

**AGENDA ITEM 10Ai.
MINUTES OF THE JANUARY 27, 2012 MEETING OF THE
INVESTMENT COMMITTEE AND INVESTMENT ADVISORY PANEL**

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

January 27, 2012

Loyola University
Lewis Towers, Room 1704
111 E. Pearson Street
Chicago, Illinois

COMMITTEE MEMBERS

PRESENT:

Mark Donovan
Kevin Huber
Verett Mims

INVESTMENT ADVISORY

PANEL MEMBERS PRESENT:

Louis Paster
Karen Kissel
Patrick Rea
Joy Winterfield
Paul Hagy
Jeanna Cullins

COMMISSIONERS PRESENT:

Kym Hubbard, Commission Chair

STAFF PRESENT:

Kent Custer, Chief Investment Officer
Nicholas O'Keefe, Associate General Counsel
John Samuels, Chief Communications Officer
Debora Calcara, Commission Secretary

PUBLIC PRESENT:

Ryan Ball, Callan Associates, Inc.
Mary Patricia Burns, Burke Burns & Penelli, Ltd.
Brianna Weymouth, Callan Associates, Inc.

Item 1. Announcements

The January 27, 2012 joint meeting of the Investment Advisory Panel and the Investment Committee opened at 4:08 p.m., Ms. Calcara called the roll which established a quorum was present.

Item 2. Minutes of the December 29, 2011 Meeting of the Investment Advisory Panel

Cullins **MOVED THAT** the minutes of the December 29, 2011 meeting be approved. Mr. Hagy seconded the motion. Ms. Cullins inquired about the statement in the minutes where it indicates she stated she is representing ISAC on the panel and was not sure she had made the statement. Ms. Calcara stated she would review the verbatim and make the correction. It was then unanimous to approve the minutes as amended.

Item 3. Operational Planning

Mr. Custer indicated this item is to discuss how they would like to operate as a group and to what extent the group would like to be included in the operational process. He inquired if the Panel and the Investment Committee, which is made up of three Commissioners, would like to appoint a Chair to represent the entities to the full Commission. Mr. Custer suggested that the Investment Committee meet on a quarterly basis in order to review the performance information which is available six to eight weeks following the quarter. He also inquired if the Investment Advisory Panel and the Investment Committee wish to meet jointly rather than having their feedback filtered through the CIO.

Mr. Custer stated that they have been told that Commission members can not serve on the investment managers' Request For Proposal (RFP) evaluation team, however, they are in the process of seeking approval for Investment Advisory Panel members to serve on the evaluation team. He indicated they are also seeking approval for the Investment Advisor to serve on the evaluation team.

Mr. Donovan suggested that they meet on a quarterly basis. Mr. Paster also suggested meeting quarterly and inquired if it would be in violation of the Open Meetings Act if they were to have a conference call of the members. Mr. Custer stated that they can not hold a conference call but he would appreciate their advice and feedback individually to him directly at anytime and he will be seeking their individual expertise as the need arises.

Item 4. Priority Investment Initiatives

Mr. Custer indicated that he covered this information in the full Commission meeting, but stated that there are currently mandates not funded in the fixed income and would like to fit these into the current contracts which expire in 2015.

Responding to Mr. Huber and Ms. Cullins inquiry as to the number of managers in the portfolio, Chair Hubbard indicated that they have directed the new investment advisor, Callan Associates, Inc., to be working on the asset allocation study which will determine if there needs to be an adjustment in the managers. Mr. Custer indicated that he has been told by Callan Associates that the asset allocation study should take around three months to complete and hopes to bring the results of the study to the Commission at its June meeting.

Item 5. Future Meeting Planning

Mr. Custer indicated he would like the next meeting of the Investment Committee to be around February 22 and then again on May 23. He stated he anticipates bringing the approval of the domestic equity and passive equity RFP to the Committee at the February meeting and then the asset allocation study in May. He inquired if the Panel members would want to make the May meeting a joint meeting of the Investment Advisory Panel and the Investment Committee and if so, they will need to determine a quorum of the two groups should the May meeting be held as a joint meeting. Mr. Paster agreed that it be a joint meeting.

Item 6. Investment Performance and Liquidity Planning

Mr. Custer indicated there were no issues that he felt needed to be brought to their attention at this time.

Responding to Ms. Mims inquiry regarding the Public Funds Act, Chair Hubbard stated that she has spoken with Representative Durkin prior to his introducing the bill which will require the Prepaid Tuition Fund to be under the Public Funds Act. She stated that she has a difference of opinion from Representative Durkin on this issue.

Mr. Custer briefly outlined the review and approval process for investment decisions in response to a question from Mr. Huber. The CIO will work in conjunction with the investment advisor to develop the asset allocation and bring those recommendations to the Investment Committee for approval and then to the full Commission for final approval and implementation. To hire an investment manager staff will issue a Request For Proposal (RFP), once proposals are received an interview process is conducted by an evaluation team which includes staff, members of the Investment Advisory Panel and he is seeking approval to have the investment advisor on the evaluation team. He indicated that once the proposals are evaluated by the team the winning proposals are brought to the Investment Committee and then to the full Commission for approval. Mr. Custer informed them that they are working with procurement and legal to make sure the proper process is being followed.

Mr. Rea stated that the significant difference in the Durkin Bill is the fact that the fund does not invest taxpayers money, but is investing public money and the future of the fund is depended on making money on the investments.

Ms. Burns, outside legal counsel for the Commission, provided the Investment Advisory Panel and Investment Committee members copies of the insurance plan held through Chartis, which covers them personally in their work with the Commission.

Ms. Burns informed the members that they are required to complete the online Open Meetings Act training which took effect January of 2012. She stated she would send them the link to the training which takes around one and a half hours to complete. She did state that if they are completing the training as a member of another board they can provide ISAC with a copy of that certification.

Seeing no further business, Mr. Custer asked for a motion to adjourn. Mr. Donovan **MOVED** **THAT** the joint meeting of the Investment Committee and Investment Advisory Panel adjourn. Ms. Mims seconded the motion, which was unanimously approved. The meeting adjourned at 4:35 p.m.

Respectfully submitted,

A handwritten signature in cursive script, reading "Debora A. Calcara", is written on a light green rectangular background.

Debora A. Calcara
Secretary to the Commission