illinois Pension Code and the Prepaid Tuition Act to subject the Prepaid Tuition Program to certain sections of the Pension Code related to increasing racial, ethnic and gender diversity of investment fiduciaries and investment managers. He noted that the Commission was required to adopt a policy by February 1, 2015, which the Commission approved at its January 27, 2015 meeting.

Mr. Custer stated that the Act also requires the Commission to annually review the goals established by these policies. He noted those policies have been included in the agenda book for the Committee’s review.

After discussion, it was agreed to amend the proposed resolution provided in the agenda book to evaluate the need for specific guidelines for minority brokerage and veteran participation.

Ms. Mims **SO MOVED** that the Investment Committee approve the following amended resolution:

“BE IT RESOLVED that the Investment Committee has reviewed the College Illinois! Investment Policy, which was adopted at the April 1, 2015 meeting of the Commission as it relates to diversity of fiduciaries and minority investment managers and recommends that the Commission evaluate more specific guidelines for minority brokerage and veteran participation.”

Mr. Donovan seconded the motion, which was approved unanimously.

Mr. Huber **MOVED THAT** the November 18, 2015 meeting of the Investment Committee be adjourned. Ms. Mims seconded the motion, which was approved unanimously. The meeting adjourned at 12:12 p.m.

Respectfully submitted,



Debora A. Calcara
Secretary to the Commission