

AGENDA ITEM 2B.

**APPROVAL OF MINUTES OF THE MAY 13, 2021
ILLINOIS STUDENT ASSISTANCE COMMISSION
INVESTMENT COMMITTEE**

Submitted for: Action

Summary: This report includes the minutes of the Investment Committee held on May 13, 2021

Action requested: That the Investment Committee approve the minutes of the May 13, 2021 meeting.

**MINUTES OF THE
ILLINOIS STUDENT ASSISTANCE COMMISSION
INVESTMENT COMMITTEE**

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

**May 13, 2021
12:00 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

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
Lisa Murphy-Coveny, Staff Attorney
Gloria Legette, Deputy General Counsel
Kalene Heaton, Professional Development Specialist
Ana Moya, Professional Development Specialist, GEAR UP

OTHERS PRESENT via WebEx:

Jim O'Connor, Callan
Brienne Weymouth, Callan
Jim Van Heuit, Callan
Justin Slaughter

The Illinois Student Assistance Commission Audit Committee was called to order at 12:07 p.m.

Mr. Zarnikow, ISAC's Executive Director, began by explaining that the meeting is being conducted through electronic means pursuant to Governor Pritzker's extension of the Gubernatorial COVID-19 Disaster Proclamation and Public Act 101-0640 which suspends the Open Meetings Act requirements for physical presence at meetings of public bodies during gubernatorial disaster proclamations.

Mr. Zarnikow advised that it is not practical or prudent to conduct the meeting in person or at the usual meeting location in downtown Chicago due to the COVID-19 disaster, so the meeting was conducted virtually.

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 Commission members the relevant instructions.

He indicated that there would be a verbatim recording of the whole meeting, open and closed session, as required by law.

WebEx instructions, including those for public comment, were provided by Kalene Heaton.

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

Item 1. Announcements/Public Comments

Ms. Heredia announced that the next regularly scheduled joint meeting of the Commission and the Investment Committee will be on Thursday June 17, 2021. The Audit Committee is scheduled to start at 11:00 a.m. and the Commission meeting at 1:00 p.m. Currently the meetings are scheduled to be held virtually and notice will be provided if there are any changes.

No requests for Public Comment were made.

Item 2. Approval of the Minutes of the April 15, 2021 Joint Commission/Investment Committee/Investment (Advisory Panel) Meeting- Investment Portion (Action)

Commissioner Amos **MOVED THAT** the Investment Committee approve the investment related portion of the minutes of the April 15, 2021 meeting as will be incorporated into the full Commission minutes. Commissioner Huber seconded the motion and a roll call was taken which was unanimously approved by the Investment Committee.

Item 3. Investment Update (Information)

Ms. Heredia reported on the College Illinois! Prepaid Tuition Program investments. She specifically noted the market's strong economic recovery in the first quarter of 2021. She summarized the portfolio's risk profile and the one, three, and five-year performance ended March 31, 2021. She noted that longer term performance has been negatively affected by infrastructure and private equity writedowns and relative weakness from international equity and absolute return asset classes. Ms. Heredia continued by reviewing the public market portfolio information on pages 3B-1 to 3B-3 of the agenda book.

Mr. Rojas reviewed the private investments with its outstanding risks (primarily infrastructure assets) and current/projected realizations. Mr. Rojas reviewed the Asset Allocation, Status Updates and Search Update sections as provided in the agenda book. Mr. Rojas noted that Ativo Capital remains on the Watch list.

Item 4. Asset Allocation and Liability Study (Action)

Ms. Heredia summarized our processes for the annual review of the asset allocation targets and our processes for the Asset Liability Study completed every three years. She explained that the asset liability study requires the interaction of the actuarial soundness report/actuary, investment consultant and investment staff. The results of the study are presented as several alternative optimal Investment Policy Asset Allocation targets for the Committee's review. She stated that once an asset allocation mix that reflects the Investment Committee's risk tolerance and other considerations is approved, the policy benchmark for the investment portfolio would be updated in the Statement of Investment Policy to reflect the new policy targets.

Mr. Van Heuit presented Callan's Asset Liability Study. He began by providing an introduction of Callan's Capital Markets Research Group and his background and qualifications. He reviewed the importance of asset allocation using the information on pages 4B-3 and 4B-4 of the agenda book. He also explained the process, philosophy, and construction methods that Callan used to create the Capital Market Assumptions. After a review of the Capital Market Assumptions as noted in the meeting materials, Mr. Van Heuit reviewed the resulting optimal asset mixes for the Committee's consideration. He noted that all asset mixes are prudent and then continued with a detailed discussion on the range of projected rates of return and nominal assets for the alternative asset allocation mixes. There was lengthy discussion regarding the goals, risk, and ramifications of the College Illinois! investment strategies and alternative asset allocation mixes that were presented. Discussion followed, in regard to convening the Investment Advisory Panel for the purpose of obtaining the input and advice from them on the strategic asset allocation policy targets prior to the final recommendation to the full Commission in June.

Commissioner Amos **MOVED THAT** the Investment Committee approve the agreed upon Investment Policy Asset Allocation target of mix 6 on page 4B-13 of the agenda book and the Committee's recommendation of approval of that asset allocation mix by the full Commission at the next Commission meeting. Commissioner Hibbert seconded the motion and a roll call was taken which was unanimously approved by the Investment Committee.

Item 5. Approval of Changes to the Watch List (Information/Action)

Staff did not have any recommended changes to the Watch List. The Investment Committee did not make any change to the Watch List.

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

The meeting adjourned at approximately 2:11 p.m.

Respectfully submitted,

Lisa Murphy-Coveny