

**AGENDA ITEM 2A.**

**APPROVAL OF MINUTES OF THE OCTOBER 19, 2023  
INVESTMENT ADVISORY PANEL**

**Submitted for:** Action

**Summary:** This report includes the minutes of Investment Advisory Panel meeting held on October 19, 2023

**Action requested:** That the Investment Advisory Panel approve the minutes of the October 19, 2023 Investment Advisory Panel meeting.

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

**MICHAEL A. BILANDIC BUILDING  
CHICAGO, ILLINOIS  
ROOM N100**

**October 19, 2023  
1:00 p.m.**

**INVESTMENT ADVISORY PANEL MEMBERS PRESENT:**

James Hibbert, Commissioner, and Investment Advisory Panel Member  
Fernando Diaz, Investment Advisory Panel Member  
Paul Chatalas, Investment Advisory Panel Member  
Carmen Heredia-Lopez, Investment Advisory Panel Member

**INVESTMENT ADVISORY PANEL MEMBERS ABSENT:**

Karen Kissel, Investment Advisory Panel Member  
Louis Paster, Investment Advisory Panel Member  
Andrew Ranck, Investment Advisory Panel Member

**STAFF PRESENT:**

Eric Zarnikow, Executive Director  
Roger Rojas, Director of Investments  
Lisa Murphy-Coveny, Deputy General Counsel  
Kathryn Cataldo, Staff Attorney

**STAFF PRESENT via Phone:**

Natalie Wandall, Secretary to Commission

**OTHERS PRESENT:**

Brianne Weymouth, Callan LLC  
James O'Connor, Callan LLC

The Illinois Student Assistance Commission, College Illinois! Investment Advisory Panel Meeting was called to order at 1:01p.m.

Mr. Zarnikow, ISAC's Executive Director, began by explaining that the Open Meetings Act provides for virtual meetings when the Governor has issued a health-related disaster proclamation and that the pandemic disaster proclamation expired on May 11th, 2023, which means that the meeting must be in person. He noted that we are proceeding the meeting under the general provisions of the Open Meetings Act that were followed prior to the pandemic. He further stated that pursuant to the Open Meetings Act, the meeting was not being recorded and was being held in ISAC's Chicago Office which is open to the public.

A roll call of the Investment Advisory Panel was taken, and a quorum was established.

### **Item 1. Announcements**

Mr. Zarnikow advised that, at the September 21, 2023 meeting, the Commission approved the reappointment of Louis Paster and Paul Chatalas to the Investment Advisory Panel with new terms expiring in 2026. He advised that the Commission also approved the appointment and reappointment of Carmen Heredia-Lopez to the Panel at that meeting, with a term expiring in 2026. Finally, he noted that Jeanna Cullins stepped down after many years of service on the panel. He thanked them all for their service on the panel.

He announced that, pending the approval of the next agenda item, the next regularly scheduled meeting of the Investment Advisory Panel will be a joint meeting with the Commission on Thursday, April 18, 2024, at 1:00 p.m. He explained that the meeting is expected to be in person with locations in the Springfield and Chicago or Deerfield area.

### **Item 1A. Approval of the 2023 Meeting Dates (Action)**

Mr. Zarnikow asked that the Investment Advisory Panel approve the scheduled meeting dates that appear on page 1A of the agenda book. He further advised that the agency may draft rules that would allow the Panel to meet virtually in the future.

Commissioner and Investment Panel Member James Hibbert **SO MOVED**. Investment Panel Member Fernando Diaz seconded the motion. The motion was unanimously approved by a vote of the Investment Advisory Panel.

### **Item 2. Approval of the Minutes of the April 13, 2023 Meeting of the Investment Advisory Panel (Action)**

Investment Advisory Panel Member Fernando Diaz **MOVED THAT** the Investment Advisory Panel approve the investment related portion of the minutes of the April 13, 2023 joint meeting. Investment Advisory Panel Member Paul Chatalas seconded the motion. The motion was unanimously approved by a vote of the Investment Advisory Panel.

### **Item 3. Approval for the Destruction of Open Meeting Verbatim Recording**

Mr. Zarnikow advised that the retention requirements have been satisfied and the recordings of the meetings have been approved by counsel for destruction in accordance with the Open Meetings Act, and that only the recordings are being destroyed, not the minutes of the meeting. He further advised that the recordings have been posted online for the prior two years.

Investment Advisory Panel Member Fernando Diaz **MOVED THAT** the Investment Advisory Panel approve the following resolution:

**“BE IT RESOLVED”** that the Investment Advisory Panel approves the destruction of the verbatim records of the open session of the April 15, 2021 Joint Commission, Investment Committee and Investment Advisory Panel meeting as at least 18 months have transpired since the completion of that meeting and 24 months have transpired since the web posting.

Investment Advisory Panel Member Paul Chatalas seconded the motion. The motion was unanimously approved by a vote of the Investment Advisory Panel.

### **Item 4. Review of the Investment Advisory Panel Duties and Responsibilities (Information)**

Mr. Rojas reviewed the duties and responsibilities of the Investment Advisory Panel members and noted the two main areas requiring the Panel’s attention, which are the Investment Policy and Annual Report. He encouraged the members to share their insights and advice at any time by contacting himself or the Executive Director. He also advised the Panel that the statute of the Prepaid Tuition Act was included in the meeting book for their review starting on page 4B.

Mr. Zarnikow advised that the Investment Committee is a subcommittee of the Commission.

### **Item 5. Program Update (Information)**

Mr. Zarnikow advised that the fiscal year 2022 State budget included \$230 million in supplemental funding intended to fully address the unfunded liability of the Prepaid Tuition Program. He stated that the plan was fully funded as of fiscal year 2023, but noted that actuarial reports necessarily represent a point in time and will change in the future up or down based on a variety of factors, including investment returns and tuition and fee growth. Actuarial reports will be periodically sent to the Panel.

There was a discussion regarding changes in assumptions for tuition inflation and investments returns.

#### **Item 6. Investment Update (Information)**

Mr. Rojas reviewed the fund risk profile and trailing performance as of June 30, 2023. He presented a detailed performance review of the managers in the public market portfolio, as well as the open-end and the closed-end limited partnerships. Additionally, Mr. Rojas reviewed the Asset Allocation, Status Updates and Search Update sections as shown in the agenda book. He noted that there is no manager on the Watch List currently and explained that no new manager searches are underway.

He further noted that the transition of the International Equity asset class from its active management to a passive strategy managed by State Street Global Advisors was completed successfully. During the transition process investment staff was able to outperform the Non-US Equity market and generated savings of approximately \$875,000 for the College Illinois Trust Fund.

Mr. Zarnikow noted that the decision to put the \$230 million into a laddered portfolio has proven to be a wise decision, at least in the short run, because it has not been impacted by the recent steep market declines.

There was a discussion on international equity, as well as fees. There was additional discussion regarding the selection of vendors, the utilization of broker dealers, and plans in the event of staff changes in investment firms. There was also discussion regarding the fixed income portfolio, the winding down of assets, liquidity, the sectors represented by fixed income securities, and the contract length for T.Rowe Price.

#### **Item 7. Compliance Review (Information)**

Mr. Rojas reviewed the Compliance Memorandum provided in the agenda book. He noted that no issues or violations were identified and directed the panels attention to the compliance section information in the agenda book.

#### **Item 8. Review of the FY22 Annual Report (provided separately) and Discussion of the FY 23 Annual Report (Information)**

Mr. Zarnikow advised that the FY22 Annual Report was provided to panel members attached to the meeting invitation. He explained that it was the duty of the Investment Advisory Panel to review and provide advice on the cover letter and the audited financial statements included in the Annual Report. He noted that the Panel's advice about the structure of the FY23 Annual Report would be appreciated and could be directed to Mr. Rojas or himself.

#### **Item 9. Review of the Investment Policy/ Strategic Investment Plan (Information)**

Mr. Rojas reviewed the summary of the changes to the Investment Policy approved by the Commission on June 22, 2023. He noted that a clean copy of the latest investment policy was included in the agenda book for reference. Further, he explained that the next revision is expected to be presented at the June 20, 2024 Commission meeting and that proposed changes would be sent to the panel prior to that meeting for any suggestions or feedback.

There was discussion regarding existing assets in the winddown process of funds, and the planning of the winddown. An asset allocation study is now completed yearly.

**Item 10. Public Comment**

No requests for Public Comment were made.

**Item 11. Approval of Advice to the Commission (Action)**

Mr. Zarnikow advised that this is an opportunity for the Panel to make formal comments to the Commission, if there are any. He explained that staff members are also always willing to hear comments from the panel between meetings as well.

There was no request to provide any formal advice to the Commission.

Mr. Zarnikow reminded the Panel members to complete their ethics time sheets, as well as their annual training.

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

The meeting adjourned at 2:03 p.m.

Respectfully submitted,

Kathryn Cataldo