

AGENDA ITEM 2

**APPROVAL OF MINUTES OF THE APRIL 28, 2020
JOINT MEETING OF THE
ILLINOIS STUDENT ASSISTANCE COMMISSION,
INVESTMENT COMMITTEE AND THE INVESTMENT ADVISORY PANEL**

Submitted for: Action

Summary: This report includes the minutes of the investment related items of the joint meeting of the Investment Committee, Investment Advisory Panel, and the Commission held on April 28, 2020

Action requested: That the Investment Committee approve the minutes of the April 28, 2020 meeting as incorporated into the full Commission minutes

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

VIDEO CONFERENCE

April 28, 2020

1:00 p.m.

COMMISSIONERS PRESENT via WebEx:

Kevin Huber, Commissioner, Board Chair, Investment Committee Member
Maureen Amos, Commissioner, Investment Committee Member
James Hibbert, Commissioner, Investment Committee Member
Niketa Brar, Commissioner, Audit Chair and Committee Member
Elizabeth Lopez, Commissioner, Vice Chair, Audit Committee Member
Darryl Arrington, Commissioner, Audit Committee Member
Franciene Sabens, Commissioner
Jonathon Bullock, Commissioner
Thomas Dowling, Commissioner
Emma Johns, Student Commissioner

INVESTMENT ADVISORY PANEL MEMBERS PRESENT via WebEx:

Jeanna Cullins, Investment Advisory Panel Member
James Hibbert, Investment Advisory Panel Member
Louis Paster, Investment Advisory Panel Member
Chasse Rehwinkel, Investment Advisory Panel Member
Karen Kissel, Investment Advisory Panel Member
Rodrigo Garcia, Investment Advisory Panel Member

STAFF PRESENT via WebEX:

Eric Zarnikow, Executive Director
Lynne Baker, Managing Director, Communications
Ramnath Cidambi, Chief Information Officer
Carol Cook, Director, Program Services and Compliance
Kishor Desai, Chief Internal Auditor
Katharine Gricevich, Director, Government Relations
Carmen Heredia, Chief Investment Officer
Roger Rojas, Investment Officer
Karen Salas, General Counsel
Shana Rogers, Managing Director, RPPA
Shoba Nandhan, Chief Financial Officer
Wendy Funk, Managing Director, Accounting and Finance
Darla Puckel, Asst Director, College Illinois! Operations
Jackie Eckley, Asst Director, Program Communication Services

STAFF PRESENT COND'T:

Natalie Wandall, Secretary to Commission
Michael Wilder, Telecom and Network Engineer
Kathleen Cole, Staff Attorney

PUBLIC ATTENDANCE Via WebEx:

Jim O'Connor, Callan
Brienne Weymouth, Callan
Eric Hiatt, University of Illinois
Elyse Weller
Darryl Williams

Item 1. Announcements

The Joint Meeting of the Illinois Student Assistance Commission, The Investment Committee and the Investment Advisory Panel was called to order at 1:09 p.m.

Chair Huber began by stating that this is a joint meeting of the Illinois Student Assistance Commission, the Investment Committee and the College Illinois! Investment Advisory Panel.

Chair Huber explained that the meeting today is being conducted through electronic means pursuant to Governor Pritzker's Executive Order 2020-07 which suspended the Open Meetings Act requirements for physical presence at meetings of public bodies during the Gubernatorial COVID-19 Disaster Proclamation.

He further stated that there is a specific time reserved in the agenda for public comment. He instructed board members how motions and roll calls would be handled and then asked Sara Espinosa to provide all participants and the public the WebEx instructions.

He then asked if anyone had any questions before he began the meeting. Hearing no questions, he proceeded with the meeting.

Chair Huber called for a roll call of the Commission. A roll call of the Commission members was taken, and a quorum was established.

Chair Huber called for a roll call of the Investment Committee. A roll call of the Investment Committee members was taken, and a quorum was established.

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

Chair Huber began the meeting by stating that the next regularly scheduled joint meeting of the Commission and the Investment Committee will be on Thursday, June 18th in Chicago. The Audit Committee is scheduled to start at 11:30 a.m. and the Commission Meeting at 1:00 p.m. Currently we plan to meet in the Michael A. Bilandic Building, but we may need to do another virtual meeting and will notify you if that changes

Item 2. Approval of the Minutes (Action)

Item 2A. Approval of the Minutes of the December 5, 2019 Joint Commission/ Investment Committee Meeting, Investment Portion (Action: Investment Committee)

Ms. Amos **MOVED THAT** the Investment Committee approve the Investment portion of the minutes from the December 5, 2019 meeting as incorporated into the full Commission minutes. Mr. Huber seconded the motion, which was unanimously approved by the Investment Committee.

Item 2C. Approval of the Minutes of the December 5, 2019 Joint Commission/ Investment Committee Meeting (Action: Commission)

Mr. Arrington **MOVED THAT** the Commission approve the minutes of the December 5, 2019 Joint Commission meeting. Mr. Hibbert seconded the motion, which was unanimously approved by the Commission.

Item 3. College Illinois! Prepaid Tuition Program Update (Informational) – Eric Zarnikow / Katharine Gricevich

Mr. Zarnikow stated that in the last legislative session in 2019, ISAC continued to pursue legislation that would provide Full Faith and Credit for College Illinois!. However, we did not get enough support from legislators and the Governor’s office for the proposal. ISAC has continued to pursue additional state support for the program.

As part of the Governor’s FY2021 proposed budget, he included \$27 million of funding from the State to begin to fund the College Illinois! unfunded liability. Governor Pritzker indicated that he believes that the College Illinois! unfunded liability is an obligation of the State of Illinois and believes that the state should begin to fund the liability. The \$27 million was included in a reserved part of the budget; where the funding was tied to the passage of the graduated income tax proposal.

The COVID-19 pandemic has altered many plans and the Governor has expressed hope that the Federal government will help the State of Illinois. The Governor notes that the original budget that was presented in February 2020, will now need to be revised due to the COVID-19 pandemic. Therefore, there is much uncertainty related to the \$27 million included in the original budget proposal to begin to fund College Illinois!. We will continue to work with the Governor’s office to address the College Illinois! unfunded liability.

Item 4. College Illinois! Prepaid Tuition Program Investments – Carmen Heredia / Roger Rojas

Item 4A. Investment Update (Informational)

Ms. Heredia briefly reviewed the investment portfolio’s performance for calendar year 2019. Then she proceeded to address the financial market turmoil that was experienced in the first quarter of 2020 due to the health crisis brought by COVID-19. She then noted that in the first quarter of 2020, the market experienced a black swan event. The magnitude of the downturn combined with the speed of the decline is something not seen before. Markets do rebound and the rebounds can be quick and powerful in the following 12 months. Only by staying invested can investors participate in the recovery. During this crisis, we look back at our beliefs and investment philosophy. For College Illinois! we believe: 1) Diversification matters; 2) Portfolio construction continues to be based on a risk-return lens; 3) Liquidity management is a priority to deliver on our promises; and 4) A disciplined and thoughtful investment approach is followed. Ms. Heredia reviewed the portfolio’s performance for the quarter that ended March 31, 2020. Although the first quarter of 2020 was a tough quarter for many managers, our conservative portfolio positioning delivered outperformance for the quarter and for the year ended March 31, 2020. She then reviewed asset class and manager performance in more detail. Mr. Rojas reviewed thoroughly all the private investments with their outstanding risks and current/projected realizations. He noted that the Infrastructure asset class in particular remains a risk to the College Illinois! Fund’s performance.

Mr. Rojas reviewed in detail the impact of the COVID-19 pandemic on our interim asset allocation. The Portfolio Committee (which includes ISAC investment staff, ISAC Executive Director and Investment Consultant Callan LLC) held multiple meetings on a weekly basis during the month of March and early April, to ensure that we were acting as judiciously as possible to protect fund assets and have the needed liquidity during this market crisis. On March 19, 2020, ISAC's CIO updated the members of the Investment Committee and Investment Advisory Panel via e-mail on the College Illinois! portfolio. The Portfolio Committee decided not to take any rebalancing action during this period, which was the most prudent decision from our perspective.

Finally, he noted that staff is in the midst of the annual review process of the College Illinois! Trust Fund Asset Allocation, which we plan to present at the June Commission meeting.

Item 4B. Approval of Changes to the Watch List (Action: Investment Committee)

Ms. Heredia stated that they are not recommending any managers to be added to the watch list at this time. However, she noted that staff will complete a deeper analysis of Garcia Hamilton once we get more data from Callan. She stated that our findings and recommendations will be shared at the next Investment Committee meeting.

Item 4C. Compliance Review (Informational)

Mr. Rojas noted that no issues were identified during the compliance review as provided in the agenda book.

Item 4D. Investment Advisory Panel Comments - (Informational)

Mr. Rojas reviewed the roles and responsibilities of the Investment Advisory Panel and their focus on the Investment Policy and the Annual Report. He noted that members of the Panel receive copies of Investment Committee 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 4E. Investment Policy Review and Adoption (Action: Investment Committee)
(Action: Commission)

Ms. Heredia went over the Sustainability Act and reviewed the proposed sustainability language to be added to the College Illinois! Statement of Investment Policy. Callan stated that they had no additional suggestions. Mr. Rodrigo Garcia complemented the team on what a great job they did drafting the sustainability portion of the policy.

Mr. Hibbert **MOVED THAT** the Investment Committee recommend to the Commission approval of the changes to the Investment Policy. Ms. Amos seconded the motion, which was unanimously approved by the Investment Committee.

Mr. Lopez **MOVED THAT** the Commission approve the proposed revisions to the Statement of Investment Policy for the College Illinois! Prepaid Tuition Program. Mr. Arrington seconded the motion, which was unanimously approved by the Commission.

Seeing no further business to come before the Commission, Chair Huber asked for a motion to adjourn. Mr. Bullock **SO MOVED** and Ms. Johns seconded that motion, which was unanimously approved by the Commission. The meeting adjourned at approximately 3:08 pm.

Respectfully submitted,

Kathleen Cole