

AGENDA ITEM 2C.

**APPROVAL OF MINUTES OF THE APRIL 22, 2024
JOINT SPECIAL MEETING OF THE
ILLINOIS STUDENT ASSISTANCE COMMISSION
AND THE INVESTMENT COMMITTEE**

Submitted for: Action

Summary: This report includes the minutes of the joint Commission meeting held on April 22, 2024

Action requested: That the Investment Committee approve the investment portion of minutes of the April 22, 2024 joint meeting.

**MINUTES OF THE
SPECIAL MEETING OF THE
ILLINOIS STUDENT ASSISTANCE COMMISSION AND
THE INVESTMENT COMMITTEE**

**Illinois Student Assistance Commission
3rd Floor, Room 3030
1755 Lake Cook Road, Deerfield, IL
and
Lake Land Community College
Board & Administration Center Board Room
5001 Lake Land Blvd, Mattoon, IL**

**April 22, 2024
4:00 p.m.**

COMMISSIONERS PRESENT:

Kevin Huber, Commissioner, Board Chair, Investment Committee Member
Elizabeth Lopez, Commissioner, Vice Chair, Audit Committee Member
Maureen Amos, Commissioner, Investment Committee Member
James Hibbert, Commissioner, Investment Committee Member
Jonathon Bullock, Commissioner, Audit Committee Member
Thomas Dowling, Commissioner

COMMISSIONERS ABSENT:

Darryl Arrington, Commissioner, Audit Committee Member
Franciene Sabens, Commissioner
Payton Ade, Student Commissioner

INVESTMENT COMMITTEE MEMBERS PRESENT:

Kevin Huber, Commissioner, Board Chair, Investment Committee Member
Maureen Amos, Commissioner, Investment Committee Member
James Hibbert, Commissioner, Investment Committee Member

STAFF PRESENT:

Eric Zarnikow, Executive Director
Roger Rojas, Director of Investments
Natalie Wandall, Secretary to Commission
Michael Wilder, Network Technician/LAN Administrator
Lisa Murphy-Coveny, Interim General Counsel

PUBLIC ATTENDANCE:

Brianne Weymouth, Callan LLC
James O'Connor, Callan LLC
John Pirone, Callan LLC (via WebEx)

The joint meeting of the Illinois Student Assistance Commission and the Investment Committee was called to order at 4:07 p.m.

Mr. Zarnikow, ISAC's Executive Director, began by explaining that the meeting would take place under the general provisions of the Open Meetings Act, which allows meetings to take place in two locations connected electronically provided both locations are open to the public. The meeting was held at ISAC's office in Deerfield and Lake Land Community College Board Room, both of which were open to the public. He noted that an in-person quorum of Commissioners was necessary to continue.

He then turned the meeting over to Chair Huber who called for a roll call of the Commission. A roll call of the Commission members was taken, and a quorum was established.

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

Item 1. College Illinois! Prepaid Tuition Program Investments

Item 1A. Asset Allocation and Liability Study (Action)

Mr. Rojas explained that investment staff and Callan would be presenting a proposal that entails significant changes to the current asset allocation, with the objective of protecting the College Illinois! (CI) fund from future drawdown risks, while still exceeding the current and future actuarial assumed rate of return assumptions. Mr. Rojas provided a brief overview of the current asset allocation and derisking proposal. Ms. Weymouth presented in detail the Asset Allocation Study presentation that was prepared by ISAC's investment consultant Callan LLC. There were questions and a discussion regarding the standard for determining whether the program is fully funded. Mr. Rojas noted that although the asset allocation study is completed annually, the current proposal represents a fairly significant change relative to the prior years and encouraged the Commissioners to ask questions. Ms. Weymouth explained that the study was conducted based upon the primary goal of maintaining the program's fully funded status and derisking the portfolio. She reviewed in detail the Candidate Asset Mixes shown on page 6 of the Callan presentation. There was extensive discussion regarding the presentation provided and the options presented, the future of the fund, the consideration of the overall equity allocation, the consideration of holding fixed income vs. cash (treasury securities), and the risks/benefits of the different asset allocation mixes, as well as a discussion of the range of projected rates of return and the reduction of risk. Ms. Weymouth explained that investment staff and Callan decided to bring three final candidate mixes for consideration as shown on page 15 of the Callan presentation, in order to get the perspective of the Investment Committee and Commission. There was further discussion regarding maintaining the flexibility to be able to add equities and fixed income investments in the future if needed, depending on the interest rate environment at the time we are able to monetize the illiquid assets. Investment Staff and Callan outlined and explained their recommendation. Mr. Rojas noted that the critical objective is to protect the portfolio from drawdown risks taking into consideration return needs, risk profile and liquidity needs. Mr. Rojas also reviewed the highlights of the memo that appears on pages 1A-1 through 1-A6 of the agenda book. He also explained the key considerations for the three final recommended mixes.

There was robust discussion, and the Commissioners asked many questions. Mr. Rojas answered the questions of board members including those regarding the benefits and risks of the

recommended asset mixes. He asked the members for the latitude to approve the changes to the policy targets, rebalancing ranges, and policy benchmarks in line with the chosen asset mix. Investment Staff, Callan and the Board members all indicated their preferred asset mix and the reasons for their choice.

Commissioner Amos **MOVED THAT** the Investment Committee recommend that the Commission approve the asset allocation mix 3 that reflects the Investment Committee risk tolerance. Commissioner Hibbert seconded the motion, which was unanimously approved by a vote of the Investment Committee.

Commissioner Hibbert **MOVED THAT** the Commission approve the asset allocation mix 3 as recommended by the Investment Committee that reflects the Investment Committee and the Commission's risk tolerance. Commissioner Lopez seconded the motion, which was unanimously approved by a vote of the Commission.

Item 1B. Statement of Investment Policy

Mr. Rojas reviewed the changes that would occur to the policy targets and rebalancing ranges on page 10 of the College Illinois! Investment Policy based upon the asset mix 3 that was just recommended by the Investment Committee and approved by the Commission. Mr. Rojas also reviewed the updates that would occur to the policy benchmark on page 11 of the College Illinois Investment Policy based upon the asset mix 3 that was just recommended by the Investment Committee and approved by the Commission. There was discussion regarding the proposed changes.

Commissioner Hibbert **MOVED THAT** the Investment Committee recommend approval by the Commission of changes to page 10 of the Statement of Investment Policy to reflect the new Asset Allocation targets and rebalancing ranges as recommended by investment staff that are consistent with the approved asset allocation mix 3. That the Commission approve the updates to page 11 of the Statement of Investment Policy with the new asset class weights for the Policy Benchmark that are consistent with the approved asset allocation mix 3. Furthermore, that the Commission approve that investment staff updates the Infrastructure asset class index to 90-day T bills and the U.S. Equity asset class index to S&P 500 on page 11 of the Statement of Investment Policy. Commissioner Amos seconded the motion, which was approved unanimously by a vote of the Investment Committee.

Commissioner Dowling **MOVED THAT** the Commission approve the changes to the Investment Policy as recommended by the Investment Committee that are consistent with the approved asset allocation mix 3 including updates to page 10 of the Statement of Investment Policy with the new Asset Allocation targets and rebalancing ranges, and updates to page 11 of the Statement of Investment Policy with the new asset class weights for the Policy Benchmark. Furthermore, that the Commission to approve updates to the Infrastructure asset class index to 90-day T bills, as well as U.S. Equity to S&P 500 on page 11 of the Statement of Investment Policy. Commissioner Lopez seconded the motion, which was unanimously approved by the Commission.

Mr. Zarnikow thanked Mr. Rojas and Callan's representatives for their time and work.

Item 2. Public Comment

No requests for public comment were made.

Seeing no further business to come before the Commission, Chair Huber asked for a motion to adjourn. Commissioner Hibbert **SO MOVED** and Commissioner Dowling seconded that motion, which was unanimously approved by a vote of the Commission.

The meeting adjourned at approximately 5:32 p.m.

Respectfully submitted,

Lisa Murphy-Coveny