

**AGENDA ITEM 2A.**

**APPROVAL OF MINUTES OF THE OCTOBER 24, 2024  
INVESTMENT ADVISORY PANEL**

**Submitted for:** Action

**Summary:** This report includes the minutes of Investment Advisory Panel meeting held on October 24, 2024

**Action requested:** That the Investment Advisory Panel approve the minutes of the October 24, 2024 Investment Advisory Panel meeting.

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

**Illinois Student Assistance Commission  
3rd Floor, Room 3030  
1755 Lake Cook Road, Deerfield, IL  
and  
WebEx Virtual Event**

**October 24, 2024  
1:00 p.m.**

**PANEL MEMBERS PRESENT via WebEx:**

Fernando Diaz, Investment Advisory Panel Member  
Paul Chatalas, Investment Advisory Panel Member  
Carmen Heredia-Lopez, Investment Advisory Panel Member  
Karen Kissel, Investment Advisory Panel Member  
Andrew Ranck, Investment Advisory Panel Member

**PANEL MEMBERS ABSENT:**

James Hibbert, Commissioner, Investment Advisory Panel Member  
Louis Paster, Investment Advisory Panel Member

**STAFF PRESENT:**

Eric Zarnikow, Executive Director  
Roger Rojas, Director of Investments  
Natalie Wandall, Secretary to Commission  
Lisa Murphy-Coveny, Interim General Counsel

**STAFF PRESENT via WebEx:**

Kathryn Cataldo, Attorney

**PUBLIC ATTENDANCE via WebEx:**

Brianne Weymouth, Callan  
James O'Connor, Callan  
Patrick Corcoran

The Illinois Student Assistance Commission, College Illinois! Investment Advisory Panel meeting was called to order at 1:04 p.m.

Mr. Zarnikow, ISAC's Executive Director, began by explaining that pursuant to the Open Meetings Act and the rules of procedure adopted by the Illinois Student Assistance Commission on April 18, 2024, the meeting would take place both in-person at the Deerfield office and virtually via the WebEx platform. He advised that the meeting would follow the rules of procedure adopted by the Commission as well as the Open Meetings Act, and therefore, the meeting would be recorded, and all votes would be taken by a roll call.

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

### **Item 1. Announcements**

Mr. Zarnikow advised that the Commission had approved the reappointment of James Hibbert with a term expiring on November 19, 2027. He further advised that Patrick Corcoran was appointed to the Panel for a term starting November 19, 2024 and expiring November 19, 2027. He stated that Panel member Andrew Ranck's term expires on November 19, 2024 and thanked him for his service.

Mr. Zarnikow announced that, if the meeting dates are approved, the next regularly scheduled meeting of the Panel will be a joint meeting with the Commission and the Investment Committee, scheduled for Thursday, April 17, 2025 at 1:00 p.m. The meeting is expected to meet in-person with locations in Springfield and Deerfield.

### **Item 1A. Approval of 2025 Meeting Dates (Action)**

Panel Member Diaz **MOVED THAT** the Investment Advisory Panel approve the 2025 meeting dates and locations as presented. Panel Member Kissel seconded the motion, which was approved unanimously by a roll call vote of the Investment Advisory Panel.

### **Item 2. Approval of Meeting Minutes (Action)**

Panel Member Heredia-Lopez **MOVED THAT** the Investment Advisory Panel approve the minutes of the investment portion of the April 18, 2024 joint meeting. Panel Member Ranck seconded the motion, which was approved unanimously by a roll call vote of the Investment Advisory Panel.

### **Item 3. Approval of the Destruction of Open Meeting Verbatim Records (Action)**

Panel Member Heredia-Lopez **MOVED THAT** the Investment Advisory Panel approve the following resolution:

**"BE IT RESOLVED** that the Investment Advisory Panel approves the destruction of the verbatim recordings of the open session of the October 13, 2022 meeting as at least 18 months have transpired since the completion of that meeting and 24 months have transpired since the web posting."

Panel Member Kissel seconded the motion, which was approved by a roll call vote of the Investment Advisory Panel. Panel Member Chatalas abstained.

There was discussion about the authority in the Open Meetings Act and the Gubernatorial Boards and Commissions Act that ISAC follows before requesting the approval to destroy the verbatim recording after the specified period of time.

#### **Item 4. Review of 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 him or the Executive Director. He also advised the Panel that a copy of the statute for the Prepaid Tuition Act was included in the agenda book.

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

Mr. Zarnikow provided information on the College Illinois! program. As of June 30, 2023, the plan was fully funded. ISAC is in the process of finalizing the actuarial update for June 30, 2024. The rate of return for FY24 exceeded management's expected rate of return assumption. The actual tuition and fee growth was lower than management's expected tuition and fee inflation assumption. Both assumptions are reviewed by the plan's independent actuary Gabriel, Roeder, Smith and Company (GRS). The portfolio's risk was significantly reduced at the end of FY24 given the liability driven investment strategy that was recommended by the Investment Committee and approved by the Commission at the April 22, 2024 joint meeting. At this point in time, the plan is fully funded and the risk of the needing additional funding from the State in future years has been greatly reduced.

Panel Member Kissel congratulated the team on its success in funding the plan.

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

Mr. Rojas explained that the fund had been transitioned to the new asset allocation (liability driven strategy) that was approved by the Commission and Investment Committee on April 22, 2024. He pointed out the ongoing work to liquidate the non-liquid assets. He provided the status updates regarding the laddered portfolio of U.S. Treasury securities and the benefits that resulted from the board's quick action in April of 2024 after diligent review.

Mr. Rojas reviewed the fund risk profile and trailing performance as of June 30, 2024. He highlighted that the fund is outperforming the policy benchmark for most trailing periods. 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.

Mr. Zarnikow thanked Mr. Rojas and Callan for its work on the portfolio and maximizing its value.

There was discussion regarding the illiquid investments remaining in the High Yield asset class. There was also a discussion regarding the State and Local Government Series (SLGS) Securities and whether they could be of use in the U.S. Treasury Laddered portfolio.

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

Mr. Rojas reviewed the Compliance Memorandum provided in the agenda book. He noted that no violations or issues of concern were identified.

#### **Item 8. Experience Study Memorandum (Information)**

Mr. Rojas reviewed the Experience Study Memorandum provided in the agenda book. The Experience Study was finalized in July 2024 and resulted in a proforma positive change of approximately \$25 million to the funded status of the program as of June 30, 2023. ISAC staff reviewed the recommendations proposed by GRS in this Experience Study and did not have any concerns with their recommendations. ISAC staff asked GRS to implement their recommendations into the Actuarial Soundness Valuation. The members discussed the lower-than-expected utilization rate and the rate of tuition inflation.

#### **Item 9. Review of FY23 Annual Report and Discussion of FY24 Annual Report (Information)**

Mr. Zarnikow discussed the FY23 Annual Report. The FY24 Annual Report is in progress, including external audits. He invited Panel members to contact him or Mr. Rojas with any advice for the FY24 report.

#### **Item 10. Review of Investment Policy / Strategic Investment Plan (Information)**

Mr. Rojas reviewed the summary of the changes to the Investment Policy approved by the Commission on September 19, 2024. 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 to the Investment Policy is expected to be presented at the June 26, 2025 Commission meeting and that proposed changes would be sent to the panel prior to that meeting for any suggestions or feedback.

#### **Item 11. Public Comment**

Mr. Zarnikow opened the floor for public comment. No requests for public comment were made.

#### **Item 12. Approval of Advice to the Commission (Action)**

Panel Member Ranck **MOVED THAT** the Panel provide advice to the Commission to consider a mechanism for short term flexibility related to the investment portfolio and asset allocation, subject to the approval of investment advisors and counsel, that would enable nimble and tactical changes in the event of major market events. Panel Member Heredia-Lopez seconded the motion.

Panel members discussed the options regarding this advice, with input from Mr. Rojas and Mr. Zarnikow. Both Mr. Rojas and Mr. Zarnikow noted that given the extraordinary actions proposed at the April 2024 Commission meeting, staff would have never felt comfortable taking any action

without the proper due diligence, review and approval of the proposal by the Commission. Additionally, investment staff noted that the investment policy already provides some short-term flexibility regarding the asset allocation, but the overall fund derisking proposal under consideration at the time would not have fallen into that category given the size of the transition that was being considered. The motion was withdrawn by Panel member Ranck. Mr. Zarnikow advised that it will be circulated to the Commission as informal advice.

No formal advice was provided to the Commission.

There was discussion regarding the procedures for providing formal advice to the Commission.

Seeing no further business to come before the Investment Advisory Panel, Mr. Zarnikow asked for a motion to adjourn. Panel Member Chatalas **SO MOVED** and Panel Member Kissel seconded that motion, which was unanimously approved by a roll call vote of the Investment Advisory Panel.

The meeting adjourned at approximately 2:29 p.m.

Respectfully submitted,  
Kathryn Cataldo