

AGENDA ITEM 2A.

**APPROVAL OF MINUTES OF THE OCTOBER 21, 2021
INVESTMENT ADVISORY PANEL**

Submitted for: Action

Summary: This report includes the minutes of Investment Advisory Panel meeting held on October 21, 2021

Action requested: That the Investment Advisory Panel approve the minutes of the October 21, 2021 Investment Advisory Panel meeting.

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

**VIDEO CONFERENCE
Instruction to be provided by ISAC.org**

**October 21, 2021
10:00 a.m.**

INVESTMENT ADVISORY PANEL MEMBERS PRESENT via WebEx:

Jeanna Cullins, Investment Advisory Panel Member
Karen Kissel, Investment Advisory Panel Member
James Hibbert, Investment Advisory Panel Member
Cameron Mock, Investment Advisory Panel Member
Louis Paster, Investment Advisory Panel Member
Chasse Rehwinkel, Investment Advisory Panel Member
Fernando Diaz, Investment Advisory Panel Member

STAFF PRESENT via WebEx:

Eric Zarnikow, Executive Director
Carmen Heredia, Chief Investment Officer
Roger Rojas, Investment Officer
Karen Salas, General Counsel
Natalie Wandall, Secretary to Commission
Gloria Legette, Deputy General Counsel
Lisa Murphy-Coveny, Staff Attorney
Meghan Chrum, Professional Development Specialist
Ana Moya, Professional Development Specialist

OTHERS PRESENT via WebEx:

Jim O'Connor, Callan
Brienne Weymouth, Callan
Andrew Ranck
Roselynn Alanano
Justin Slaughter

The Illinois Student Assistance Commission Investment Advisory Panel Meeting was called to order at 10:03 a.m.

Mr. Zarnikow, ISAC's Executive Director, began by explaining that the meeting was being conducted through electronic means pursuant to Governor Pritzker's extension of the Gubernatorial COVID-19 Disaster Proclamation and the Open Meetings Act.

Mr. Zarnikow advised that it is not practical or prudent to conduct the meeting in person or at the usual meeting in person, so the meeting was conducted virtually. He indicated he was physically present at ISAC's headquarters in Deerfield, Illinois.

He further stated that, as with all ISAC public meetings, a specific time is reserved in the agenda for public comment.

He explained that the applicable law requires a roll call for every vote and gave Panel members the relevant instructions.

He indicated that there would be a verbatim recording of the whole meeting as required by law.

WebEx instructions, including those for public comment, were provided by Ana Moya.

Mr. Zarnikow then turned the meeting over to Ms. Heredia who called for a roll call of the Investment Advisory Panel. A roll call of the Investment Advisory Panel members was taken, and a quorum was established.

Item 1. Announcements/Public Comments

Ms. Heredia announced that Rodrigo Garcia stepped down from the Investment Advisory Panel and that Fernando Diaz had been appointed as his replacement. She welcomed Mr. Diaz who then introduced himself and provided some autobiographical information.

Ms. Heredia advised that Investment Advisory Panel Member Chasse Rehwinkel would be leaving the panel in November at the end of his term. She thanked him for his support and insights. She further advised that Mr. Andrew Ranck was appointed as his replacement. She welcomed Mr. Ranck and indicated that he will be introducing himself at the next meeting.

She announced that the next regularly scheduled meeting of the Investment Advisory Panel will be on Thursday, April 14, 2022. She noted that the meeting is scheduled to be in-person at the Michael A. Bilandic building, but notice would be provided if that changes.

No requests for Public Comment were made.

Item 1A. Approval of the 2022 Meeting Dates (Action)

Ms. Heredia asked that the Investment Advisory Panel approve the scheduled meeting dates that appear on page 1A of the agenda book.

Investment Panel Member Cullens **SO MOVED**. Investment Panel Member Kissel seconded the motion and a roll call was taken and the motion was unanimously approved by the Investment Advisory Panel.

Item 2. Approval of the Minutes of the June 3, 2021 Meeting of the Investment Advisory Panel (Action)

Commissioner Hibbert **MOVED THAT** the Investment Advisory Panel approve the minutes of the June 3, 2021 Investment Advisory Panel meeting. Investment Advisory Panel Member Paster seconded the motion; a roll call was taken, and the motion was unanimously approved by the Investment Advisory Panel. Investment Advisory Panel Member Diaz abstained from the vote.

Item 3. Review of the Investment Advisory Panel Duties and Responsibilities (Information)

Mr. Rojas reviewed the roles and responsibilities of the Investment Advisory Panel. He noted that from an implementation standpoint the statute identifies two primary areas requiring the Panel's attention, which are the Investment Policy and Annual Report. He stated that members of the Panel receive copies of the Investment Committee and Commission agenda materials and are invited, but not required, to attend these meetings. Mr. Rojas then asked the Panel if there were any questions or concerns that Panel members would like to share with the Commission. No comments were provided by the Panel to the Commission.

Item 4. Program Update (Information)

Mr. Zarnikow indicated that the State budget included funding to begin to address the unfunded liability of the Prepaid Tuition Program. He explained that the hurdle of getting a line item in the State budget for the program was cleared, but the challenge to keep the line item and increase the amount to address the unfunded liability would be a continuing challenge. He expressed appreciation for the Governor's office and Investment Advisory Panel Member Mock for their support.

Ms. Heredia reported the results of the draft Actuarial Soundness Report. She noted that the current unfunded liability is less than expected and explained the factors that impacted that change including higher than anticipated funding from the State, higher than anticipated rate of investment returns and lower than anticipated tuition increases.

Mr. Zarnikow indicated that the report would be posted on ISAC's website and sent to the Investment Advisory Panel Members when it is complete.

Item 5. Investment Update (Information)

Ms. Heredia provided background on the economic and market recovery for latest quarter and year to date. Further, she summarized the portfolio's risk profile and longer-term performance as of June 30, 2021. Then she presented in more detail the performance of our managers in our public markets portfolio. She noted any managers on the Watch List and laid out any concerns from staff. Additionally, she advised that even though the fund is winding down, investment staff works diligently alongside the ISAC's accounting department and investment consultant, Callan. ISAC's partnership with Callan, especially in the asset allocation and asset liability study projects, allows for the best results possible with the portfolio as it was inherited. Staff's decisions and the decisions of the Commission have a significant impact on the portfolio.

Mr. Rojas reviewed thoroughly all closed-end fund investments including outstanding risks and current/projected realizations. Mr. Rojas indicated that staff foresees further write-downs in coming quarters for Alinda, TRG and CM Growth. Mr. Rojas also reviewed the Asset Allocation, Status Updates and Search Update sections as shown in the agenda book. Mr. Rojas expressed gratitude from staff for the Governor and State legislators' support and commitment to the College Illinois! contract holders.

Mr. Diaz inquired about the Fund rebalancing process. Staff provided a detailed overview of our established framework and guidelines (per our investment policy) regarding rebalancing of the Fund's asset classes.

Item 6. Compliance Review (Information)

Mr. Rojas reviewed the Compliance item as provided in the agenda book and noted that no issues or violations were identified. He stated that ISAC investment staff has established a very robust compliance review process over the past nine years while managing the College Illinois Trust Fund.

Ms. Cullins asked for an overview of the compliance process. Mr. Rojas noted that in addition to the information provided in the agenda book, all investments within each manager are independently checked on a regular basis to ensure they are in compliance with the investment policy guidelines. Furthermore, investment managers provide staff with compliance acknowledgements on a regular basis. Staff also monitors independently SEC filings (like ADV forms) that managers are required to complete, which provide a detailed overview of the investment manager organization as whole including team, material changes, Disciplinary Reporting pages and/or any legal issue outstanding. Staff also monitors DDQs. These are just some of the compliance steps that staff follows to enhance the protection/safety of the College Illinois investments.

Item 7. Review of the FY20 Annual Report (provided separately) and Discussion of the FY 21 Annual Report (Information)

Ms. Heredia presented the FY20 College Illinois Annual Report and stated that the FY21 College Illinois Annual Report is due to the Governor's office on February 28, 2022. She requested any input or recommendations from Investment Advisory Panel members. There were no immediate suggestions or recommendations from the panel.

Item 8. Review of the Investment Policy/ Strategic Investment Plan (Information)

Ms. Heredia advised the Investment Advisory Panel that the Statement of Investment Policy is to be revised annually and was most recently reviewed and approved by the Commission at the meeting on June 17, 2021. She noted that the Statement of Investment Policy is included in the agenda book for reference and highlighted the most recent updates. She indicated that staff welcomes any questions or comments from the panel about the policy.

Item 9. Approval of Advice to the Commission (Action)

There were no requests to provide any formal advice to the Commission. Ms. Heredia and Mr. Zarnikow both reminded the investment panel members that they are available at any time between meetings should they have issues they would like to address. In addition, Mr. Zarnikow indicated that the Actuarial update would be provided to the panel members and the FY21 report would be made available on ISAC's website when they are complete. He thanked the members for their service.

Seeing no further business to come before the Investment Advisory Panel, Commissioner Hibbert **MOVED** to adjourn, and Investment Advisory Panel Member Cullins seconded that motion. A roll call was taken which was unanimously approved by the Investment Advisory Panel.

The meeting adjourned at exactly 11:00 a.m.

Respectfully submitted,

Lisa Murphy-Coveny