

ILLINOIS POLICE OFFICERS' PENSION INVESTMENT FUND

AUDIT AND BUDGET COMMITTEE

MEETING MINUTES – MARCH 28, 2022 AT 1:00 P.M.

A meeting of the Illinois Police Officers' Pension Investment Fund's Audit and Budget Committee was held through the Zoom Digital Platform in accordance with Executive Order 2022-07 issued by Governor Pritzker and Public Act 101-0640. Members of the public were invited to participate remotely or in person pursuant to the meeting notice and agenda.

TRUSTEES PRESENT: Paul Swanlund
Phil Suess

TRUSTEES ABSENT: Daniel Hopkins

OTHERS PRESENT: Richard White, Executive Director
Kent Custer, Chief Investment Officer
Shan Ivey, Administrative Manager
Vincent Mancini, General Counsel, Reimer Dobrovolny & LaBardi PC
A.J. Weber, Chief Financial Officer, Lauterbach & Amen, LLP
Stephanie Masson, Chief Financial Officer, Lauterbach & Amen, LLP
Allie Rysell, Plan Administrator, Foster & Foster, Inc.
Members of the Public

Certified Public Accountant Candidate Firms

Michelle Steckel, Partner, KEB (*joined at 1:10 p.m.*)

Brian LeFevre, Partner, Sikich (*joined at 1:35 p.m.*)

Anthony Cervini, Partner, Sikich (*joined at 1:35 p.m.*)

Kellen O'Malley, Engagement Manager, Sikich (*joined at 1:35 p.m.*)

Jason Coyle, Partner, Baker Tilly (*joined at 2:11 p.m.*)

Mike Malatt, Senior Manager, Baker Tilly (*joined at 2:11 p.m.*)

CALL TO ORDER: Committee Chairperson Swanlund called the meeting to order at 1:07 p.m.

ROLL CALL: As reflected above.

MEETING MINUTES: *Review/Approve – March 7, 2022 Meeting Minutes:* The Committee reviewed the draft minutes from the March 7, 2022 meeting. A motion was made by Trustee Suess and seconded by Trustee Swanlund to approve the minutes from the March 7, 2022 meeting. Motion carried by roll call vote.

AYES: Trustees Swanlund and Suess

NAYS: None

ABSENT: Trustee Hopkins

OLD BUSINESS: There was nothing outstanding to discuss.

NEW BUSINESS: Auditor Services – Introductory Remarks: Executive Director White reviewed a memorandum dated March 28, 2022 regarding “Auditing Services” with the Committee. He provided background information on the Request for Proposal (RFP) for services related to the annual financial audit and the transition of assets audit. Executive Director White noted that proposals for auditing services were submitted by Kerber, Eck & Braeckel (KEB), Sikich, and Baker Tilly.

Certified Public Accountant (CPA) Firm Presentations: Executive Director White provided opening remarks for the CPA firm presentations and interviews. He stated that all three firms were invited to interview the Committee, as directed by the Board. Executive Director White reviewed the interview schedule. CFO Weber provided a brief overview of the evaluation criteria.

KEB: Ms. Steckel reviewed KEB’s presentation for CPA services with the Committee. She provided background information on the firm and KEB team that would be working with the Fund. Ms. Steckel discussed KEB’s service approach and provided an overview of the services offered for completing the transition audit and annual financial audits. She reviewed other relevant experience working with governmental pension funds and other nongovernmental funds. It was noted that KEB currently provides certified investment asset list (CIAL) services for IPOPIF. All questions were answered by Ms. Steckel.

Ms. Steckel left at 1:33 p.m.

Sikich: Mr. LeFevre, Mr. O’Malley, and Mr. Cervini reviewed Sikich’s presentation for CPA services with the Committee. Mr. LeFevre provided background information on the firm and Sikich’s team that would be working with the Fund. He discussed the firm’s expertise in the local government industry and noted that Sikich is ranked within the nation’s top 30 largest CPA firms. He informed the Committee that Sikich has extensive experience auditing over 400 units of local government, including pension plans served by IPOPIF. Mr. O’Malley reviewed the firm’s engagement approach for completing the transition and annual financial audits. Mr. Cervini discussed Sikich’s commitment to quality control and provided an overview of the firm’s internal procedures and monitoring. Sikich would provide complimentary education/training to IPOPIF, which is offered to all clients. It was noted that Sikich currently provides CIAL services for IPOPIF. All questions were answered by Mr. LeFevre, Mr. O’Malley, and Mr. Cervini.

Mr. LeFevre, Mr. O’Malley, and Mr. Cervini left at 2:09 p.m.

Baker Tilly: Mr. Malatt and Mr. Coyle reviewed Baker Tilly’s presentation for CPA services with the Committee. Mr. Coyle provided background information on the firm. He reviewed Baker Tilly’s auditing experience working with Article 3 pension funds and large governmental pension plans. Mr. Malatt reviewed the firm’s service approach, audit methodology, IT controls and processes, and industry involvement. Baker Tilly would provide complimentary education/training to IPOPIF, which is offered to all clients. It was noted that Baker Tilly was selected by the Board to provide annual financial auditing services for fiscal years 2020 and 2021 and is also providing CIAL services for IPOPIF. All questions were answered by Mr. Malatt and Mr. Coyle.

Mr. Malatt and Mr. Coyle left at 2:42 p.m.

Recommendation to the Full Board for Approval: The Committee discussed the details of the candidate firm proposals and presentations. They discussed the services offered, project approach, and associated fees with Executive Director White and CFOs Weber and Masson. Executive Director White stated that all three firms are qualified and capable of performing the scope of services required. Trustees Swanlund and Suess agreed that their preferred candidate firms were Baker Tilly and Sikich. Trustees Suess stated that he views both firms as equivalent in terms of experience and expert services but would prefer selecting Sikich as the Fund's auditor due to their proposed fees, which were significantly lower than Baker Tilly. Trustee Swanlund noted that Sikich has a lot of experience working with Article 3 Funds which he finds beneficial. Trustee Suess stated that he was impressed with Sikich's engagement and understanding of the Fund's needs in their presentation.

Trustee Swanlund requested feedback from the CFOs Weber and Mason and Executive Director White. CFO Weber stated that he has worked with Sikich and Baker Tilly on a consistent basis and has a great working relationship with both firms. Executive Director White noted that Baker Tilly has provided auditing services for the last two years, and he has a great working relationship with the firm. He would feel comfortable working with Baker Tilly again.

Executive Director White proposed that the Committee narrow down their selection to one or two firms for final selection and approval by the Board. Trustee Suess stated that he would feel comfortable recommending one firm, Sikich, since the Board has been exposed to all three firms on a couple of occasions. He reiterated that he views both firms as equivalent in terms of experience and expert services and presumes that the Board would agree and would lean toward hiring Sikich based on the lower cost. Trustee Suess stated that he would like to recommend Sikich as the Fund's auditor and not engage in a further interview process. Trustee Swanlund agreed with Trustee Suess' comments and stated that he would be in favor of recommending Sikich. A motion was made by Trustee Suess and seconded by Trustee Swanlund to recommend that the Board of Trustees retain Sikich for the auditing services engagement. Motion carried by roll call vote.

AYES: Trustees Swanlund and Suess
NAYS: None
ABSENT: Trustee Hopkins

Executive Director White inquired if the Committee would like Sikich to participate and present to the Board at the April 8th meeting. Trustees Swanlund and Suess were comfortable with their recommendation and stated that a presentation would not be required. They requested that representatives from Sikich attend the meeting to answer questions if prompted by any of the Board Members. Trustee Suess requested that Executive Director White prepare and include a memorandum in the agenda packet for the April 8th meeting for the Board to review, summarizing the Committee's discussion and recommendation.

Fiscal Year 2022 Budget – Review Proposed Amendments and Incorporate Revisions (if any): Executive Director White reviewed a memorandum dated March 28, 2022 regarding the "FY 2022 Budget – Review and Amendments" with the Committee. Executive Director White stated that the revised budget includes the drawdown of the Illinois Finance Authority loan, as approved by the Board; reduces total budgeted expenditures from the original budget by (\$403,759); projects revenues in excess of expenditures by \$1,669,750; and projects an approximate cash balance of \$2 million at the end of the fiscal year. The proposed budgeted line items were reviewed in detail.

Recommendation to the Full Board for Approval: A motion was made by Trustee Suess and seconded by Trustee Swanlund to recommend the amended Fiscal Year 2022 Budget to the Board of Trustees for approval at the April 8, 2022 meeting. Motion carried by roll call vote.

AYES: Trustees Swanlund and Suess
NAYS: None
ABSENT: Trustee Hopkins

Fiscal Year 2023 Budget – Discussion/Preparation of Budget: Executive Director White reviewed a memorandum dated March 28, 2022 regarding the “Fiscal Year 2023 Budget – Introduction” with the Committee and provided opening remarks. CFO Masson provided background information on the conversations that have been held with IPOPIF Staff to prepare the Fiscal Year 2023 Budget. The budget timeline was reviewed with the Committee. CFO Masson stated that the preliminary draft report would be presented for discussion and feedback at next month’s Audit and Budget Committee meeting. The initial draft would be presented to the Board at the May 13th meeting for final approval at the June 10th meeting. The Committee provided feedback regarding the preparation of the Fiscal Year 2023 Budget. Executive Director White and CFOs Masson and Weber answered questions regarding revenue projections and expenses.

REVIEW MEETING SCHEDULE: *Establish Additional Meetings (if needed):* CFO Masson recommended that additional Committee meetings be scheduled to discuss the Budget and incorporate revisions. The Committee discussed scheduling meetings on April 25th, May 23rd, and June 20th. Trustee Swanlund stated that morning meetings would be best for his schedule. Executive Director White noted that the meeting times would be coordinated offline.

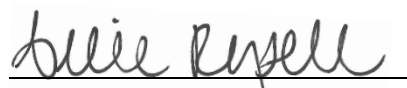
PUBLIC COMMENT: There were no comments from the public.

ADJOURNMENT: With no further business to discuss, a motion was made by Trustee Suess and seconded by Trustee Swanlund to adjourn the meeting at 3:35 p.m. Motion carried by roll call vote.

AYES: Trustees Swanlund and Suess
NAYS: None
ABSENT: Trustee Hopkins

Respectfully Submitted by:

Approved by:



Allie Rysell, Plan Administrator
Foster & Foster, Inc.



Paul Swanlund, Committee Chairperson

Date Approved by the Audit and Budget Committee: April 25, 2022

The next meeting of the Illinois Police Officers' Pension Investment Fund's Audit and Budget Committee will be held on April 25, 2022 at 10:30 a.m. via the Zoom Digital Platform.