



Illinois Police Officers' Pension Investment Fund

Board of Trustees Meeting Minutes

Friday, June 14, 2024

A regular meeting of the Board of Trustees of the Illinois Police Officers' Pension Investment Fund was conducted at the Peoria Marriott Hotel, Pere Marquette, Marquette Salon B, Peoria, IL. 61602. Members of the public were invited to participate remotely or in person.

Board of Trustees:

- Philip Suess, Chairperson
- Paul Swanlund, Vice Chairperson
- Lee Catavu, Secretary
- Mark Poulos
- Scott Bowers
- Brad Cole
- Elizabeth Holleb
- Daniel Hopkins
- Michael Inman

Attendees:

IPOPIF Staff:

- Richard White, Executive Director
- Kent Custer, Chief Investment Officer
- Regina Tuczak, Chief Financial Officer/ Assistant Executive Director
- Barbara Meyer, Investment Officer
- Steve Yoon, Investment Officer (Zoom)
- Amy Zick, Senior Accountant
- Kate Cobb, Administrative Analyst

- Samantha Lambert, Administrative Analyst
- Joe Miller, Information Technologist

Others Present:

- Rick Reimer, General Legal Counsel, Reimer, Dobrovolny & Labardi PC
- Taylor Muzzy, Fiduciary Legal Counsel, Jacobs Burns Orlove & Hernandez, LLP
- Scott Whalen, Verus (Zoom)
- Tim McEnery, Verus
- Samantha Grant, Verus
- Greg Kiesewetter, Cook Castle Associates
- Megan Holford, Lauterbach & Amen (Zoom)
- Kim Shepherd, Shepherd Communications (Zoom)
- Members of the Public (Zoom)

Agenda

All members of the Board of Trustees, staff, legal counsel, and the public were provided with a copy of the agenda. The agenda was also posted on the IPOPIF website, IPOPIF office door, and on the door of the meeting room.

Call to Order

The meeting was called to order by Chairperson Suess at 9:00 A.M.

Roll Call

2.1- Roll Call: Discussion and Potential Action:

A roll call was conducted. Six (6) Trustees were present. Three (3) Trustees were absent. A quorum was established with the required number of six (6) Trustees present in the meeting room.

Board of Trustees:

Present:

- Philip Suess, Chairperson
- Paul Swanlund, Vice Chairperson
- Mark Poulos
- Brad Cole
- Daniel Hopkins
- Michael Inman

Absent:

- Scott Bowers
- Lee Catavu
- Elizabeth Holleb

All individuals present are reflected in the list of attendees.

General Legal Counsel Reimer recommended a motion to nominate Trustee Hopkins as interim Board Secretary at this Board of Trustees meeting to record roll call and voice votes on all board actions.

A motion was made by Trustee Inman and seconded by Trustee Poulos to nominate Trustee Hopkins as the interim Board of Trustee Secretary for the Board of Trustee Meeting today, June 14, 2024.

Motion carried by a voice vote.

Ayes- 6

Nayes- None

Absent- 3

Board of Trustees

3.1- Board of Trustees Meeting Minutes- April 12, 2024:

Executive Director White presented the Board of Trustees Meeting Minutes from April 12, 2024, to the Board of Trustees and recommended they be approved.

A motion was made by Trustee Inman and seconded by Trustee Hopkins to approve the Board of Trustees Meeting Minutes from April 12, 2024.

Motion carried by roll call vote.

Ayes- Trustees Suess, Swanlund, Poulos, Hopkins, Inman, and Cole

Nayes- None

Absent- Trustees Bowers, Catavu, and Holleb

3.2- Trustee Election Policy and Process: Discussion and Potential Action:

Executive Director White discussed the current Trustee Election Policy and recommended revisions with the Board of Trustees.

The pension code authorizes the Board of Trustees to administer the election of the Board of Trustees and to establish rules for the conduct of the election. It is anticipated that the Board of Trustees will approve the revised Election Policy and approve the trustee election process at this meeting. The Election Committee reviewed the election policy and process at their May 17, 2024, meeting and made recommendations to the Board of Trustees to approve the Election Policy and Procedures, as presented at this meeting.

During the discussion about the election of trustees' procedures, one or more members of the Election Committee expressed concern about the proposed schedule of events for the September 13, 2024, meeting, which scheduled multiple decisions by the Board for the same meeting. After that meeting, staff reviewed those discussions and recommended changes to that schedule. The schedule change necessitates that a Special Board of Trustees meeting for August 23, 2024, be added for the purpose of the trustee election, with the decision on the nomination challenge decision being the primary focus.

The Board of Trustees had previously retained Marisel Hernandez, Jacobs, Burns, Orlove & Hernandez, LLP (JBOSH) for the Conflict Counsel role in November 2020 for the purposes of the 2020 election (recall that the previous Conflict Counsel resigned in October 2020). Attorney Hernandez has performed Conflict Counsel responsibilities for the 2022 and 2023 elections and has been consulted for this election, as well. The Fund has an engagement/retainer agreement with JBOSH which in Paragraph 1(e) refers to "other such legal matters as the Fund's Board of Trustees or the Fund's Executive Director may determine."

After consultation with Fiduciary Legal Counsel Muzzy, it was confirmed that the Conflict Counsel services are included and can be performed in accordance with the current engagement/retainer agreement. It is recommended that the Board of Trustees continue to retain Marisel Hernandez as Conflict Counsel. As noted in previous communications with the Board of Trustees, Attorney Hernandez has extensive experience with the administration and oversight of elections.

Executive Director White answered all questions.

A motion was made by Trustee Poulos and seconded by Trustee Swanlund to authorize Marisel Hernandez, JBOSH, to serve as Conflict Counsel for the Trustee Election, under the current engagement/retainer agreement.

Motion carried by roll call vote.

Ayes- Trustees Suess, Swanlund, Poulos, Hopkins, Inman, and Cole

Nays- None

Absent- Trustees Bowers, Catavu, and Holleb

Executive Director White briefed the Board of Trustees on the recommended changes to the Election Policy and answered all questions.

A motion was made by Trustee Swanlund and seconded by Trustee Inman to approve the election process for the seats on the Board of Trustees.

Motion carried by roll call vote.

Ayes- Trustees Suess, Swanlund, Poulos, Hopkins, Inman, and Cole

Nays- None

Absent- Trustees Bowers, Catavu, and Holleb

Finance

4.1 and 4.2- Monthly Financial Statements- March 2024 and April 2024: Discussion and Potential Action:

Chief Financial Officer (CFO) Tuczak briefed the Board of Trustees on the March 2024 Monthly Financial Statement. March Contributions were \$53,958,667 and March Withdrawals were \$45,710,553 with 171 cash contributions and 181 cash withdrawals in March (a total of 352). April contributions were \$49,351,903 and April Withdrawals were

\$46,714,519 with 135 cash contributions and 187 cash withdrawals in April (a total of 322 transactions). State Street reported 896 unique Cash Management users on eCFM as of May 9, 2024.

CFO Tuczak answered all questions.

A motion was made by Trustee Poulos and seconded by Trustee Swanlund to approve the March 2024 and April 2024 financial statements.

Motion carried by roll call vote.

Ayes- Trustees Suess, Swanlund, Poulos, Hopkins, Inman, and Cole

Nayes- None

Absent- Trustees Bowers, Catavu, and Holleb

4.3 and 4.4- Warrants #2024-11 and #2024-12: Discussion and Potential Action:

CFO Tuczak briefed the Board of Trustees on Warrant #2024-11 and Warrant #2024-12 and answered all questions.

A motion was made by Trustee Swanlund and seconded by Trustee Inman to ratify Warrants #2024-11 and #2024-12.

Motion carried by roll call vote.

Ayes- Trustees Suess, Swanlund, Poulos, Hopkins, Inman, and Cole

Nayes- None

Absent- Trustees Bowers, Catavu, and Holleb

4.5- Insurance Coverage and Policies: Discussion and Potential Action:

Executive Director White briefed the Board of Trustees on the renewals of the insurance coverage policy for FY2025. IPOPIF has received commercial insurance coverage through Cook Castle Associates, Inc. since 2020.

The Contract Committee reviewed the insurance coverages with Mr. Greg Kiesewetter, CIC, Cook Castle Associates, Inc., at their May 17, 2024, meeting. The Committee recommended by a vote of 3-Aye, 0-No, and 1-absent to recommend that the Board of Trustees approve the insurance policies with increases in coverages as provided by Cook Castle, Inc. Among the reasons for increasing coverages included the growth in investment

assets under management, the increase in full-time staff, and the increased cyber risk in society.

Trustee Cole requested clarification on the need for an increase in coverage for the aggregate limit of liability/ fiduciary liability from \$10M to \$15M, as well as, the increased amount of the premium associated with the increase in fiduciary liability coverage.

Trustee Hopkins requested that Fiduciary Legal Counsel Muzzy speak to the question about the increase in fiduciary liability coverage. Attorney Muzzy noted that the investment decisions are the biggest risk.

Trustee Swanlund inquired if there is an industry standard for fiduciary liability insurance. Mr. Kiesewetter answered that there was not a standard, but he did conduct some research on other Illinois funds – but the comparisons are different because the IPOPIF is unique due to the responsibility of the investment of trust fund assets only, versus the other public pension funds which provide benefits and manage other retirement responsibilities.

Trustee Suess noted that litigation risk is inherent in investment of assets and that \$15 million coverage is a small percentage of a \$10 billion fund and makes sense.

A motion was made by Trustee Hopkins and seconded by Trustee Swanlund to approve Insurance Policy Contracts for the term of July 1, 2024, to June 30, 2025, with the recommended changes and increased coverages.

Motion failed by roll call vote.

Ayes- Trustees Suess, Swanlund, Poulos, and Hopkins

Nayes- Trustees Inman, and Cole

Absent- Trustees Bowers, Catavu, and Holleb

A motion was made by Trustee Cole and seconded by Trustee Inman to keep the Fiduciary Liability at \$10M versus \$15M and accept all other changes.

Motion failed by roll call vote.

Ayes- Trustees Suess, Inman, and Cole

Nayes- Trustees Swanlund, Poulos, and Hopkins

Absent- Trustees Bowers, Catavu, and Holleb

Mr. Kiesewetter explained that if a decision is made at a later date there may be additional documentation needed to ensure proper coverage and that no outstanding litigation is pending. He also noted that he could provide additional information on comparable coverages at a later date.

Mr. Reimer, General Legal Counsel, explained that if no decision is made today there is a jeopardy of no active insurance.

A motion made by Trustee Cole and seconded by Trustee Inman to move forward with \$10M coverage for Fiduciary Liability and to move forward with all other suggestions in coverage and to discuss the suggestion of increased Fiduciary Liability coverage at the next Board of Trustees meeting in July.

Motion carried by roll call vote.

Ayes- Trustees Suess, Swanlund, Poulos, Inman, and Cole

Nayes- Trustee Hopkins

Absent- Trustees Bowers, Catavu, and Holleb

4.6- Fiscal Year 2025 Annual Budget: Discussion and Potential Action:

CFO Tuczak presented the Fiscal Year 2025 Annual Budget to the Board of Trustees.

CFO Tuczak reviewed changes from the Final FY 2024 Budget as compared to the Proposed Budget FY 2025 Budget and noted that one of the significant changes was regarding the reporting of investment management fees. These changes were reviewed with the Audit and Budget Committee at their May 17th meeting and the Committee requested that the investment management fees be included in the annual budget presentation.

CFO Tuczak recommended that modifications to the monthly financial statement presentation be made since the proposed FY 2025 Budget includes all investment manager fees, including fees that are deducted directly from the investment vehicle, which is a common industry practice. Such presentation would remove investment manager fees billed directly to the Fund from Board of Trustee, Administrative and Investment Operations expenses and reclassify these fees as a reduction of Investment Income (Loss) on the Statement of Changes in Fiduciary Net Position. A sample presentation detailing the recommended change was provided.

She reviewed the proposed salary range increases with the board which include a cost-of-living adjustment for all employees based on the Consumer Price Increase as reported for the Peoria area. CFO Tuczak also discussed the increase in the employer contribution rate required by IMRF effective January 1, 2025. The increase is due to several factors, including the purchase of previous service time by current employees

No other changes were requested by the Committee, which recommended the presentation of the final draft to the Board of Trustees at its Meeting on June 14, 2024.

Trustee Suess inquired about the increased employer rate with IMRF. CFO Tuczak noted that further information on this matter was not provided by IMRF but noted that the initial employer rate upon joining IMRF was anticipated to rise once specific demographic information about current employees was included in the calculations, and each employee earned more service in the plan.

Trustee Cole mentioned that the rate increase could be anticipated with the growth of the organization.

CFO Tuczak answered all questions.

A motion was made by Trustee Swanlund and seconded by Trustee Hopkins to adopt Resolution 2024-02: Approving the Budget for Fiscal Year 2025.

Motion carried by roll call vote.

Ayes- Trustees Suess, Swanlund, Poulos, Hopkins, Inman, and Cole

Nays- None

Absent- Trustees Bowers, Catavu, and Holleb

Investments

5.2- Verus Quarterly Report- 1Q2024: Discussion and Potential Action:

Tim McEnery, Verus Advisory, presented the 1Q2024 report to the Board of Trustees.

Total assets increased by nearly \$400 million to \$10.4 billion over the quarter, reflecting strong global equity returns, particularly in the U.S., as investor confidence grew regarding

the Fed's ability to engineer a "soft landing". The IPOPIF Investment Portfolio returned 4.1% for the quarter, which was closely aligned with the Policy Index return of 4.2%, but below the Broad-Based Policy Index of 4.8%, which reflects its higher equity allocation. Since its inception in April 2022, the IPOPIF Portfolio has returned 3.8% on an annualized basis through the end of the 1st quarter, compared to the Policy Index of 3.9% and the Broad-Based Policy Index of 3.4%.

The IPOPIF investment team actively monitors current asset allocations vs. policy targets and conducts rebalancing trades as appropriate. As of 3/31/24, all asset classes except bank loans and cash were within policy targets. The noted variances were due to activity related to funding new mandates.

Trustee Sues asked about the concentration exposure to the S&P 500 index. Mr. McEnergy noted that the issue has been reviewed and changes to the asset allocation are not recommended. CIO Custer mentioned that the Fund uses the Russell 1000 as a benchmark which adds some diversification.

Tim McEnergy, Verus Advisory, answered all questions.

5.3- Investment Update Report: Discussion and Potential Action:

CIO Custer briefed the Board of Trustees on investment performance, cash flow, asset allocation, and rebalancing activity.

The new 3% allocation to US Treasury Bonds is being funded gradually from short-term bonds. The final transfer is planned for late June. The new Emerging Market Equity (EME) ex-China index fund is being funded gradually from the existing EME fund. Similar transfers are planned for June and subsequent months until the conversion is completed. The May 17 transaction took advantage of a "crossing" opportunity to minimize trading costs.

CIO Custer briefed the Board on valuation issues and a potential shift to monthly valuation. Mr. Custer and CFO Tuczak are discussing valuation processes and options with the custodian, State Street Bank and Trust. A shift to monthly valuation could impact cash management, Article 3 data timing availability, and custodial performance reporting.

IPOPIF has a 20% long-term allocation to private market investments with 7% equity, 5% credit, 5% real estate, and 3% infrastructure. Due to investment complexity and risks our approach needs to be robust and sustainable. Verus has developed a private market

implementation plan which utilizes a phased approach. A Board of Trustees discussion is planned for July including private credit education.

The October 1 transition preparation is underway with July being the deadline to establish data feeds with legacy custodians. September will produce the asset certification.

CIO Custer answered all questions.

5.4- Emerging Market Equity Investment Search: Discussion and Potential Action:

CIO Custer presented to the Board of Trustees the request to approve a search for an active investment manager to manage an allocation to Emerging Market Ex China equities.

CIO Custer went through the detailed description of the IPOPIF asset allocation that the newly hired investment manager would be managing. He also explained the portfolio structure concerning Emerging Markets Equity, the fees, and the budget impact. CIO Custer explained the search process and use of the Investment Manager Database to handle all those who respond as interested. The Request for Proposal (RFP), including the search timeline, was provided to the Board of Trustees. The RFP will be posted after the search is approved by the Board of Trustees. Board interviews and selection are targeted for the October 18, 2024, Board of Trustees Meeting.

A motion was made by Trustee Hopkins and seconded by Trustee Swanlund to approve a search for an active investment manager to manage a 3% allocation to Emerging Market ex-China equities.

Motion carried by roll call vote.

Ayes- Trustees Suess, Swanlund, Poulos, Hopkins, Inman, and Cole

Nayes- None

Absent- Trustees Bowers, Catavu, and Holleb

5.5- Passive Investments- Manager Reviews: Discussion and Potential Action:

CIO Custer briefly presented the Manager Reviews to the Board of Trustees.

A Board review of investment service providers is conducted on an ongoing basis. Passive investment managers, RhumbLine and State Street Global Advisors (SSGA), were last reviewed by the Board in June 2023. Mr. Custer stated that both managers are performing well for IPOPIF.

Chair Suess requested tracking error information and CIO Custer responded that he would provide that information to the Board.

CIO Custer answered all questions.

5.1- Investment Staffing: Discussion and Potential Action:

CIO Custer reviewed investment staffing considerations with the Board including guidance from the Governance Committee.

CIO Custer provided a draft policy for the Deputy Chief Investment Officer Job Description to the Board of Trustees, for reference and approval.

Trustee Suess asked if the difficulties in recruiting were based on the compensation for the position or the location of the office. HR consultant Holford noted that it was a bit of both of these factors.

Trustee Cole mentioned that the office location in Peoria should be a topic for a later discussion.

CIO Custer answered all questions.

Megan Holford from Lauterbach & Amen discussed with the Board of Trustees about the Deputy CIO position, the salary range, and the geographic location. She stated that the market value for salary and the geographic location are both difficulties that we are currently facing with all open positions. Ms. Holford answered all questions.

A motion was made by Trustee Hopkins and seconded by Trustee Swanlund to approve the job description for the Deputy Chief Investment Officer with a salary range of \$175,000 to \$250,000 per year.

Motion carried by roll call vote.

Ayes- Trustees Suess, Swanlund, Poulos, Hopkins, and Inman

Nayes- None

Absent- Trustees Bowers, Catavu, and Holleb

Present:- Trustee Cole

Closed Session (if necessary)

6.1- Closed/Executive Session-Appointment, employment, and compensation of a specific employee (5 ILCS 120/2(c)(1): Discussion and Potential Action:

Attorney Reimer reviewed the need for a motion to enter a closed session. A motion was made by Trustee Inman and seconded by Trustee Hopkins to enter into a closed session in accordance with the exception under 5 ILCS 120/2(c)(1) to discuss the appointment, employment, compensation, discipline, performance, or dismissal of specific employees and specific individuals.

Motion carried by roll call vote.

Ayes- Trustees Suess, Swanlund, Poulos, Hopkins, Inman, and Cole

Nayes- None

Absent- Trustees Bowers, Catavu, and Holleb

The Board of Trustees entered into a closed session at 10:33 A.M.

A motion was made by Trustee Inman and seconded by Trustee Cole to return to open session.

Motion carried by roll call vote.

Ayes- Trustees Suess, Swanlund, Poulos, Hopkins, Inman, and Cole

Nayes- None

Absent- Trustees Bowers, Catavu, and Holleb

The Board of Trustees returned to open session at 11:20 A.M.

A roll call was conducted. Six (6) Trustees were present. Three (3) Trustees were absent. A quorum was established with the required number of six (6) Trustees present in the meeting room.

Present:

- Philip Suess, Chairperson
- Paul Swanlund, Vice Chairperson
- Mark Poulos
- Brad Cole
- Daniel Hopkins
- Michael Inman

Absent:

- Scott Bowers
- Lee Catavu
- Elizabeth Holleb

Attorney Reimer noted that the Board of Trustees did not take any action in closed session.

Public Comment

7.0- Public Comment:

An opportunity for public comment was provided at 11:22 A.M. No comments were heard, and no discussion was provided.

Adjournment

8.0- Adjournment:

A motion was made by Trustee Poulos and seconded by Trustee Inman to adjourn the Board of Trustees Meeting.

Motion carried by roll call vote.

Ayes- Trustees Suess, Swanlund, Poulos, Hopkins, Inman, and Cole

Nayes- None

Absent- Trustees Bowers, Catavu, and Holleb


Meeting adjourned at 11:23 A.M.

Respectfully submitted by:

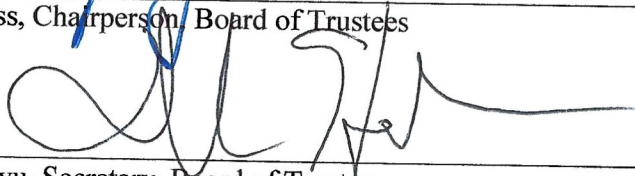


Kate Cobb, Administrative Analyst

Approved by:



Phil Sues, Chairperson, Board of Trustees



~~Lee Catavu, Secretary, Board of Trustees~~

DANIEL HOPKINS, INTERIM SECRETARY

Date Approved by the Board of Trustees: July 19, 2024