AGENDA ITEM 4C.

APPROVAL OF MINUTES OF THE
SEPTEMBER 15, 2016 INVESTMENT ADVISORY PANEL MEETING
MINUTES OF A MEETING
OF THE
ILLINOIS STUDENT ASSISTANCE COMMISSION
COLLEGE ILLINOIS!® INVESTMENT ADVISORY PANEL

James R. Thompson Center
Room 9-039
100 W. Randolph St.
Chicago, IL

September 15, 2016

INVESTMENT ADVISORY PANEL MEMBERS PRESENT:
Jeanna Cullins
James Hibbert
Karen Kissel
Louis Paster
Patrick Rea

INVESTMENT ADVISORY PANEL MEMBERS ABSENT:
Janice Reedus
Joy Winterfield

STAFF PRESENT:
Eric Zarnikow, Executive Director
Kent Custer, Chief Investment Officer
Roger Rojas, Investment Analyst
Karen Salas, General Counsel
Debora Calcar, Commission Secretary

ISAC INVESTMENT CONSULTANTS PRESENT:
Ryan Ball, Callan Associates

PUBLIC ATTENDANCE:
None
Item 1. Announcements and Public Comment

Mr. Custer brought the September 15, 2016 meeting of the Investment Advisory Panel to order and asked that a roll call be taken which established a quorum at 1:05 p.m.

Item 2. Approval of Minutes of the April 8, 2016 Joint Meeting with the Illinois Student Assistance Commission

Mr. Rea MOVED THAT the minutes of the April 8, 2016 joint meeting with the Commission be approved. Ms. Cullins asked that the minutes be amended to correctly reflect her comments on Item 4. Investment Advisory Panel Advice to the Commission. She asked that they reflect the following:

"Ms. Cullins questioned where internal controls fit in the overall risk management program and encouraged a review of the risk management program and a comprehensive risk review and assessment of what controls are in place to mitigate those risks."

Ms. Cullins then seconded the motion, which was approved unanimously. Ms. Calcara indicated the minutes had already been approved by the Commission, but that the change in language would be reflected in the final approved minutes.

Item 3. Review of Investment Advisory Panel Duties and Responsibilities

Mr. Custer briefly reviewed the summary of Panel duties and responsibilities as presented in the agenda book.

Item 4. Investment Update

Referencing the Callan Associates June 30, 2016 quarterly report and the investment update in the agenda book, Mr. Custer provided a review of the portfolio including the risk profile, performance, as well as asset allocation. He informed the Panel that the Custodian search had been completed and that the new contract with Northern Trust was in place. Further, the contract for intermediate duration fixed income investment management was awarded to Garcia Hamilton at the June Meeting of the Commission and account transition was underway. Also, the Commission approved at its September 14, 2016 meeting Ativo and DFA to provide international equity investment management services.

Item 5. Compliance Review

Mr. Custer reviewed the Compliance Reports as presented in the agenda book.

Discussion was held on including goals for minority brokerage in the investment policy. Mr. Custer noted that recent legislation addressed minority manager goals, but there was no statutory provision regarding minority brokerage. Ms. Cullins recommended considering the likely intent of the General Assembly while fiduciary responsibility remains as the paramount concern.

Item 6. Review of FY15 Annual Report

Mr. Custer noted that the FY15 Annual Report was provided to the Panel when it was published early in the year and discussed the timeline for the FY16 Annual report.
Mr. Custer reviewed contract sales for the most recent enrollment period, noting concern that sales were down and the importance of rebuilding sales. The Illinois budget problem and negative impact on universities were likely key detractors. Given the environment, sales of 473 contracts could be viewed as positive. Mr. Custer then discussed the new marketing agent, which is required to be rebid every three years.

Discussion then proceeded regarding the marketing budget. Mr. Paster questioned whether the marketing expenditure was sufficient. Ms. Salas provided perspective on the procurement process noting that quality was a priority over price. She noted that the new marketing agent, CBD, helped ISAC sell almost 900 contacts in 2012/2013 enrollment period, following the turmoil of the prior year.

Mr. Zarnikow reiterated the negative impact of the state budget conflict, noting that sales were up substantially through December and then slumped as negative budget news prevailed. This is still very much a concern, but the team will work hard to develop and execute the marketing plan.

Discussion then proceeded to the broader prepaid tuition market dynamics and sales potential. Mr. Paster emphasized the importance of understanding the market and sales potential to understanding program feasibility. Mr. Zarnikow noted that staff was continuing to work hard on the strategic analysis of the Program, understanding the market, possible legislative initiatives, and the mechanics of infeasibility.

Mr. Hibbert inquired regarding the major state prepaid tuition programs. Mr. Zarnikow and Ms. Salas provided perspective including a breakdown of types of state backing. Mr. Hibbert commented that state backing drives up sales.

**Item 7. Review of Investment Policy/Strategic Investment Plan**

Mr. Custer noted that the Commission approved minor revisions to the Investment Policy at the June 2016 meeting. The proposed changes were provided to the Panel and there were no concerns or suggestions.

**Item 8. Approval of Advice to the Commission**

No specific advice was to be brought to the Commission.

Mr. Rea moved that the September 15, 2016 meeting of the Investment Advisory Panel be adjourned. Ms. Cullins seconded the motion, which was approved unanimously. The meeting adjourned at 2:11 p.m.

Respectfully submitted,

Debora A. Calcara
Secretary to the Commission