

AGENDA ITEM 2B

**APPROVAL OF MINUTES OF THE DECEMBER 5, 2019 MEETING
OF THE INVESTMENT ADVISORY PANEL**

Submitted for: Action

Summary: This report includes the minutes of the Investment Advisory Panel.

Action requested: That the Investment Advisory Panel approve the minutes of the December 5, 2019 meeting.

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

Michael A. Bilandic Building
Room N-505
160 N. LaSalle Street
Chicago, IL 60605

December 5, 2019
10:00 a.m.

PANEL MEMBERS PRESENT: Jeanna Cullins
Rodrigo Garcia
James A. Hibbert
Louis Paster
Chasse Rehwinkel

PANEL MEMBERS ABSENT: Karen Kissel

STAFF PRESENT: Eric Zarnikow, Executive Director
Carmen Heredia, Chief Investment Officer
Roger Rojas, Investment Officer
Karen Salas, General Counsel
Natalie Wandall, Secretary to the Commission
Kathleen Cole, Staff Attorney

**ISAC INVESTMENT
CONSULTANTS PRESENT:** Jim O'Connor, Callan LLC
Brienne Weymouth, Callan LLC

PUBLIC ATTENDANCE: None

Item 1. Announcements/Public Comments

At 10:10 a.m. Executive Director, Eric Zarnikow called the December 5, 2019 meeting to order by announcing that this is a meeting of the Investment Advisory Panel. A roll call of all Investment Advisory Panel members (the Panel) was taken and a quorum was established.

Mr. Zarnikow announced that Rodrigo Garcia has been appointed to the Panel replacing Panel member Steven Powell who has resigned. It was noted that more recently, Janice Reedus also resigned.

On behalf of ISAC, Mr. Zarnikow thanked Steven and Janice for their outstanding service to ISAC. Their work on the Panel has provided invaluable acumen and support to our team. ISAC has benefited from their sound advice and counsel, and their insight and perspective have helped the Panel tremendously. We are most grateful for their service and wish them all the best in the future.

Item 1A. Approval of 2020 Meeting Dates and Locations (Action)

Mr. Rehwinkel **MOVED THAT** the Panel approve the tentative 2020 meeting dates and locations as presented. Mr. Paster seconded the motion, which was approved unanimously by the Panel.

Item 2. Approval of the Minutes of the April 4, 2019 Joint Meeting with the Illinois Student Assistance Commission (Action)

Ms. Cullins **MOVED THAT** the Panel approve the minutes of the April 4, 2019 meeting as incorporated into the full Commission minutes. Mr. Hibbert seconded the motion, which was approved unanimously by the Panel.

Item 3. Review of the Investment Advisory Panel Duties and Responsibilities (Information) **- Roger Rojas**

Mr. Rojas reviewed the Panel's Duties and Responsibilities. Ms. Cullins asked if it was stated in the minutes that the Panel members have fulfilled each of their duties, as she wanted a trail to show that they have fulfilled their duties. Mr. Rojas responded affirmatively. Ms. Heredia and Mr. Zarnikow agreed that the Investment Advisory Panel has successfully fulfilled its duties. Mr. Zarnikow stated that the minutes and the agenda items covered this, but if necessary, we will be more specific going forward to ensure that fulfillment of the Panel's duties are conveyed.

Item 4. Program Update (Information) - Eric Zarnikow / Carmen Heredia

Mr. Zarnikow reminded the Panel that College Illinois! has had an unfunded liability for a long time and that this is the third year where the program is closed to any new sales. State legislators have generally expressed no interest in selling new future contracts or restructuring the program. Therefore, ISAC's legislative request for the backing of the Full Faith and Credit of the State of Illinois for the program would in effect only be for current contract holders.

ISAC is currently in talks with the Governor's office regarding the unfunded liability and steps to address the liability that would be supported by the Governor. ISAC wants to ensure that the State lives up to the terms of the outstanding contracts, but how that is best achieved is still to be determined. Our goal is to have a plan with the Governor's office soon and we continue to work hard on this. In the meantime, the program is backed by the moral obligation of the State of Illinois.

Item 5. Investment Update (Information) - Carmen Heredia / Roger Rojas

Ms. Heredia gave an investment update and went over the "College Illinois Actuarial Soundness Valuation Report" found on page 5A-1 of the Agenda Book. She focused on the Summary of Actuarial Valuation table. Ms. Cullins asked if we look at our peers to see rates of returns and Ms. Heredia said yes. Ms. Cullins also asked if we look at other states. Mr. Zarnikow answered that we have looked at other states, but structures of the plans vary significantly from state to state. He further explained that other state plans are not always a good comparison.

Ms. Heredia gave a broad overview of the tables on page 18 of the Callan Book, which focused on the Actual Asset Allocation versus the Target Asset Allocation. She stated that we have been moving towards a more conservative portfolio over time. She gave an overview of the various tables found throughout the book, and more specifically on pages 19, 32 and 38.

Mr. Rojas reviewed the Closed-End Limited Partnership Performance Summary found on page 5G of the Agenda Book, including outstanding risks and current/projected realizations. He noted that the Infrastructure asset class in particular remains the primary risk to the College Illinois! Fund's performance.

Item 6. Compliance Review (Information) - Roger Rojas

Mr. Rojas reviewed the compliance memorandum provided in the agenda book. Ms. Cullins inquired about the College Illinois! Trust Fund compliance process. Mr. Rojas noted that the current investment staff has established a very robust compliance process over the years and highlighted that we have not had any issues during our tenure, except those which we inherited.

Mr. Rojas reviewed the minority brokerage data (on pages 6B-1 and 6B-2 of the Agenda Book) and noted that we have seen some moderation in utilization over the past three quarters, but expect a recovery in the coming quarters. Mr. Rojas also reviewed the Minority Investment Manager Participation tables found on pages 6C-1 and 6C-2 of the Agenda Book. Finally, Mr. Rojas reviewed the Investment Expenses found on page 6D of the Agenda Book and noted that we should continue to see a decrease in management fees going forward, which have been skewed during the past year by carried interest.

Item 7. Review of FY18 Annual Report and Discussion of FY19 Annual Report (Information) - Carmen Heredia / Roger Rojas

Mr. Zarnikow went over the Fiscal Year 2018 Annual Report. He noted that we have a clean opinion from the auditors. He then asked the Panel if they have any specific advice for next

year's Fiscal Year Annual Report. Ms. Cullins suggested that we might want to reconsider showing the rankings (Appendix A) in the Annual Report, since the peer universe shown does not provide good comparables.

Item 8. Review of Investment Policy/Strategic Investment Plan (Information) - Carmen Heredia / Roger Rojas

Ms. Heredia reviewed the Investment Policy changes that were approved at the June 24, 2019 Commission meeting and noted that the fund's modest derisking process continues given the program situation. She also noted that we have increased the portfolio liquidity over time. Finally, she stated that we have not considered new private investments for many years.

Item 9. Approval of Advice to the Commission (Action) - Eric Zarnikow / Carmen Heredia

Mr. Zarnikow asked the Panel if there was any advice, they would like to have communicated to the Commission Board. There was no advice at this time.

Mr. Zarnikow thanked all of the Investment Advisory Panel for volunteering their time.

Seeing no further business to come before the Panel, Mr. Zarnikow asked for a motion to adjourn. Mr. Paster **SO MOVED** and Ms. Cullins seconded that motion, which was unanimously approved by the Panel. The meeting was then adjourned at approximately 11:15 am.

Respectfully submitted,

Kathleen Cole