

**AGENDA ITEM 5A.**

**APPROVAL OF MINUTES BY THE INVESTMENT COMMITTEE  
OF THE FEBRUARY 27, 2013 MEETING  
OF THE INVESTMENT COMMITTEE**

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

**February 27, 2013**

**James R. Thompson Center**  
**Room 2-029**  
**100 W. Randolph St.**  
**Chicago, IL**

**COMMITTEE MEMBERS**

**PRESENT:**

Mark Donovan  
Kevin Huber

**COMMITTEE MEMBERS**

**ABSENT:**

Verett Mims

**INVESTMENT ADVISORY**

**PANEL MEMBERS PRESENT:**

Patrick Rea

**STAFF PRESENT:**

Eric Zarnikow, Executive Director (Via Telephone)  
Kent Custer, Chief Investment Officer  
Chris Gorman, Staff Attorney  
Annie Pike, General Counsel  
Roger Rojas, Investment Analyst  
Debora Calcara, Commission Secretary

**PUBLIC PRESENT:**

Ryan Ball, Callan Associates, Inc.  
Neha Govil, JP Morgan  
Brianne Weymouth, Callan Associates, Inc.

### **Item 1. Announcements**

Mr. Custer brought the February 27, 2013 meeting of the Investment Committee to order at 1:05 p.m. and asked that a roll call be taken, which established a quorum was present. No announcements were made to the Committee.

### **Item 2. Minutes of the November 29, 2012 Meeting of the Investment Committee**

Mr. Custer noted that the minutes of the November 29, 2012 meeting had been approved by the Investment Committee at the January 24, 2013 Commission meeting and is including them on the agenda today for information.

### **Item 3. Investment Consultant Report**

Mr. Ball with Callan Associates provided the Committee with a brief overview of the performance of the Prepaid Tuition Trust Fund's investments managers, commenting that all managers were performing within acceptable standards of performance. Mr. Ball then reviewed the fund risk analysis with no concerns noted.

### **Item 4. Portfolio Review**

Mr. Custer provided the Committee with an update of the College Illinois! Trust Fund noting in his report that the fund returned 7.55 percent for the 12 months ended December 31, 2012, which beat the actuarial assumption, but trailed the public fund peer group. He attributed the lag to the low exposure to public equities and losses in the Camelot funds, however the total fund is up 2.37 percent in the first quarter of 2013 through February 19, 2013.

Mr. Custer noted that the recent cash allocation near 4.5 percent was above the upper rebalancing range, but this was according to the plan for paying spring tuition requirements. He also discussed some recent issues of concern including the extension of the marketing period for Kennedy Wilson Fund IV, the structure and performance of the LARP Fund III, and potential funding constraints at Camelot. Callan was involved in evaluating these situation and both investment staff and Callan will continue to closely monitor these funds.

Mr. Custer stated that the RFP evaluation for a passive fixed income manager is complete, but does not know yet who the winner is of that RFP. He also stated the RFP for a core plus manager is now closed. It was agreed by the Investment Committee that they will not need to interview the finalist or receive copies of winning RFP, but would like to see the template used, scores and details of the process.

### **Item 5. Approval of Recommendation That No Changes Be Made To the Investment Manager Watch List**

Mr. Custer reviewed with the Investment Committee the watch list evaluation for the period ending December 31, 2012 as printed in the agenda book. The Committee agreed with Mr. Custer's recommendation that no one be put on the watch list at this time.

No action was required on this item.

#### **Item 6. International Equity Structure Study**

Ryan Ball reviewed the International Equity Portfolio Structure Study prepared by Callan Associates and Mr. Custer reviewed his accompanying memorandum.

Mr. Huber noted that the conceptual framework outlined by Mr. Custer, with separate allocations to small cap and emerging markets, might be a drain on staff resources. He suggested considering broad-based mandates including small cap and emerging markets. He emphasized that he appreciated the structure analysis and likes the direction the fund is headed. Additional discussion ensued on the pros and cons of broad-based mandates with Mr. Custer noting that he would review further and report back to the Committee.

Mr. Custer noted the need for ongoing passive exposure and the related contract expiration in early 2014. He stated that staff intended to initiate a search for a passive international equity manager during 2013 and asked if the Committee had any concerns with this approach. No concerns were voiced.

Mr. Custer discussed some issues relevant to the procurement process and its impact on the selection of investment managers. Issues included the operational risk associated with manager replacement and the need to ensure robust representation from women and minority-owned firms.

#### **Item 7. Compliance Review**

Mr. Custer commended Mr. Rojas for providing a thorough report on the compliance review. Mr. Custer briefly discussed the compliance review and process. Mr. Custer noted his intention to provide the Committee with additional information regarding fees.

Seeing no further questions from the Investment Committee, Mr. Custer asked for a motion to adjourn the Investment Committee meeting. Mr. Huber **SO MOVED** and Mr. Donovan seconded the motion. The Investment Committee adjourned at 1:51 p.m.

Respectfully submitted,



Debora A. Calcara  
Secretary to the Commission