

**BOARD MEMBERS****Lee Catavu**

Participant Representative  
Aurora, IL

**Paul Swanlund**

Participant Representative  
Bloomington, IL

**Vacant**

Participant Representative

**Daniel Hopkins**

Beneficiary Representative  
Collinsville, IL

**Mark Poulos**

Beneficiary Representative  
Rock Island, IL

**Elizabeth Holleb**

Municipal Representative  
Lake Forest, IL

**Michael Inman**

Municipal Representative  
Macomb, IL

**Phil Suess**

Municipal Representative  
Wheaton, IL

**Brad Cole**

Illinois Municipal League  
Representative  
Carbondale, IL

Notice is hereby given that the Board of Trustees of the Illinois Police Officers' Pension Investment Fund will conduct a regular meeting on **Friday, June 9, 2023, at 10:00 a.m.** at the Twin Towers Plaza, Suite 420 (Fourth Floor Training Room), located at 456 Fulton Street, Peoria, IL 61602. This meeting will be livestreamed on the Zoom video-conferencing platform. By entering the meeting, participants agree to be audio and video recorded.

**Livestream**

Join by Phone: (309) 205-3325

Join by Zoom: <https://zoom.us/join>

Meeting ID: 837 7895 5007

Passcode: 900351

**AGENDA**

*Times are  
Approximate*

10:00 a.m. **1. Call to Order**

10:01 a.m. **2. Roll Call**

10:05 a.m. **3. Investments**

- a. Investment Update
- b. Review Verus Quarterly Performance Report
- c. Approve Small-Cap Search Request <sup>1</sup>
- d. Trustee Education – Private Markets
- e. Staff Review of Passive Investment Managers, SSGA, and Rhumblin
- f. Approve Investment Officer Job Description and Salary Ranges <sup>1</sup>

1:00 p.m. **4. Board Recess**

1:30 p.m. **5. Governmental Liaison's Report**

- a. Monthly Report: June 2023
- b. Review IPOPIF Legislative Items

1:45 p.m. **6. Administration and Operations**

- a. Finance
  - i. Approve Monthly Financial Statements: March and April 2023 <sup>1</sup>
  - ii. Ratify Warrants #64 and #65 <sup>1</sup>
  - iii. Fiscal Year 2024 Budget
    1. Review Software Purchases
    2. Approve:
      - i. Insurance Contracts <sup>1</sup>
      - ii. Service Provider Contracts <sup>1</sup>
      - iii. Furniture Purchase <sup>1</sup>
      - iv. Resolution Designating Authorized Signers for Lake Forest Bank & Trust Account <sup>1</sup>
      - v. Resolution Adopting Fiscal Year 2024 Budget <sup>1</sup>
- b. Review Transition Audit Report <sup>1</sup>
- c. Operations
  - i. Approve Selection Process for Vacant Participant Trustee Position <sup>1</sup>

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ii. Administration Status Update

iii. Review Meeting Calendar and Schedule Additional Meetings if needed <sup>1</sup>

3:15 p.m. **7. Meeting Minutes**

a. Approve Board Meeting Minutes

i. March 17, 2023 Regular Board Meeting <sup>1</sup>

ii. April 14, 2023 Regular Board Meeting and Closed Session <sup>1,2</sup>

b. Accept Approved Committee Meeting Minutes

i. Audit & Budget Committee: April 5, 2023 <sup>1</sup>

ii. Contract Committee: March 31, 2023 <sup>1</sup>

3:20 p.m. **8. Legal Updates**

a. General Legal Counsel's Report

i. Approve Resolution to Revise Participation in 115 Health Care Trust and 401(a) Defined Contribution Plan <sup>1</sup>

ii. Discuss Process and Procedures for Annual Performance Evaluation of Executive Director and Provide Direction <sup>1,2</sup>

b. Fiduciary Legal Counsel's Report

i. Litigation Committee

1. Status Update on Consolidation Lawsuit <sup>2</sup>

**9. Closed Session (if necessary)**

3:40 p.m. **10. Public Comment (press \*6 to unmute)**

3:45 p.m. **11. Adjournment** <sup>1</sup>

<sup>1</sup> Action Item

<sup>2</sup> Closed Session Items:

**7(a)(ii):** In accordance with 5 ILCS 120/2(c)(21) closed session exception: Discussion of minutes of meetings lawfully closed under this Act, whether for purposes of approval by the body of the minutes or semi-annual review of the minutes as mandated by Section 2.06.

**8(a)(ii):** In accordance with 5 ILCS 120/2(c) Exceptions. A public body may hold closed meetings to consider the following subjects: (1) The appointment, employment, compensation, discipline, performance, or dismissal of specific employees of the public body or legal counsel for the public body, including hearing testimony on a complaint lodged against an employee of the public body or against legal counsel for the public body to determine its validity.

**8(b)(ii)(1):** In accordance with 5 ILCS 120/2(c)(11) Exception: Litigation, when an action against, affecting or on behalf of the particular public body has been filed and is pending before a court or administrative tribunal, or when the public body finds that an action is probable or imminent.

# **Investment Update**

As of June 2, 2023

# Operations Summary

- 332 funds have transferred assets to IPOPIF
  - 97% of non-litigant funds, 99% of assets
  - May transfer went well, One fund scheduled for 8/1/23
- Catching up on custody and SSGA invoicing
- Cash management participation near full
- EMD valuation adjustment to be implemented effective May 1.
- Transferred \$90 million from Core Bonds to Non-US Equity on May 24.

# Transfer Schedule

Tranche #	Assigned Transfer	Number of Funds		\$ millions	
		Tranche	Total	Tranche	Total
1	March 1, 2022	14	14	220	220
2	April 1, 2022	18	32	458	678
3	May 2, 2022	14	46	354	1,032
4	June 1, 2022	27	73	770	1,803
5	June 24, 2022	45	118	1,271	3,074
6	August 1, 2022	36	154	1,463	4,537
7	September 1, 2022	63	217	1,922	6,459
8	October 3, 2022	54	271	990	7,449
9	November 1, 2022	35	306	376	7,825
10	December 1, 2022	22	328	738	8,562
12*	May 1, 2023	4	332	35	8,597
13	August 1, 2023	1	333	11	8,608
DNT	Did Not Transfer	9	342	63	8,671
LIT	litigation plaintiffs	15	357	1,233	9,905

\*T11 designation used for February transition of assets received since December

# Non-Transferred Funds

<b>Litigants (15)</b>	<b>Est. \$M</b>
ARLINGTON HEIGHTS	162
AURORA	245
CHAMPAIGN	121
CHICAGO HEIGHTS	48
CHICAGO RIDGE	29
DEKALB	45
ELGIN	157
ELMHURST	78
EVANSTON	158
MOKENA	25
PALOS HEIGHTS	29
RANTOUL	30
VILLA PARK	36
WOOD DALE	26
WOODRIDGE	45
<b>Total \$M</b>	<b>1,233</b>

<b>Did Not Transfer (10)</b>	<b>Est. \$M</b>
FAIRVIEW HEIGHTS	29
EAST ST LOUIS	19
SOUTH CHICAGO HEIGHTS	4
MARYVILLE	4
STONE PARK (Annuities)	4
MONTICELLO	1
WASHINGTON PARK	1
VENICE	0.3
ROBBINS (no assets)	0.2
<b>Total \$M</b>	<b>63</b>

<b>8/1/23 transfer (1)</b>	<b>Est. \$M</b>
GLENWOOD	11

# Transfer Status

- All transferrable assets received to date.
- May 1 transfer of four funds went smoothly, and reconciliations have been sent.
- Closed out and reconciled 3 of 4 open 2022 transfers.
- Finalizing one Tranche-9 (November) fund.
  - Outstanding \$1M finally received on May 31.
- Transfer participation
  - 97% of non-litigant funds, 99% of assets
- 1 fund (~\$11M) scheduled to transfer 8/1/23
- 15 litigant funds (~\$1.2B)
- 9 non-litigant funds (~\$63M) did not transfer assets

# Investment Operational Highlights

- Invoicing
  - Custody invoices paid through December 2022. Waiting on 2023 invoices.
  - RhumbLine paid through April 2023, SSGA paid through March.
- Cash Management
  - April: 273 PPF eCFM transactions and 2 PPF cash LODs
  - May: 279 PPF eCFM transactions and 4 PPF cash LODs  
PPF: Participating Police Pension Fund, LOD: Letter of Direction
  - April/May: Approved 19 additional funds and 62 users for eCFM access. eCFM access up to 304 funds and 819 users
- Valuation Adjustments
  - Completed adjustments for Mortgage Back Securities in April
  - Implementing adjustments in May for SSGA Emerging Market Debt (EMD) pricing issue.
- May 23 glidepath implementation: transferred \$90M from Core Bonds to Non-US Equity



# Performance Summary

- Key drivers
  - High Beta (Mkt. Sensitivity) due to low allocation to alternative assets in short-term allocation
  - Overweight to Non-US and small-cap stocks
  - Passive (index fund) implementation in short term
- Expectations
  - Outperformance vs. Broad Benchmark (70/30) and peers over the long-term horizon.
  - Match Policy Benchmark due to passive implementation
  - Underperformance vs. Broad Benchmark in rally
  - Underperformance vs. peers in drawdown

Results	2Q22	3Q22	4Q22	1Q23	12 Mo.
Broad Benchmark	-13.6%	-6.6%	+8.4%	+5.8%	-7.6%
Policy Benchmark	-10.4%	-5.0%	+6.6%	+4.3%	-5.3%
IPOPIF Pool	-10.4%	-4.8%	+6.8%	+4.3%	-5.1%
Peer rank (>\$1B)	83	75	12	29	72

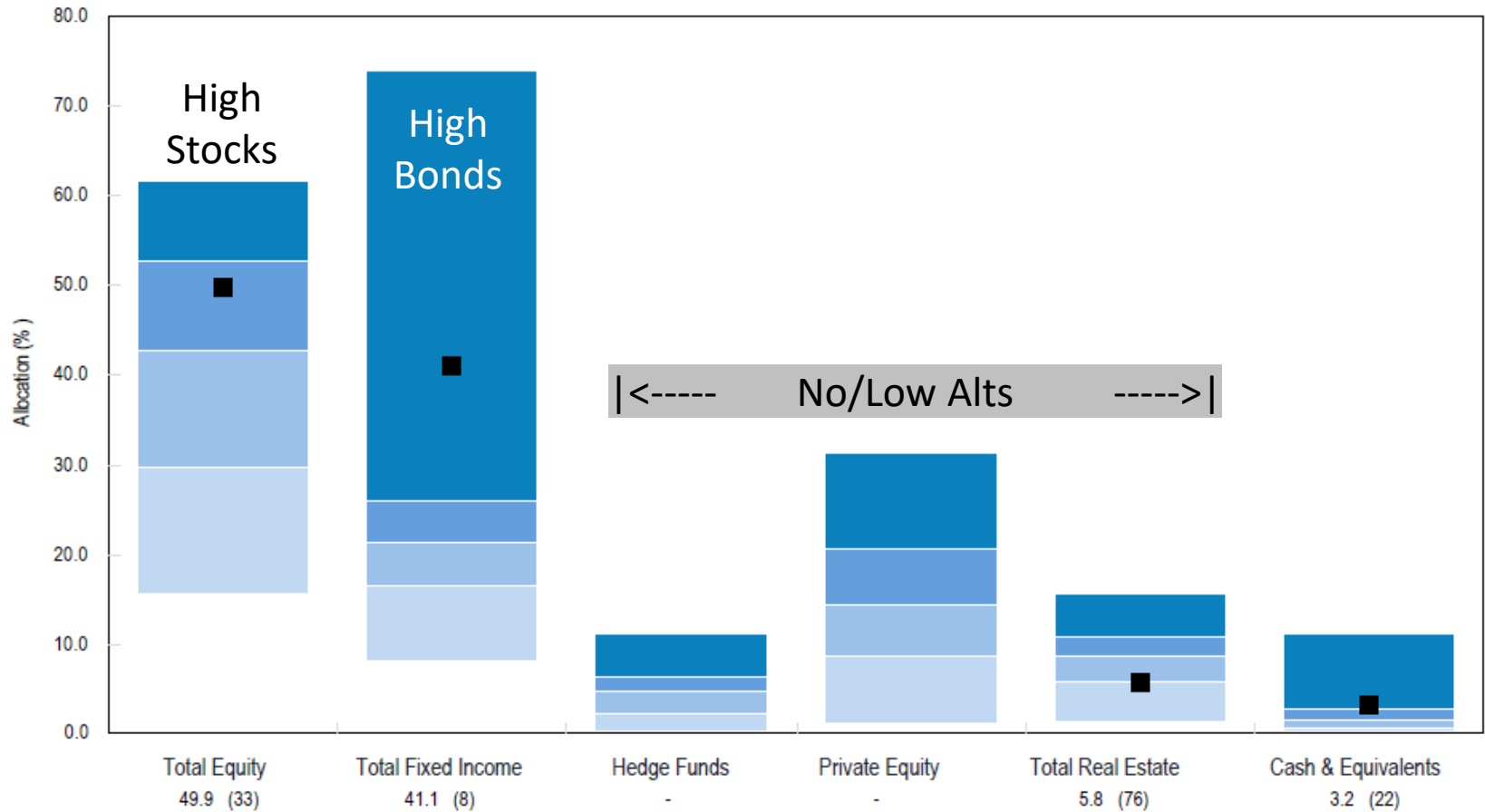
# Asset Allocation 6/1/23

Account	Current		Target		Variance	
	\$M	%	\$M	%	\$M	%
<b>Growth</b>	<b>4,650</b>	<b>50.7%</b>	<b>5,322</b>	<b>58.0%</b>	<b>(672)</b>	<b>-7.3%</b>
RHUMBLINE US LARGE*	1,692	18.4%	2,110	23.0%	(418)	-4.6%
RHUMBLINE US SMALL	422	4.6%	459	5.0%	(37)	-0.4%
SSGA NON-US DEVELOPED*	1,463	15.9%	1,652	18.0%	(188)	-2.1%
SSGA NON-US DEVELOPED SC	445	4.9%	459	5.0%	(14)	-0.1%
SSGA EM EQUITY	628	6.8%	642	7.0%	(14)	-0.2%
<b>Income</b>	<b>1,455</b>	<b>15.9%</b>	<b>1,468</b>	<b>16.0%</b>	<b>(13)</b>	<b>-0.1%</b>
SSGA HIGH YIELD	914	10.0%	918	10.0%	(4)	0.0%
SSGA EM DEBT	542	5.9%	551	6.0%	(9)	-0.1%
<b>Inflation Protection</b>	<b>792</b>	<b>8.6%</b>	<b>826</b>	<b>9.0%</b>	<b>(34)</b>	<b>-0.4%</b>
SSGA TIPS	272	3.0%	275	3.0%	(3)	0.0%
SSGA REITS	343	3.7%	367	4.0%	(24)	-0.3%
PRINCIPAL US PROPERTY	176	1.9%	184	2.0%	(7)	-0.1%
<b>Risk Mitigation</b>	<b>2,278</b>	<b>24.8%</b>	<b>1,560</b>	<b>17.0%</b>	<b>719</b>	<b>7.8%</b>
IPOPIF CASH	352	3.8%	92	1.0%	260	2.8%
SSGA ST GOV-CREDIT	1,374	15.0%	1,193	13.0%	181	2.0%
SSGA CORE BONDS	551	6.0%	275	3.0%	276	3.0%
<b>IPOPIF Pool Transition</b>	<b>2</b>	<b>0.0%</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>0.0%</b>
<b>Total Investment Pool</b>	<b>9,175</b>	<b>100.0%</b>	<b>9,175</b>	<b>100.0%</b>	<b>-</b>	<b>0.0%</b>
Transition Pool	0					
Participant Fund Accounts	1					
<b>Grand Total</b>	<b>9,177</b>					

\* Allocations to US Large Cap and Non-US Developed equity will be increased gradually at CIO discretion

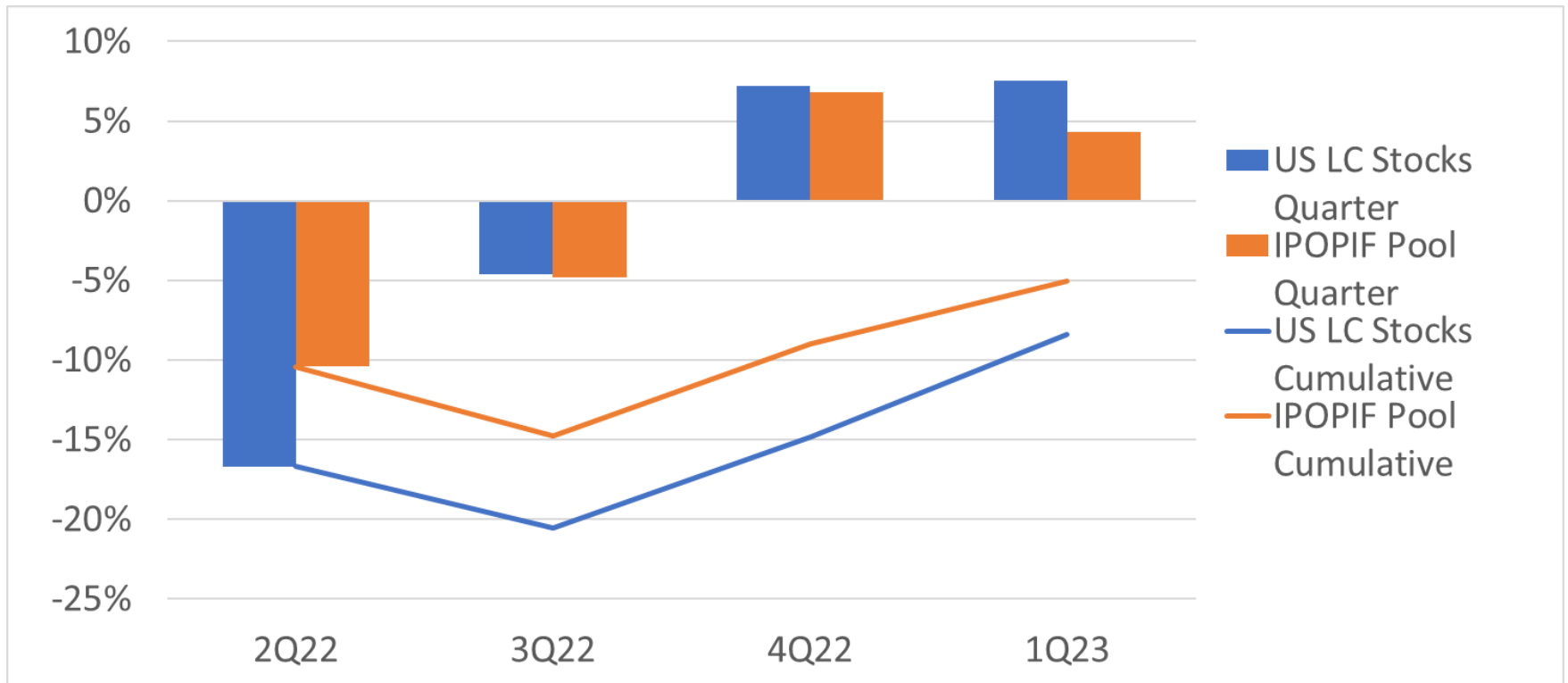
# Short-Term Allocation vs. Peers

Total Plan Allocation vs. All Public Plans > \$1B-Total Fund  
As of March 31, 2023



Source: 3/31/23 Verus report, annotated by IPOPIF staff

# Market Perspective



- IPOPIF Pool performance vs. US Large Cap. Stocks (Russell 1000)
- Bars represent the quarterly return,
- and the lines represent the cumulative return.

# Growth Portfolio

As of 3/31/23	Market	% of	3 Mo	1 Yr
Source Verus Quarterly Report	Value	Portfolio		
<b>Growth</b>	<b>4,487,903,373</b>	<b>49.8</b>	<b>6.5</b>	<b>-7.2</b>
<i>Growth Benchmark</i>			6.5	-7.6
RhumbLine Russell 1000 Index	1,634,473,270	18.1	7.5	-8.6
<i>Russell 1000 Index</i>			7.5	-8.4
<i>eV US Large Cap Core Equity Rank</i>			22	74
RhumbLine Russell 2000 Index	425,256,624	4.7	2.7	-11.9
<i>Russell 2000 Index</i>			2.7	-11.6
<i>eV US Small Cap Core Equity Rank</i>			73	86
SSgA Non-US Developed Index	1,354,428,782	15.0	8.1	-2.3
<i>MSCI World ex U.S. (Net)</i>			8.0	-2.7
<i>eV EAFE Core Equity Rank</i>			42	42
SSgA Non-US Developed SC Index	443,433,194	4.9	5.0	-9.8
<i>MSCI World ex U.S. Small Cap Index (Net)</i>			5.0	-10.1
<i>eV EAFE Small Cap Core Rank</i>			78	77
SSgA Emerging Markets Equity Index	630,311,503	7.0	4.1	-9.7
<i>MSCI Emerging Markets (Net)</i>			4.0	-10.7
<i>eV Emg Mkts Equity Rank</i>			66	55

- Overweight to Non-US detracted in 1Q23 but was a benefit over past year.
- Overweight to Small Cap was a detractor for the quarter and the year. Expect future benefit.
- Passive performance near benchmark as expected.
- Low rank for passive small cap may indicate potential for active alpha.
- Modest tracking error expected for non-US mandates, related to fair value pricing, which protects against market timing arbitrage.

# Income Portfolio

As of 3/31/23 Source Verus Quarterly Report	Market Value	% of Portfolio	3 Mo	1 Yr
<b>Income</b>	<b>1,432,200,043</b>	<b>15.9</b>	<b>3.0</b>	<b>-6.3</b>
<i>Income Benchmark</i>			2.9	-4.0
SSgA High Yield Corporate Credit	895,381,257	9.9	3.7	-4.3
<i>Bloomberg U.S. High Yield Very Liquid Ind eV US High Yield Fixed Inc Rank</i>			3.8 25	-3.9 77
SSgA EMD Hard Index Fund	536,818,786	6.0	1.9	-9.0
<i>JPM EMBI Global Diversified Index Emerging Markets Bond Rank</i>			1.9 50	-7.6 91

- Both High Yield and EMD (Emerging Market Debt) detracted during 2022 market correction.
- EMD underperformance in 2Q & 3Q22 related to benchmark mismatch and fair value pricing. Recent performance in line with benchmark.

Product	High Yield	EMD
Current Yield	6.6%	5.9%
Yield to Maturity	8.5%	7.5%

# Inflation Protection Portfolio

As of 3/31/23 Source Verus Quarterly Report	Market Value	% of Portfolio	3 Mo	1 Yr
<b>Inflation Protection</b>	<b>789,550,465</b>	<b>8.8</b>	<b>1.1</b>	<b>-8.1</b>
<i>Inflation Protection Benchmark</i>			1.5	-10.2
SSgAUS TIPS Index	271,260,172	3.0	2.2	-0.8
<i>Blmbg. U.S. TIPS 0-5 Year</i>			2.2	-0.3
<i>eV US TIPS / Inflation Fixed Inc Rank</i>			92	1
SSgAREITs Index	342,064,940	3.8	2.8	-21.0
<i>Dow Jones U.S. Select REIT</i>			2.8	-21.0
<i>eV US REIT Rank</i>			53	75
Principal USPA	176,225,353	2.0	-3.2	-
<i>NCREIF ODCE</i>			-3.4	-3.9

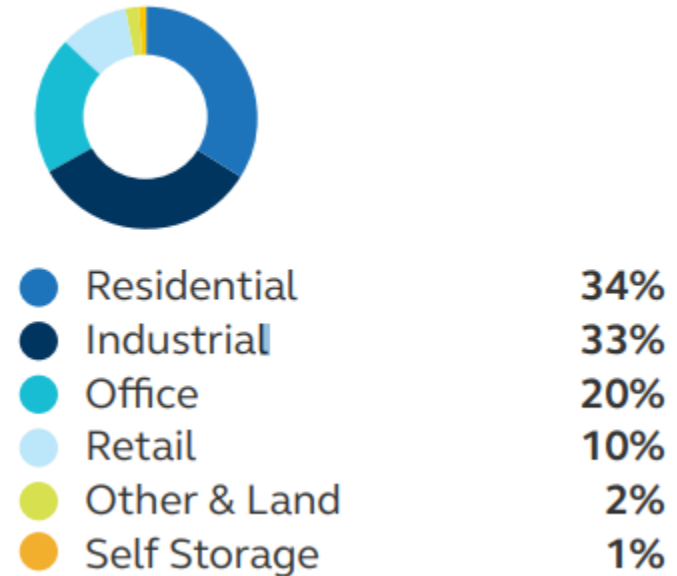
- Inflation Protection Portfolio not fulfilling role so far due to REIT equity correlation. Also seeing lagged price correction in Private Real Estate (Principal). REITs continuing to struggle in May.
- Relatively low exposure to office sector, but valuation pressure in multi-family may add pressure.

# Real Estate Sector Exposure 3/31/23

- SSGA DJ REIT

Sector	Mandate I
Apartments	15.70%
Diversified	4.32%
Factory Outlets	0.23%
Healthcare	10.05%
Hotels	3.90%
Industrial	28.75%
Malls	4.35%
Manufactured Homes	3.35%
Mixed Industrial/Office	0.79%
Office	5.02%
Retail/Other	0.57%
Self-Storage	10.58%
Strip Centers	11.73%
<b>Total</b>	<b>99.34%</b>

Sector Weighting





# Risk Mitigation Portfolio

As of 3/31/23 Source Verus Quarterly Report	Market Value	% of Portfolio	3 Mo	1 Yr
<b>Risk Mitigation</b>	<b>2,276,155,207</b>	<b>25.2</b>	<b>2.0</b>	<b>-0.9</b>
<i>Risk Mitigation Benchmark</i>			1.9	-0.9
SSgA Core Fixed Income Index	637,599,953	7.1	3.2	-4.9
<i>Blmbg. U.S. Aggregate Index</i>			3.0	-4.8
<i>eV US Core Fixed Inc Rank</i>			36	55
SSgA Short-Term Govt/Credit Index	1,350,576,692	15.0	1.6	0.3
<i>Blmbg. 1-3 Year Gov/Credit index</i>			1.5	0.3
<i>eV US Short Duration Fixed Inc Rank</i>			50	40
Cash	287,978,562	3.2	0.8	1.6
<i>90 Day U.S. Treasury Bill</i>			1.1	2.5

- Risk mitigation working as expected although core bonds were hurt by rising rates. Passive performance aligned with benchmarks.
- Comparative bond yields are shown below. The 30-day yield on the cash vehicle was 4.4% as of 3/31/23.

Product	Core Bonds	Short-Term Bonds
Current Yield	3.1%	2.5%
Yield to Maturity	4.4%	4.4%

# Income Yield Estimates

Name	Beginning Market Value	Net Cash Flow	1Q23 Income	Net Investment Change	Ending Market Value	Annual Yield Estimate
RhumbLine Russell 1000 Index	1,419,543,922	105,854,970	6,723,021	102,362,127	1,634,473,270	1.8%
RhumbLine Russell 2000 Index	385,767,696	29,916,281	1,785,690	7,789,887	425,256,624	1.8%
SSgA Non-US Developed Index	1,227,651,529	27,863,076	10,333,594	88,581,613	1,354,428,782	3.2%
SSgA Non-US Developed SC Index	409,690,499	13,588,897	3,214,867	16,940,155	443,433,194	3.0%
SSgA Emerging Markets Equity Index	579,104,090	28,482,621	3,880,343	18,846,192	630,311,503	2.6%
SSgA High Yield Corporate Credit	814,479,099	50,869,469	14,245,627	15,787,654	895,381,257	6.7%
SSgA EMD Hard Index Fund	499,100,060	28,693,521	9,116,937	(91,732)	536,818,786	7.0%
SSgA US TIPS Index	243,800,835	21,805,870	351,674	5,301,982	271,260,172	0.5%
Principal USPA	177,550,286	4,452,423	1,738,053	(7,515,409)	176,225,353	3.9%
SSgA REITs Index	299,184,364	34,962,243	3,234,504	4,684,670	342,064,940	4.0%
SSgA Core Fixed Income Index	573,459,757	45,673,492	4,692,819	13,775,547	637,599,953	3.1%
SSgA Short-Term Gov't/Credit Index	1,227,903,318	102,528,651	7,880,878	12,267,557	1,350,576,692	2.4%
Cash	267,346,893	17,900,831	2,730,838	-	287,978,562	3.9%
Transition Account	280,635,591	(261,458,744)	-	11,933,445	31,110,292	
Member Accounts	33,905,897	(36,089,084)	-	2,187,959	4,771	
Total	8,439,123,836	215,044,517	69,928,845	292,851,647	9,016,924,151	3.2%

# Investment Structure Summary

- Evaluating Long Term Investment Manager Structure
  - How many managers? Active vs. passive, Investment approach, Diversification
  - **Work-in-process ideas.** No consensus/recommendation
  - CIO bias toward maintaining passive core exposure
- Search priority on broad mandates first
  - Broad expertise and discretion
  - Then complete portfolios with passive or niche active mgrs
- Potential for changes to long-term asset allocation
- Awareness of fees and complexity
- Parallel paths
  - Moving forward where able: small cap, multi-asset credit, private market strategy
  - Verus and staff to continue evaluation of allocation and structure options

# Structure Ideas – Growth Portfolio

- General approach of passive core with one to two active managers in each asset class.
- US small and large, International small and large, EM
- $5 \times 2 = 10$  active managers
- Priority on small-cap and Emerging Markets (EM).
- Large cap searches later or stay passive
- Consider global approaches that combine US and Non-US. Include in International search, then adjust US %.
- Can reduce cost and complexity with fewer active managers.
  - Core vs. balanced focus
  - Heavier reliance on passive

# Structure Ideas – Income Portfolio

- Current 3% allocation each to Bank Loans, High Yield, and Emerging Markets Debt (EMD).
- Considering potential role of multi-asset credit (MAC) managers
  - Invests across multiple credit asset classes
  - Prioritize MAC search
  - Then adjust credit asset class allocations
  - Stay passive or hire dedicated managers

# Structure Ideas – Remainder

- Inflation Protection
  - 3% allocation to TIPS – stay passive, consider higher allocation and longer duration in future
  - 8% allocation to Real Estate – example structure
    - 3% - Open-end Core RE, 3% - Value-Add/Opportunistic RE, 2% - Infrastructure
- Risk Mitigation
  - 3% allocation each to short-term bonds, core bonds, and Treasuries.
  - Passive for planning. Potential active longer-term
  - Issues under evaluation
    - Staying with passive core bonds vs. moving to active core plus
    - Or eliminating core/core-plus bonds with corresponding increase to Treasuries

# Key Investment Initiatives (1)

Initiative	Status
Develop long-term asset allocation implementation plan	Completed brainstorm project list. Need to organize and formalize using project planning processes, tools, and exhibits to show path and progress.
Revise Short-term Asset Allocation	Approved by Board in April. Will be implemented gradually.
Investment Staff Recruitment	Received 42 applications. HR conducted screening interviews with good fit candidates. CIO interviews being scheduled for week of June 5. HR/CIO conducted compensation survey.
Evaluate small cap equity and multi-asset class credit (MAC) for search recommendation	Steve Yoon completed evaluation for CIO review. Verus is supportive.

# Key Investment Initiatives (2)

Initiative	Status
Gather information in preparation for potential private markets consultant search recommendation	Conducted numerous education meetings across spectrum of service providers. Verus providing private markets education at June Board meeting. Planning request for private markets search in September.
Transfer outstanding assets	Closed out all open transfers. All assets now received. One reconciliation in process.
Develop plan for addressing non-transferrable assets	Some annuity information collected. PPF communication needed. Verus to assist with evaluation.
Develop Investment Communication Materials	Developed 2022 Transfer Performance Summary. Broader materials to be developed.
Develop compliance review and reporting matrix	To be developed



# Preliminary Agenda Planning

6/9/23	9/15/23	12/15/23	March 2024
Small cap search request	Small Cap search recommendation	High-yield search request	High-yield search recommendation
	Multi-asset credit (MAC) search request	MAC search recommendation	Bank Loan search request
Private Markets Education	Private Markets Strategic Plan & Search Request	Private Markets Search Recommendation	
Passive Manager Review	Principal US Property Account Review	Custodian Review	Investment Consultant Review
Quarterly: Investment Update, Performance Review, Compliance Review, Investment Implementation Status			



**PERSPECTIVES  
THAT DRIVE  
ENTERPRISE  
SUCCESS**



**PERIOD ENDING: March 31, 2023**

Investment Performance Review for

**Illinois Police Officers' Pension Investment Fund**

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[VERUSINVESTMENTS.COM](https://www.verusinvestments.com)

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Investment Performance  
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# Executive Summary

## Executive Summary

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- Total assets grew from \$8.4 billion to \$9.0 billion over the quarter, including asset transfers of \$215 million and investment gains of \$293 million.
- The market recovery that began in late 2022 persisted through the first quarter of 2023, as the S&P 500 returned 7.5% through 3/31/23. In this continuing risk-on environment, the IPOPIF Investment Portfolio<sup>1</sup> returned 4.3% for the quarter, which was slightly below the Policy Index return of 4.4%. The Broad-Based Index performed even better with a return of 5.8% for the period, reflecting higher equity exposure in a risk-on environment.
- The trailing 1-year return remained negative at -5.1%, resulting from the difficult market environment in the 2<sup>nd</sup> and 3<sup>rd</sup> quarters of last year.
- The market recovery was felt across the portfolio during the quarter with all sub-portfolios experiencing positive returns. As would be expected in a risk-on environment, the strongest performance occurred in the Growth portion of the portfolio with a return of 6.5% through the end of the first quarter. The Income sleeve also performed well with a return of 3.0%, as last year's rising rates has translated into more portfolio income this year. Rising rates also provided support for the Risk Mitigation sleeve, which returned 2.0% for the quarter. The Inflation Protection sleeve was the laggard with a modest quarterly return of 1.1%, as declining valuations in commercial real estate impacted the Principal investment strategy.
- Excepting the Principal strategy noted above, the IPOPIF Investment Portfolio is currently invested entirely passively. As such and as expected, individual manager performance was closely aligned with their strategy-specific benchmarks during the quarter.
- The IPOPIF investment staff actively monitors current asset allocations vs. policy targets and conducts rebalancing trades as appropriate. As of 3/31/23, all asset allocation values were in line with policy targets.

### Notes

<sup>1</sup>The IPOPIF Investment Portfolio does not include Member Fund and Transition Account assets that totaled \$31.1 million at quarter-end, which had not yet been invested in the IPOPIF Investment Portfolio.

<sup>2</sup>The Broad-Based Policy Index represents a passively invested 70/30 global stock/bond portfolio.

<sup>3</sup>IPOPIF has implemented a short-term asset allocation, which is primarily passively invested in public markets. IPOPIF is currently in the process of moving toward its long-term asset allocation, including active management and private market assets. The private markets program will take several years to implement, given the deliberate pace with which private markets investments are funded.

# Investment Landscape

# 1<sup>st</sup> quarter summary

## THE ECONOMIC CLIMATE

- Real GDP increased at a 2.7% rate in the fourth quarter (0.9% growth year-over-year). The U.S. economy was supported by mild but positive growth across most aspects of activity.
- Unemployment continued to suggest a strong labor market, unchanged at 3.5% in March. Widespread layoffs in the technology sector have captured headlines, though the sector makes up a rather small segment of overall jobs. The labor participation rate is showing positive signs as workers who had left the job market during the pandemic are once again seeking employment.

## PORTFOLIO IMPACTS

- The U.S. inflation picture continued to improve. March headline CPI came in at 5.0% year-over-year—the lowest since Q2 2021. Core inflation remained stubbornly high at 5.6% year-over-year. Many of the goods and services that initially contributed to high inflation, such as used cars, food, and energy, have moderated in price.
- U.S. real (inflation-adjusted) personal consumption expenditures were modest in February at 2.5% growth year-over-year. Household purchases of services continued to climb, while goods purchases remained flat. During the pandemic, an unprecedented surge in spending on goods occurred to the detriment of services. It appears that trend has now normalized.

## THE INVESTMENT CLIMATE

- U.S. yield curve inversion reached even more extreme levels during Q1. The 10-year 2-year yield spread (short-term interest rates being higher than long-term interest rates) reached ~107 bps on March 8<sup>th</sup>. Inversion has historically preceded recession.
- Silicon Valley Bank (SVB) failed and was transitioned to government ownership on March 10<sup>th</sup>. SVB is among the top 20 largest banks in the United States with approximately 1% of all U.S. domestic bank deposits. In the near-term, sentiment seems to have been shored up by backstops from the Federal Reserve, Treasury, and FDIC, though we are watching conditions closely.

## ASSET ALLOCATION ISSUES

- Global equities delivered another strong quarter in Q1 (MSCI ACWI +7.3%). A variety of risks are stacking up that could weigh on additional gains, including potential recession in many markets, persistent inflation problems, and tightening credit conditions.
- U.S. growth stocks delivered strong outperformance in the first quarter (Russell 1000 Growth +14.4% vs. Russell 1000 Value +1.0%), effectively reversing value's rally in Q4 2022. This divergence in style behavior appears to be, once again, mostly a result of relative sector returns. Information technology led the index +21.8% over the quarter, while energy (-4.7%) and financials (-5.6%) were laggards.

Markets performed well in Q1, further recovering from the losses of 2022

Recession risk, banking stress, and stubborn inflation may create difficulties going forward

# What drove the market in Q1?

## “U.S. Inflation Eases but Stays High, Putting Fed in a Tough Spot”

### HEADLINE CONSUMER PRICE INFLATION (YEAR-OVER-YEAR)

Oct	Nov	Dec	Jan	Feb	Mar
7.7%	7.1%	6.5%	6.4%	6.0%	5.0%

Article Source: AP, March 14<sup>th</sup>, 2023

## “U.S. Bank Failures Pose Risk to Global Growth”

### FDIC UNREALIZED GAINS (LOSSES) ON BANK’S INVESTMENT SECURITIES

Q3 21	Q4 21	Q1 22	Q2 22	Q3 22	Q4 22
\$29.4B	(\$7.9B)	(\$293.7B)	(\$469.7B)	(\$689.9B)	(\$620.4B)

Article Source: Wall Street Journal, March 26<sup>th</sup>, 2023

## “Federal Reserve’s Path is Murkier After Bank Blowup”

### FED FUNDS FUTURES PEAK IMPLIED RATE (MONTH END)

Oct	Nov	Dec	Jan	Feb	Mar
4.98%	4.92%	4.97%	4.92%	5.42%	4.95%

Article Source: The New York Times, March 13<sup>th</sup>, 2023

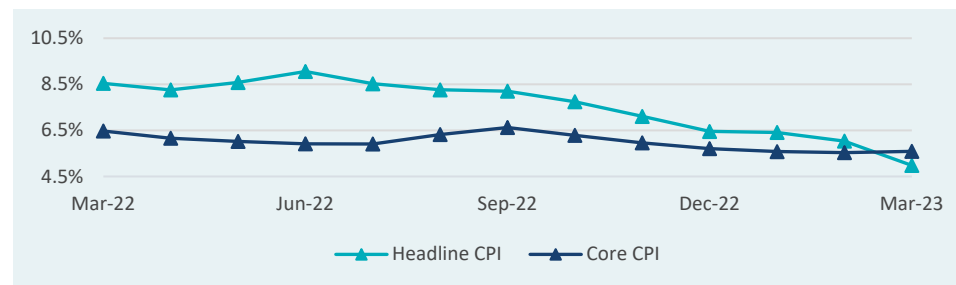
## “Fed Hikes Interest Rates 25 Basis Points in March 2023”

### FED FUNDS TARGET RATE – UPPER BOUND

Q4 21	Q1 22	Q2 22	Q3 22	Q4 22	Q1 23
0.25%	0.50%	1.75%	3.25%	4.50%	5.00%

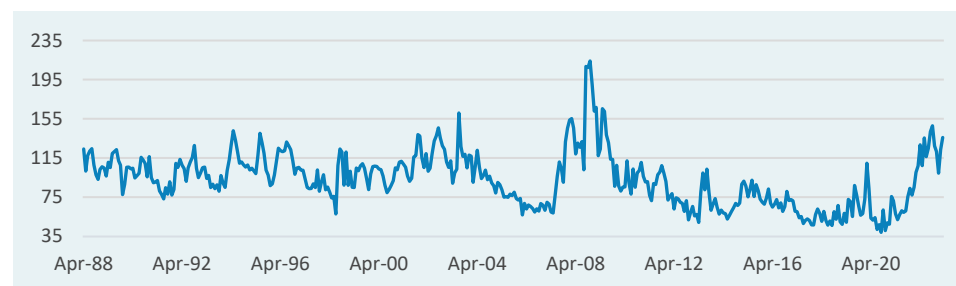
Article Source: Bloomberg, March 22<sup>nd</sup>, 2023

## U.S. HEADLINE VS. CORE INFLATION (YEAR-OVER-YEAR)



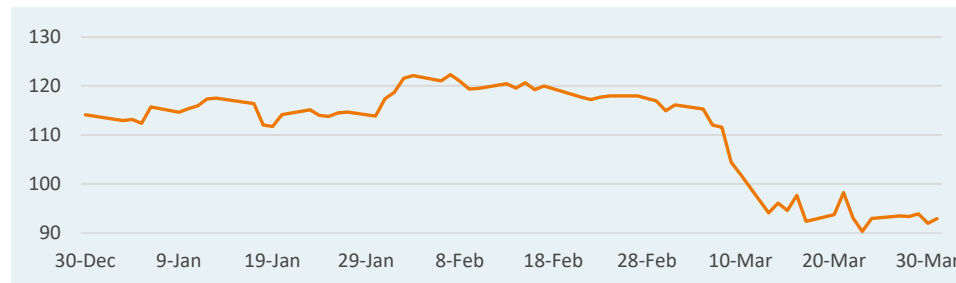
Source: BLS, as of 3/31/23

## U.S. TREASURIES IMPLIED VOLATILITY (ICE BOFA MOVE INDEX)



Source: Bloomberg, as of 3/31/23

## KBW REGIONAL BANKING INDEX



Source: Bloomberg, as of 3/31/23



# U.S. economics summary

- Real GDP increased at a 2.7% rate in the fourth quarter (0.9% year-over-year). The U.S. economy in Q4 was supported by mild but positive growth across most aspects of activity. First quarter GDP is expected to come in at 2.2%, according to the Atlanta Fed GDPNow forecast, as of April 10<sup>th</sup>.
- The inflation picture improved further. March headline inflation came in at 5.0% year-over-year—the lowest since Q2 2021. Core inflation has remained stubbornly high at 5.6% year-over-year. Many of the goods and services prices that initially contributed to high inflation have moderated or fallen.
- U.S. real personal consumption expenditures were modest in February at 2.5% year-over-year. Household purchases of services continued to climb, while goods purchases were flat. Purchasing trends around goods and services appear to have normalized for the first time since the pandemic.
- Although hiring activity may be slowing and layoffs are occurring in places, the labor participation rate is rebounding as workers who had left the job market during the pandemic are once again seeking employment.
- Consumer sentiment remained weak in Q1. According to the University of Michigan, households increasingly expect a recession in the near-term, especially lower income and younger Americans. Inflation fears have reportedly subsided, with expectations for 3.6% inflation over the next year.
- The U.S. housing market has faced a harsh winter season, as high prices and a significant jump in mortgage interest rates severely crimped demand. Existing home sales are as weak as during the lows of 2009-2011 following the U.S. housing bubble.

	Most Recent	12 Months Prior
Real GDP (YoY)	0.9% 12/31/22	5.7% 12/31/21
Inflation (CPI YoY, Core)	5.6% 3/31/23	8.5% 3/31/22
Expected Inflation (5yr-5yr forward)	2.2% 3/31/23	2.4% 3/31/22
Fed Funds Target Range	4.75% – 5.00% 3/31/23	0.25% – 0.50% 3/31/22
10-Year Rate	3.47% 3/31/23	2.34% 3/31/22
U-3 Unemployment	3.5% 3/31/23	3.6% 3/31/22
U-6 Unemployment	6.7% 3/31/23	6.9% 3/31/22

# Inflation

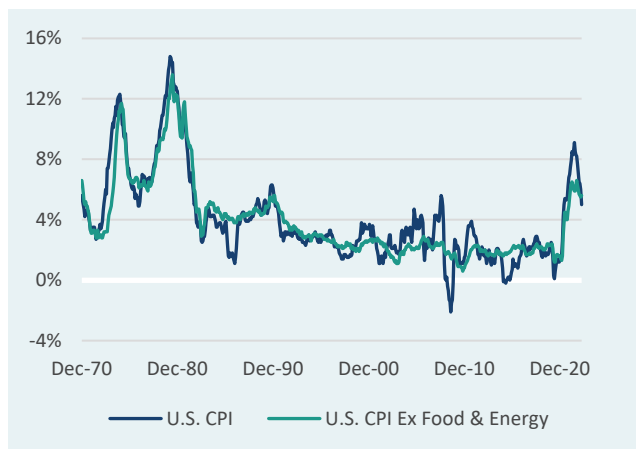
The inflation picture further improved in the United States, as both headline and core inflation figures declined further. March headline inflation came in at 5.0% year-over-year—the lowest since Q2 of 2021. Core inflation has remained stubbornly high at 5.6% year-over-year in March. Many of the goods and services that initially contributed to high inflation, such as used cars, food, and energy, have moderated or are falling in price. Shelter costs remain the largest single driver of inflation. Recent output cuts in oil production by OPEC+ members could reignite some inflation in energy and transportation costs—these effects will be important to watch in the coming months.

U.S. hourly wage gains continued to decelerate during the quarter—now at only a 4.2% year-over-year growth rate. The possibility of persistently high wage increases has been a risk to the inflation story, as accelerating wages can sustain higher spending and therefore higher ongoing inflation. Now that wage growth has slowed, this risk is subsiding.

Overall, inflation (CPI) is very likely to fall to around 4% in Q2, for the technical reasons illustrated below. However, certain persistent monthly price pressures suggest that inflation may stabilize at this level rather than at the 1-2% inflation experienced throughout much of the 2010s.

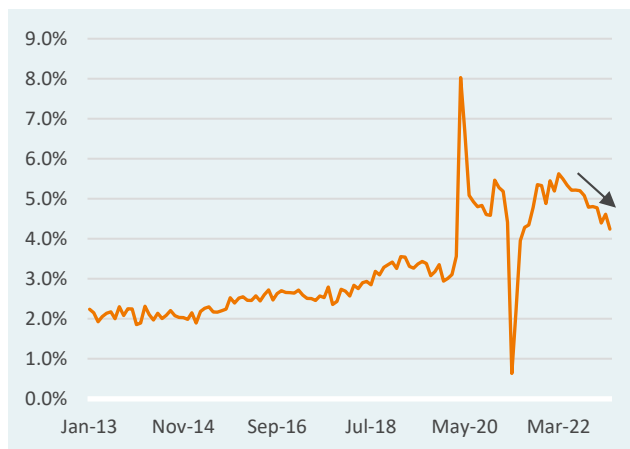
Persistent monthly Core CPI figures suggest inflation may stabilize at a level higher than the Fed's target

U.S. CPI (YOY)



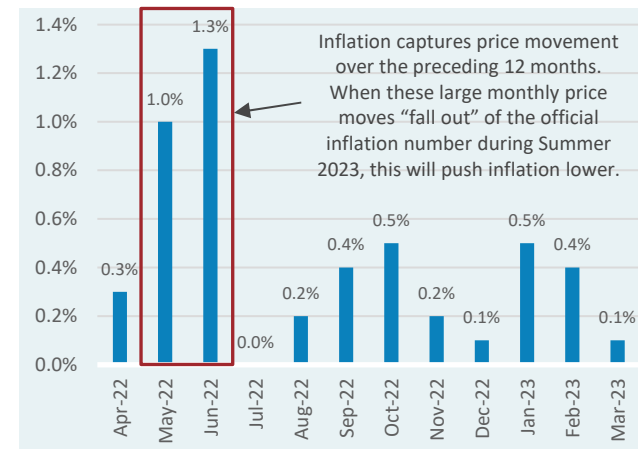
Source: BLS, as of 3/31/23

AVERAGE HOURLY EARNINGS



Source: BLS, as of 3/31/23

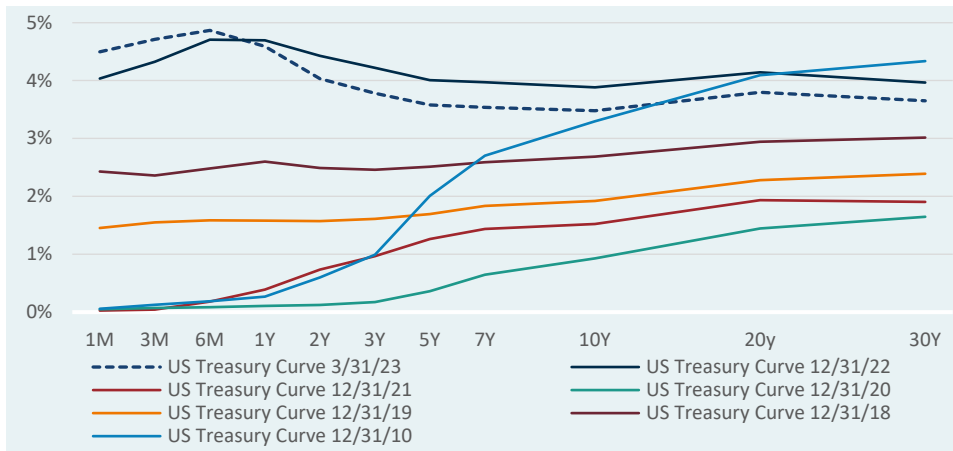
MONTHLY PRICE MOVEMENT



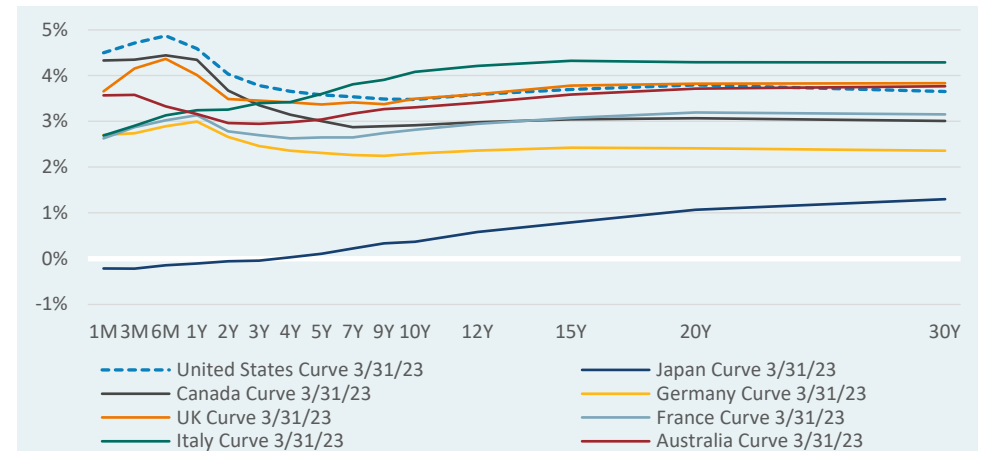
Source: BLS, as of 3/31/23

# Yield environment

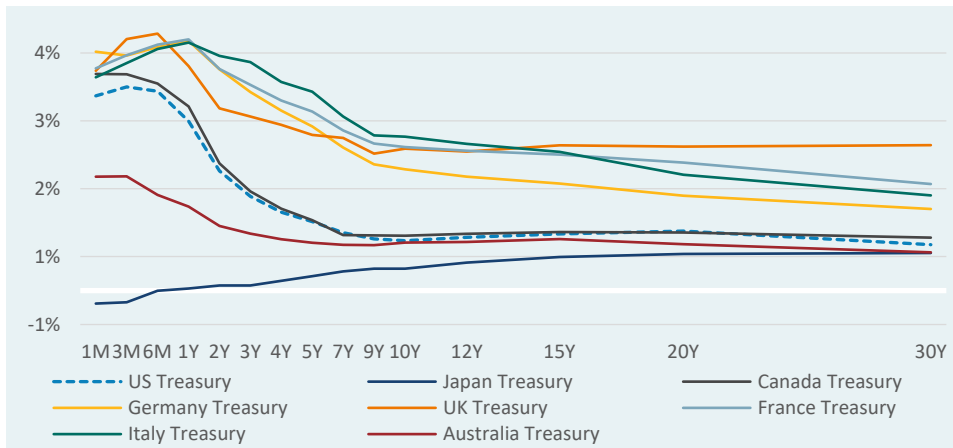
## U.S. YIELD CURVE



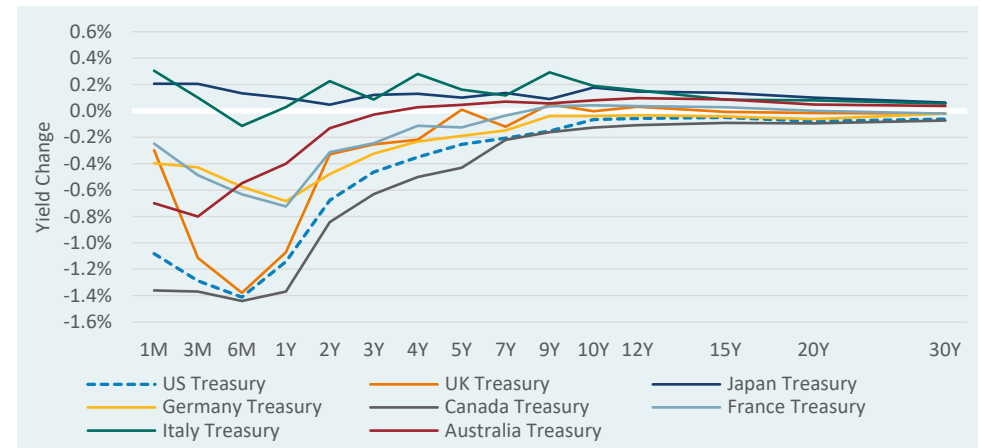
## GLOBAL GOVERNMENT YIELD CURVES



## YIELD CURVE CHANGES OVER LAST FIVE YEARS



## IMPLIED CHANGES OVER NEXT YEAR



Source: Bloomberg, as of 3/31/23

# Credit environment

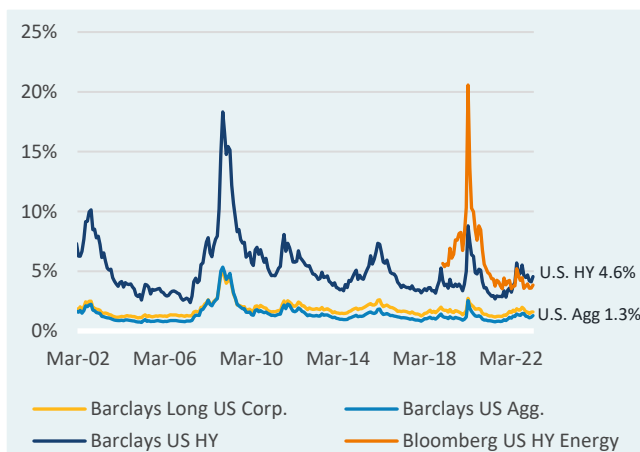
During the first quarter, fixed income markets delivered strong, positive returns despite concerns related to the banking sector and the potential for additional Fed rate hikes. High yield credit returns led the way with 3.6%, followed by 3.5% from investment grade credit and 3.3% from bank loans.

Within high yield bonds, unlike the performance witnessed during the fourth quarter where higher quality credit outperformed, performance was driven primarily by lower quality CCC-rated bonds. These bonds returned 5.1% during the quarter compared to 3.4% and 3.8% for B-rated and BB-rated bonds, respectively. Bank loan performance was

driven primarily by continued strong demand from CLOs.

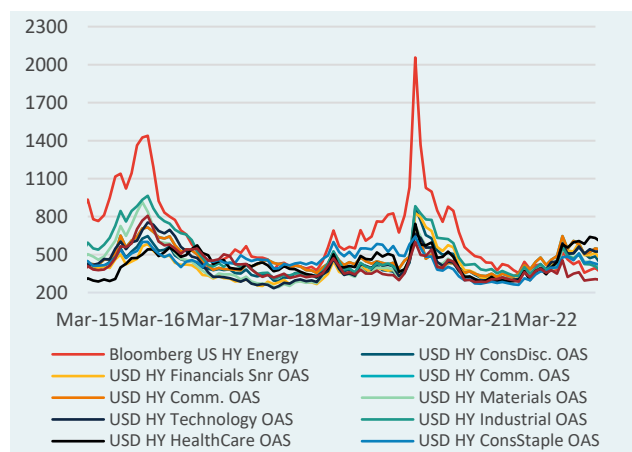
Credit spreads widened with investment grade spreads rising 0.10% to 1.4% while high yield spreads rose by 0.30% to 4.6%. Despite the jump, credit spreads remain below their long-term averages, which suggests that investors remain positive on the health of the market. However, should the economy begin to slow, credit spreads could move wider from here.

## SPREADS



Source: Barclays, Bloomberg, as of 3/31/23

## HIGH YIELD SECTOR SPREADS (BPS)



Source: Bloomberg, as of 3/31/23

Market	Credit Spread (OAS)	
	3/31/23	3/31/22
Long U.S. Corp	1.6%	1.6%
U.S. Inv Grade Corp	1.4%	1.2%
U.S. High Yield	4.6%	3.3%
U.S. Bank Loans*	5.6%	4.3%

Source: Barclays, Credit Suisse, Bloomberg, as of 3/31/23

\*Discount margin (4-year life)

# GDP growth

Real GDP increased at a 2.7% rate in the fourth quarter (0.9% growth year-over-year). The U.S. economy was supported by mild but positive growth across most aspects of activity. First quarter GDP is expected to come in at 2.2%, according to the Atlanta Fed GDPNow forecast, as of April 10<sup>th</sup>.

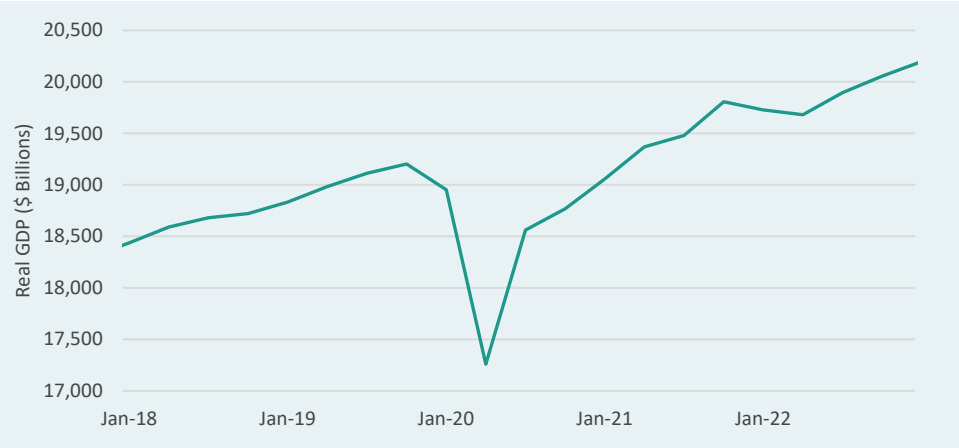
Consumer spending increased at a 2.1% annualized rate, boosted by spending on services but dragged lower by fewer goods purchases. Within services, healthcare and housing saw the largest gains. Private investment spending was fueled by manufacturing—primarily in traditional energy products, mining, utilities, and construction. With regard to government spending, increases were reportedly due to higher compensation of government employees

rather than on new projects or initiatives.

Investors remain undecided regarding whether the U.S. economy will enter recession in 2023. Economist forecasts suggest near-zero growth for most quarters this year, but with no recession. Either way, it is reasonable to assume very weak economic growth for the near-term. Furthermore, the failure of Silicon Valley Bank and ensuing stress on the financial sector has created new risks, as this stress will likely lead to a slowdown in traditional bank lending activity. If many banks reduce lending activity and increase lending standards, this may result in a material tightening of economic activity that compounds the existing effects of higher interest rates.

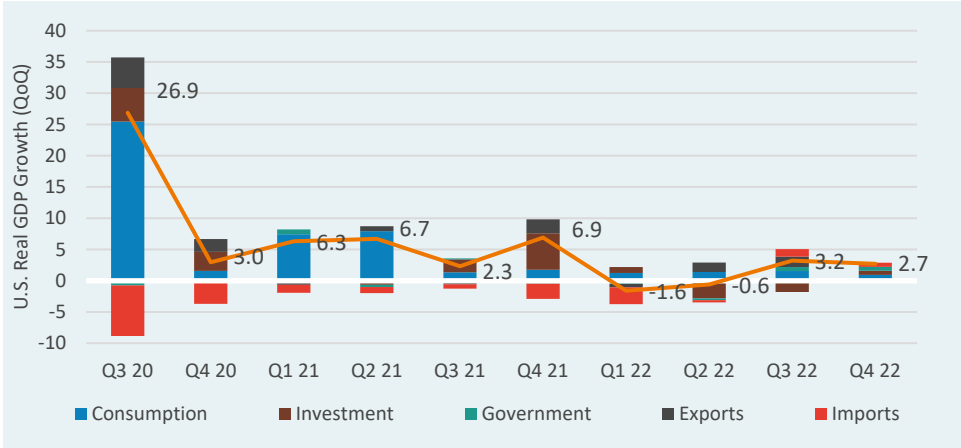
A tightening of bank lending raises the risks of an economic slowdown

**U.S. REAL GROSS DOMESTIC PRODUCT**



Source: FRED, as of 12/31/22

**U.S. REAL GDP COMPONENTS (QOQ)**



Source: FRED, as of 12/31/22

# Banking stress

Markets saw significant volatility in March, largely driven by failures within the banking system. We believe these bank failures were widely due to two factors:

First, the bank depositor base was very concentrated in certain lines of business. Silvergate and Signature Bank were both involved in the crypto-currency space (although neither of these banks held crypto-currency directly on their balance sheet). This space came under significant pressure after the crypto-currency exchange FTX and some other smaller firms declared bankruptcy. Silicon Valley Bank had a large exposure to the technology and U.S. venture space, where clients had a greater need to withdraw their cash deposits due to slowing

venture capital deployment and tighter economic conditions.

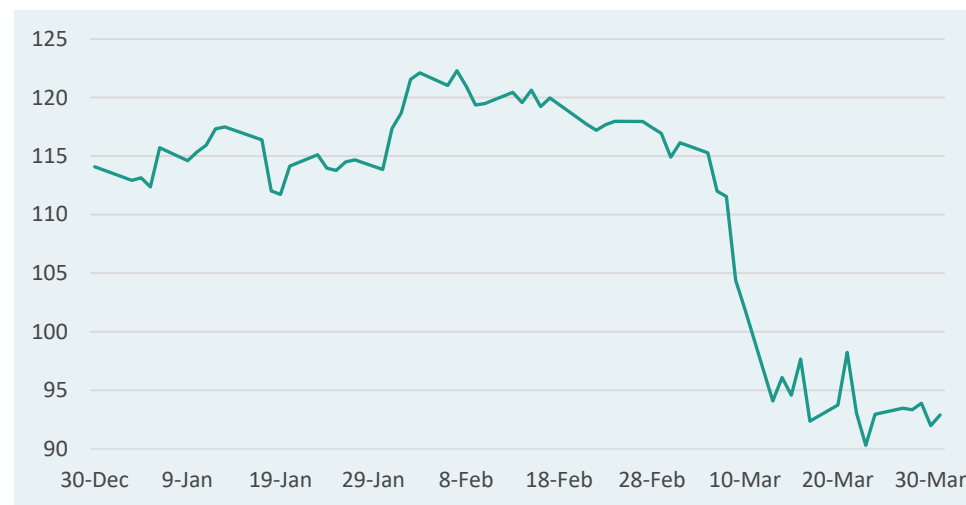
Second, bank assets were sharply devalued as interest rates rose quickly. The rapid rise in interest rates impacted assets such as Treasuries and mortgage-backed securities. In many cases, interest rate duration mismatch between bank assets and liabilities could arguably be attributed to a lack of risk management oversight. It is important to note that although these assets lost value very quickly, most assets are high quality with low default risk. This is a key differentiator from banking stress that occurred during the 2008-2009 Global Financial Crisis when banks held complex securitized assets—many of which turned out to be very low quality with high default risk.

## TIMELINE

Date	Event
March 8 <sup>th</sup>	Silvergate Bank announces it will be winding down operations
March 10 <sup>th</sup>	Silicon Valley Bank falls into FDIC receivership after a failed attempt to raise equity following large losses associated with a substantial sale of its Available-For-Sale securities portfolio
March 12 <sup>th</sup>	Signature Bank fails. The bank had a similar deposit base to Silvergate Bank, who rapidly pulled cash after previous failures
March 16 <sup>th</sup>	Eleven large banks deposit \$30B at First Republic Bank to shore up liquidity and improve confidence. First Republic's shares had tanked as investors feared contagion risks spreading to First Republic
March 19 <sup>th</sup>	The Swiss government announced the acquisition of Credit Suisse by rival UBS. The acquisition was in order to prevent CS from collapsing

Source: Verus, Bloomberg, as of 3/31/23

## KBW REGIONAL BANKING INDEX



# Detailed index returns

## DOMESTIC EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
<b>Core Index</b>							
S&P 500	3.7	7.5	7.5	(7.7)	18.6	11.2	12.2
S&P 500 Equal Weighted	(0.9)	2.9	2.9	(6.3)	22.1	10.0	11.4
DJ Industrial Average	2.1	0.9	0.9	(2.0)	17.3	9.0	11.1
Russell Top 200	4.9	8.7	8.7	(8.3)	18.4	11.9	12.8
Russell 1000	3.2	7.5	7.5	(8.4)	18.6	10.9	12.0
Russell 2000	(4.8)	2.7	2.7	(11.6)	17.5	4.7	8.0
Russell 3000	2.7	7.2	7.2	(8.6)	18.5	10.5	11.7
Russell Mid Cap	(1.5)	4.1	4.1	(8.8)	19.2	8.1	10.1
<b>Style Index</b>							
Russell 1000 Growth	6.8	14.4	14.4	(10.9)	18.6	13.7	14.6
Russell 1000 Value	(0.5)	1.0	1.0	(5.9)	17.9	7.5	9.1
Russell 2000 Growth	(2.5)	6.1	6.1	(10.6)	13.4	4.3	8.5
Russell 2000 Value	(7.2)	(0.7)	(0.7)	(13.0)	21.0	4.5	7.2

## INTERNATIONAL EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
<b>Broad Index</b>							
MSCI ACWI	3.1	7.3	7.3	(7.4)	15.4	6.9	8.1
MSCI ACWI ex US	2.4	6.9	6.9	(5.1)	11.8	2.5	4.2
MSCI EAFE	2.5	8.5	8.5	(1.4)	13.0	3.5	5.0
MSCI EM	3.0	4.0	4.0	(10.7)	7.8	(0.9)	2.0
MSCI EAFE Small Cap	(0.2)	4.9	4.9	(9.8)	12.1	0.9	5.9
<b>Style Index</b>							
MSCI EAFE Growth	5.3	11.1	11.1	(2.8)	10.9	4.9	6.0
MSCI EAFE Value	(0.3)	5.9	5.9	(0.3)	14.6	1.7	3.7
<b>Regional Index</b>							
MSCI UK	(0.6)	6.1	6.1	(0.8)	14.6	3.0	3.4
MSCI Japan	4.0	6.2	6.2	(5.2)	7.4	1.3	5.0
MSCI Euro	4.1	15.6	15.6	7.7	17.1	3.9	6.0
MSCI EM Asia	3.6	4.8	4.8	(9.4)	7.1	0.1	4.2
MSCI EM Latin American	0.8	3.9	3.9	(11.1)	18.1	(1.8)	(1.9)

## FIXED INCOME

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
<b>Broad Index</b>							
Bloomberg US TIPS	2.9	3.3	3.3	(6.1)	1.8	2.9	1.5
Bloomberg US Treasury Bills	0.4	1.1	1.1	2.5	0.8	1.4	0.9
Bloomberg US Agg Bond	2.5	3.0	3.0	(4.8)	(2.8)	0.9	1.4
Bloomberg US Universal	2.3	2.9	2.9	(4.6)	(2.0)	1.0	1.6
<b>Duration</b>							
Bloomberg US Treasury 1-3 Yr	1.6	1.6	1.6	0.2	(0.8)	1.1	0.8
Bloomberg US Treasury Long	4.7	6.2	6.2	(16.0)	(11.3)	(0.4)	1.5
Bloomberg US Treasury	2.9	3.0	3.0	(4.5)	(4.2)	0.7	0.9
<b>Issuer</b>							
Bloomberg US MBS	1.9	2.5	2.5	(4.9)	(3.3)	0.2	1.0
Bloomberg US Corp. High Yield	1.1	3.6	3.6	(3.3)	5.9	3.2	4.1
Bloomberg US Agency Interm	1.8	1.9	1.9	(1.1)	(1.6)	0.9	0.9
Bloomberg US Credit	2.7	3.5	3.5	(5.3)	(0.7)	1.5	2.2

## OTHER

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
<b>Index</b>							
Bloomberg Commodity	(0.2)	(5.4)	(5.4)	(12.5)	20.8	5.4	(1.7)
Wilshire US REIT	(2.6)	3.2	3.2	(21.3)	11.0	5.7	5.9
CS Leveraged Loans	(0.1)	3.1	3.1	2.1	8.4	3.5	3.9
S&P Global Infrastructure	2.4	3.9	3.9	(3.5)	15.6	5.9	6.4
Alerian MLP	(0.7)	3.4	3.4	13.9	46.3	6.9	0.6
<b>Regional Index</b>							
JPM EMBI Global Div	1.0	1.9	1.9	(6.9)	(0.0)	(0.6)	2.0
JPM GBI-EM Global Div	4.1	5.2	5.2	(0.7)	0.9	(2.4)	(1.5)
<b>Hedge Funds</b>							
HFRI Composite	(0.8)	1.2	1.2	(2.1)	10.5	4.7	4.4
HFRI FOF Composite	0.1	1.6	1.6	(1.1)	7.5	3.3	3.3
<b>Currency (Spot)</b>							
Euro	2.5	1.8	1.8	(2.4)	(0.3)	(2.5)	(1.7)
Pound Sterling	2.1	2.8	2.8	(6.1)	(0.1)	(2.5)	(2.0)
Yen	2.4	(0.9)	(0.9)	(8.8)	(6.7)	(4.4)	(3.4)

Source: Morningstar, HFRI, as of 3/31/23.

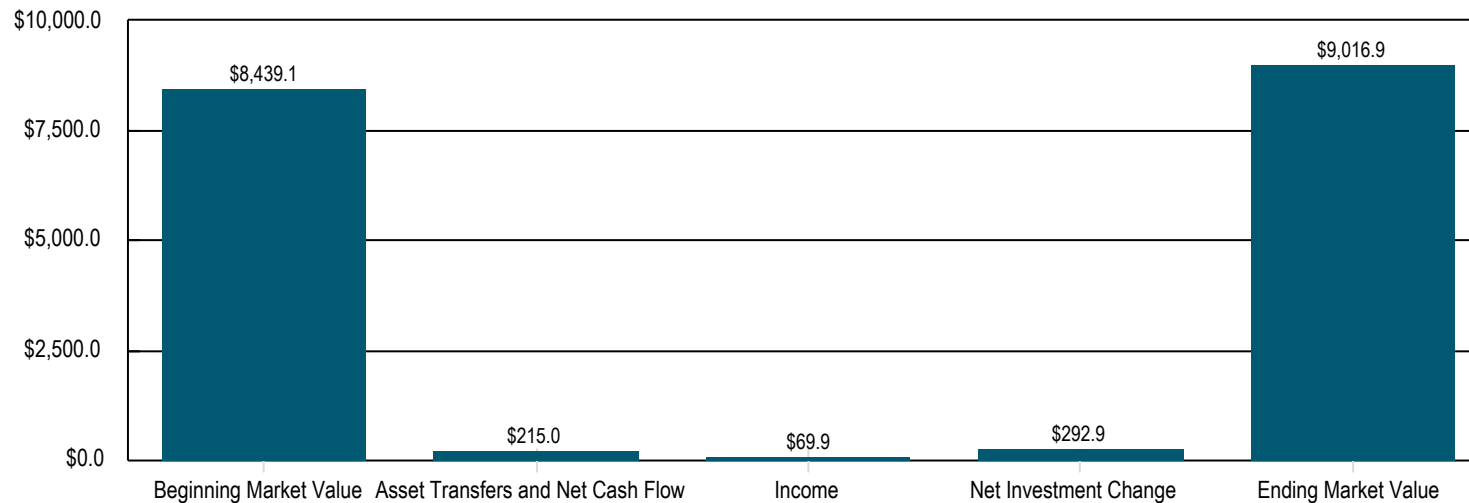
# Investment Performance



Portfolio Reconciliation

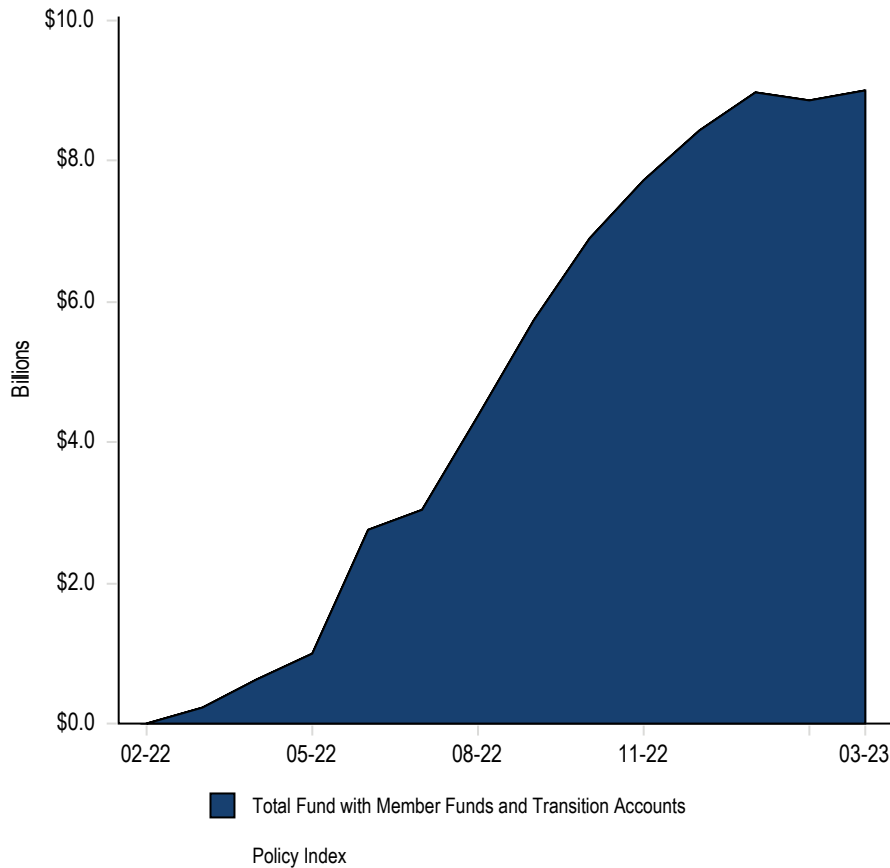
	Quarter-To-Date	Fiscal Year-To-Date
Beginning Market Value	\$8,439,123,835	\$2,746,308,452
Asset Transfers and Net Cash Flow	\$215,044,516	\$5,877,398,131
Income	\$69,928,844	\$145,862,273
Net Investment Change	\$292,851,647	\$247,379,985
Ending Market Value	\$9,016,924,151	\$9,016,924,151

Change in Market Value  
Last Three Months

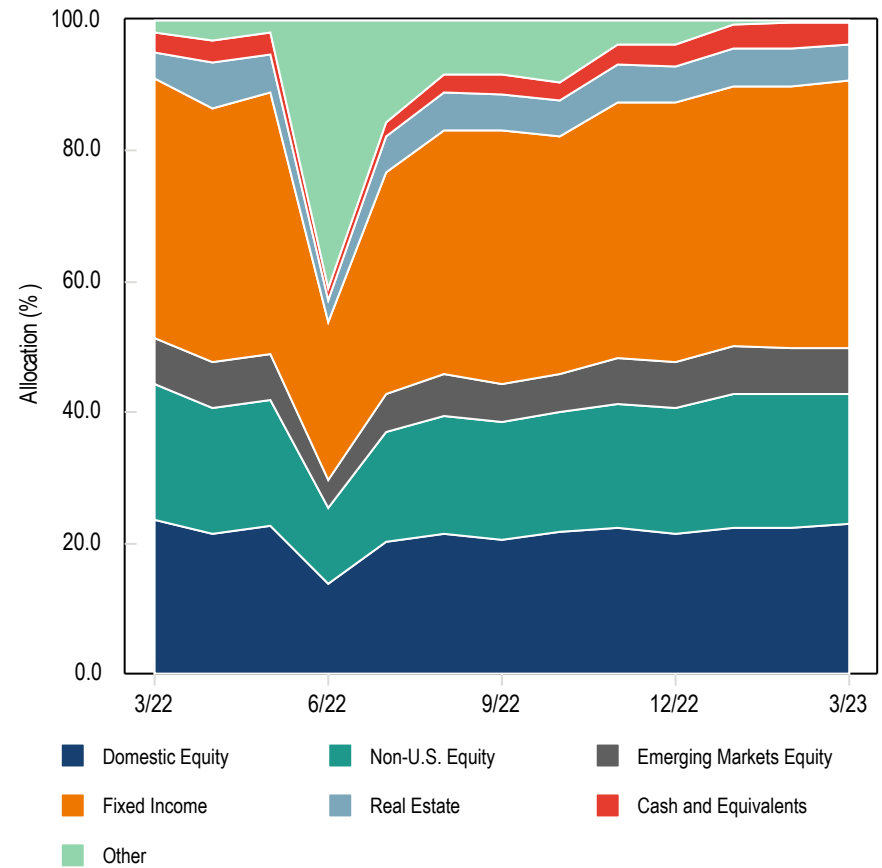


The portfolio reconciliation includes the Member Funds and Transition Account. Income excludes Member Funds and Transition Account. Income is calculated using the actual dividend and income received from separate accounts and estimated income and dividends for commingled funds. The income and dividends for RhumbLine Russell 1000 Index, RhumbLine Russell 2000 Index, SSgA US TIPS Index and Cash are sourced from State Street custodial reports. The income and dividends for the SSGA commingled funds are an estimate based on the current yield for bond funds and the dividend yield for equity funds. SSGA can use dividend and income to cover fund expenses, so the actual income that flows to the IPOPIF may be different than reported. Income for the Principal RE fund is based on a monthly income spreadsheet received from Principal via email.

Market Value History



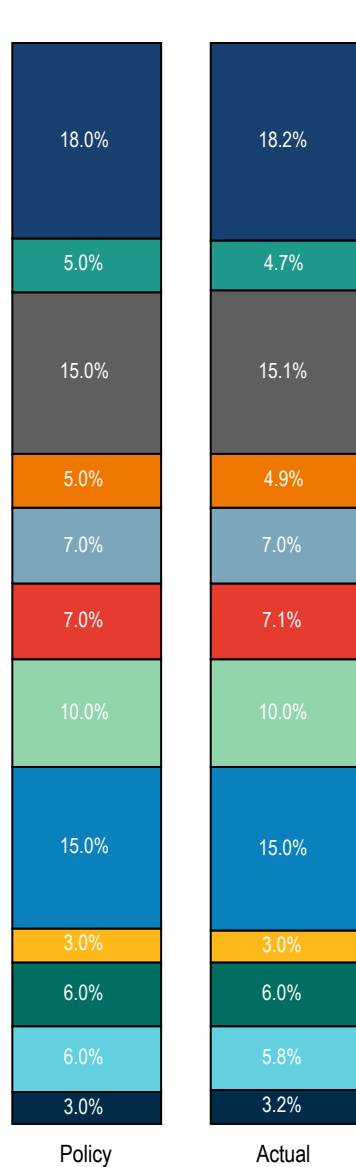
Asset Allocation History



\*Market value and asset class history includes Transition Accounts and Member Funds as represented by the Other category in the asset allocation history chart. The large allocation to the Other Category for 6/22 reflects assets in transition associated with the 6/24/22 Transfer Date.

IPOPIF Investment Portfolio  
Asset Allocation vs. Policy

Illinois Police Officers' Pension Investment Fund  
Period Ending: March 31, 2023



	Current Balance (\$)	Current Allocation (%)	Policy Allocation (%)	Excess Allocation (%)	Excess Allocation (\$)	Policy Range (%)	Within IPS Range?
Domestic Equity Large Cap	1,634,473,270	18.2	18.0	0.2	17,027,634	16.0 - 20.0	Yes
Domestic Equity Small Cap	425,256,624	4.7	5.0	-0.3	-24,033,830	4.0 - 6.0	Yes
International Equity Large Cap	1,354,428,782	15.1	15.0	0.1	6,557,419	13.0 - 17.0	Yes
International Equity Small Cap	443,433,194	4.9	5.0	-0.1	-5,857,260	4.0 - 6.0	Yes
Emerging Markets Equity	630,311,503	7.0	7.0	0.0	1,304,867	6.0 - 8.0	Yes
Domestic Fixed Income Core	637,599,953	7.1	7.0	0.1	8,593,317	6.0 - 8.0	Yes
Domestic Fixed Income High Yield	895,381,257	10.0	10.0	0.0	-3,199,652	9.0 - 11.0	Yes
Domestic Fixed Income Short Term	1,350,576,692	15.0	15.0	0.0	2,705,329	14.0 - 16.0	Yes
Domestic Fixed Income Real Return	271,260,172	3.0	3.0	0.0	1,685,899	2.5 - 3.5	Yes
Emerging Markets Fixed Income	536,818,786	6.0	6.0	0.0	-2,329,759	5.0 - 7.0	Yes
Real Estate	518,290,293	5.8	6.0	-0.2	-20,858,252	5.0 - 7.0	Yes
Cash and Equivalents	287,978,562	3.2	3.0	0.2	18,404,289	0.0 - 5.0	Yes
<b>Total</b>	<b>8,985,809,088</b>	<b>100.0</b>	<b>100.0</b>	<b>0.0</b>			

Asset Allocation reflects short-term policy targets and excludes the Transition Account and Member Funds.

Total Fund  
Executive Summary (Net of Fees)

Illinois Police Officers' Pension Investment Fund  
Period Ending: March 31, 2023

	Market Value	% of Portfolio	3 Mo	Fiscal YTD	1 Yr
<b>Total Fund with Member Funds and Transition Accounts</b>	<b>9,016,924,151</b>	<b>100.0</b>	<b>4.3</b>	<b>5.3</b>	<b>-4.9</b>
<i>Policy Index</i>			4.3	5.6	-5.3
<i>Policy Index- Broad Based</i>			5.8	7.0	-7.6
<b>IPOPIF Investment Portfolio</b>	<b>8,985,809,088</b>	<b>99.7</b>	<b>4.3</b>	<b>6.0</b>	<b>-5.1</b>
<i>Policy Index</i>			4.3	5.6	-5.3
<i>Policy Index- Broad Based</i>			5.8	7.0	-7.6
<b>Growth</b>	<b>4,487,903,373</b>	<b>49.8</b>	<b>6.5</b>	<b>9.7</b>	<b>-7.2</b>
<i>Growth Benchmark</i>			6.4	8.8	-7.6
<b>Income</b>	<b>1,432,200,043</b>	<b>15.9</b>	<b>3.0</b>	<b>6.2</b>	<b>-6.3</b>
<i>Income Benchmark</i>			2.9	6.5	-4.0
<b>Inflation Protection</b>	<b>789,550,465</b>	<b>8.8</b>	<b>1.1</b>	<b>-3.2</b>	<b>-8.1</b>
<i>Inflation Protection Benchmark</i>			1.5	-2.2	-10.2
<b>Risk Mitigation</b>	<b>2,276,155,207</b>	<b>25.2</b>	<b>2.0</b>	<b>0.9</b>	<b>-0.9</b>
<i>Risk Mitigation Benchmark</i>			1.9	0.8	-0.9
Transition Accounts	31,110,292	0.3			
Member Accounts	4,771	0.0			

Total Fund  
Executive Summary (Net of Fees)

Illinois Police Officers' Pension Investment Fund  
Period Ending: March 31, 2023

	Market Value	% of Portfolio	3 Mo	Fiscal YTD	1 Yr
<b>Total Fund with Member Funds and Transition Accounts</b>	<b>9,016,924,151</b>	<b>100.0</b>	<b>4.3</b>	<b>5.3</b>	<b>-4.9</b>
<i>Policy Index</i>			4.3	5.6	-5.3
<i>Policy Index- Broad Based</i>			5.8	7.0	-7.6
<i>All Public Plans &gt; \$1B-Total Fund Rank</i>			25	28	64
<b>IPOPIF Investment Portfolio</b>	<b>8,985,809,088</b>	<b>99.7</b>	<b>4.3</b>	<b>6.0</b>	<b>-5.1</b>
<i>Policy Index</i>			4.3	5.6	-5.3
<i>Policy Index- Broad Based</i>			5.8	7.0	-7.6
<i>All Public Plans &gt; \$1B-Total Fund Rank</i>			24	15	71
<b>Growth</b>	<b>4,487,903,373</b>	<b>49.8</b>	<b>6.5</b>	<b>9.7</b>	<b>-7.2</b>
<i>Growth Benchmark</i>			6.4	8.8	-7.6
RhumbLine Russell 1000 Index	1,634,473,270	18.1	7.5	9.9	-8.6
<i>Russell 1000 Index</i>			7.5	9.9	-8.4
<i>eV US Large Cap Core Equity Rank</i>			22	33	74
RhumbLine Russell 2000 Index	425,256,624	4.7	2.7	6.7	-11.9
<i>Russell 2000 Index</i>			2.7	6.8	-11.6
<i>eV US Small Cap Core Equity Rank</i>			73	74	86
SSgA Non-US Developed Index	1,354,428,782	15.0	8.1	14.2	-2.3
<i>MSCI World ex U.S. (Net)</i>			8.0	14.0	-2.7
<i>eV EAFE Core Equity Rank</i>			42	34	42
SSgA Non-US Developed SC Index	443,433,194	4.9	5.0	9.7	-9.8
<i>MSCI World ex U.S. Small Cap Index (Net)</i>			5.0	9.5	-10.1
<i>eV EAFE Small Cap Core Rank</i>			78	67	77
SSgA Emerging Markets Equity Index	630,311,503	7.0	4.1	0.9	-9.7
<i>MSCI Emerging Markets (Net)</i>			4.0	0.8	-10.7
<i>eV Emg Mkts Equity Rank</i>			66	78	55
<b>Income</b>	<b>1,432,200,043</b>	<b>15.9</b>	<b>3.0</b>	<b>6.2</b>	<b>-6.3</b>
<i>Income Benchmark</i>			2.9	6.5	-4.0
SSgA High Yield Corporate Credit	895,381,257	9.9	3.7	7.0	-4.3
<i>Bloomberg U.S. High Yield Very Liquid Ind</i>			3.8	7.4	-3.9
<i>eV US High Yield Fixed Inc Rank</i>			25	43	77
SSgA EMD Hard Index Fund	536,818,786	6.0	1.9	4.6	-9.0
<i>JPM EMBI Global Diversified Index</i>			1.9	5.1	-7.6
<i>Emerging Markets Bond Rank</i>			50	77	91

Policy Index constituents include 3% 90 day T-bill, 15% Bloomberg 1-3 Year Gov/Credit Index, 7% Bloomberg U.S. Aggregate Index, 3% Bloomberg U.S. TIPS 0-5 Year, 10% Bloomberg U.S. Corporate High Yield Index, 6% JPM EMBI Global Diversified, 18% Russell 1000, 5% Russell 2000, 15% MSCI World Ex US (Net), 5% MSCI World Ex US Small Cap (Net), 7% MSCI Emerging Markets (Net), 4% Wilshire US REIT Index and 2% NFI-ODCE Equal Weight. Broad Based Policy Index constituents: 70% MSCI ACWI IMI (Net), 30% Bloomberg Global Multiverse. Principal USPA does not show a Since 4/1/2022 return because the fund was inception on 4/6/2022.

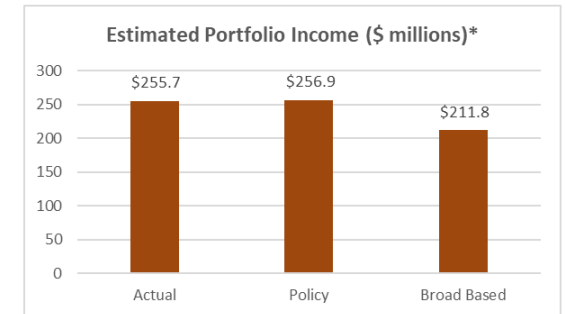
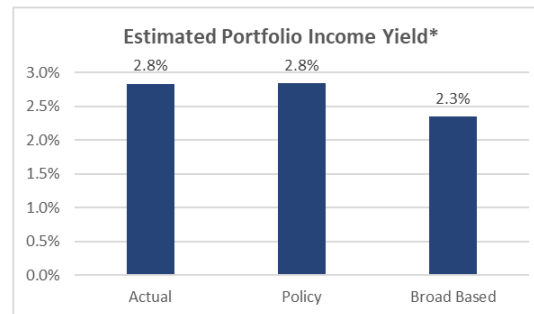
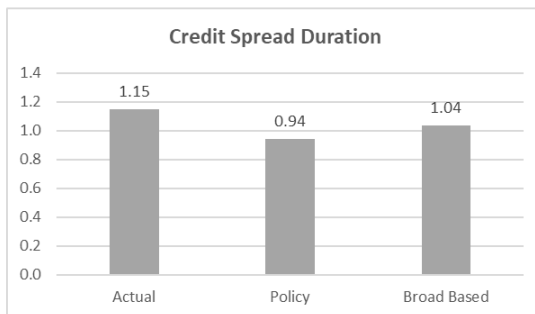
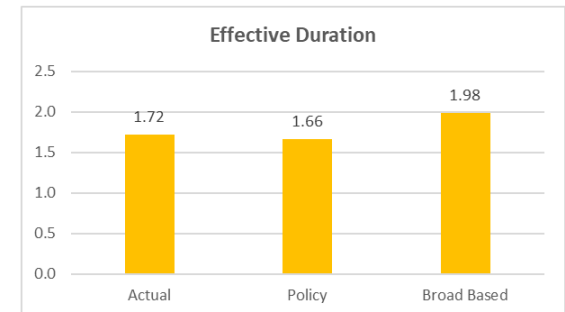
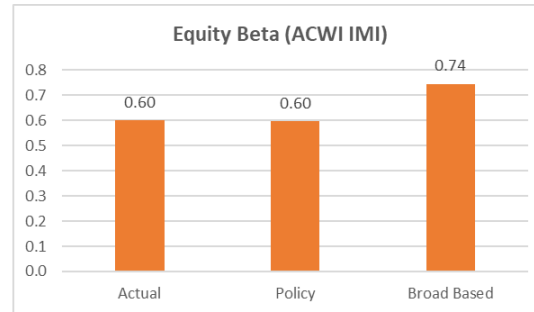
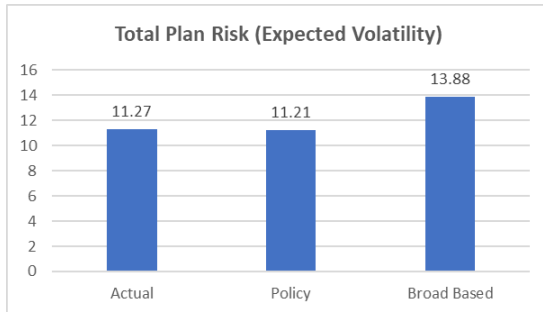
Total Fund  
Executive Summary (Net of Fees)

Illinois Police Officers' Pension Investment Fund  
Period Ending: March 31, 2023

	Market Value	% of Portfolio	3 Mo	Fiscal YTD	1 Yr
<b>Inflation Protection</b>	<b>789,550,465</b>	<b>8.8</b>	<b>1.1</b>	<b>-3.2</b>	<b>-8.1</b>
<i>Inflation Protection Benchmark</i>			1.5	-2.2	-10.2
SSgA US TIPS Index	271,260,172	3.0	2.2	0.6	-0.8
<i>Blmbg. U.S. TIPS 0-5 Year</i>			2.2	0.8	-0.3
<i>eV US TIPS / Inflation Fixed Inc Rank</i>			92	27	1
SSgA REITs Index	342,064,940	3.8	2.8	-3.5	-21.0
<i>Dow Jones U.S. Select REIT</i>			2.8	-3.5	-21.0
<i>eV US REIT Rank</i>			53	36	75
Principal USPA	176,225,353	2.0	-3.2	-8.8	-
<i>NCREIF ODCE</i>			-3.4	-8.1	-3.9
<b>Risk Mitigation</b>	<b>2,276,155,207</b>	<b>25.2</b>	<b>2.0</b>	<b>0.9</b>	<b>-0.9</b>
<i>Risk Mitigation Benchmark</i>			1.9	0.8	-0.9
SSgA Core Fixed Income Index	637,599,953	7.1	3.2	-0.1	-4.9
<i>Blmbg. U.S. Aggregate Index</i>			3.0	-0.1	-4.8
<i>eV US Core Fixed Inc Rank</i>			36	70	55
SSgA Short-Term Gov't/Credit Index	1,350,576,692	15.0	1.6	1.0	0.3
<i>Blmbg. 1-3 Year Gov/Credit index</i>			1.5	0.9	0.3
<i>eV US Short Duration Fixed Inc Rank</i>			50	67	40
Cash	287,978,562	3.2	0.8	1.6	1.6
<i>90 Day U.S. Treasury Bill</i>			1.1	2.4	2.5
Transition Account	31,110,292	0.3			
Member Accounts	4,771	0.0			

Policy Index constituents include 3% 90 day T-bill, 15% Bloomberg 1-3 Year Gov/Credit Index, 7% Bloomberg U.S. Aggregate Index, 3% Bloomberg U.S. TIPS 0-5 Year, 10% Bloomberg U.S. Corporate High Yield Index, 6% JPM EMBI Global Diversified, 18% Russell 1000, 5% Russell 2000, 15% MSCI World Ex US (Net), 5% MSCI World Ex US Small Cap (Net), 7% MSCI Emerging Markets (Net), 4% Wilshire US REIT Index and 2% NFI-ODCE Equal Weight. Broad Based Policy Index constituents: 70% MSCI ACWI IMI (Net), 30% Bloomberg Global Multiverse. Principal USPA does not show a Since 4/1/2022 return because the fund was incepted on 4/6/2022.

Portfolio Characteristics



\*Income Yield and Income are estimated based on dividend yields and coupon rates applied to benchmark weights and does not include factors such as dividend re-investment rates.  
 Source: Barra One using index holdings as representative proxies

IPOPIF Investment Portfolio  
Investment Fund Fee Analysis

Illinois Police Officers' Pension Investment Fund  
Period Ending: March 31, 2023

Name	Asset Class	Vehicle Type	Market Value	% of Portfolio	Estimated Fee Value	Expense Fee (%)
RhumbLine Russell 1000 Index	Domestic Equity	Separate Account	\$1,634,473,270	18.1895	\$81,724	0.005
RhumbLine Russell 2000 Index	Domestic Equity	Separate Account	\$425,256,624	4.7325	\$21,263	0.005
SSgA Non-US Developed Index	Non-U.S. Equity	Commingled Fund	\$1,354,428,782	15.0730	\$216,709	0.016
SSgA Non-US Developed SC Index	Non-U.S. Equity	Commingled Fund	\$443,433,194	4.9348	\$70,949	0.016
SSgA Emerging Markets Equity Index	Emerging Markets Equity	Commingled Fund	\$630,311,503	7.0145	\$100,850	0.016
SSgA High Yield Corporate Credit	Fixed Income	Commingled Fund	\$895,381,257	9.9644	\$143,261	0.016
SSgA EMD Hard Index Fund	Fixed Income	Commingled Fund	\$536,818,786	5.9741	\$85,891	0.016
SSgA US TIPS Index	Fixed Income	Separate Account	\$271,260,172	3.0188	\$43,402	0.016
Principal USPA	Real Estate	Commingled Fund	\$176,225,353	1.9612	\$1,409,803	0.800
SSgA REITs Index	Real Estate	Commingled Fund	\$342,064,940	3.8067	\$54,730	0.016
SSgA Core Fixed Income Index	Fixed Income	Commingled Fund	\$637,599,953	7.0956	\$102,016	0.016
SSgA Short-Term Gov't/Credit Index	Fixed Income	Commingled Fund	\$1,350,576,692	15.0301	\$216,092	0.016
Cash	Cash and Equivalents	Commingled Fund	\$287,978,562	3.2048		
<b>IPOPIF Investment Portfolio</b>			<b>\$8,985,809,088</b>	<b>100.0000</b>	<b>\$2,546,689</b>	<b>0.028</b>

SSGA charges a flat 0.0155% fee through 2Q 2023 and an aggregate asset-based fee thereafter.

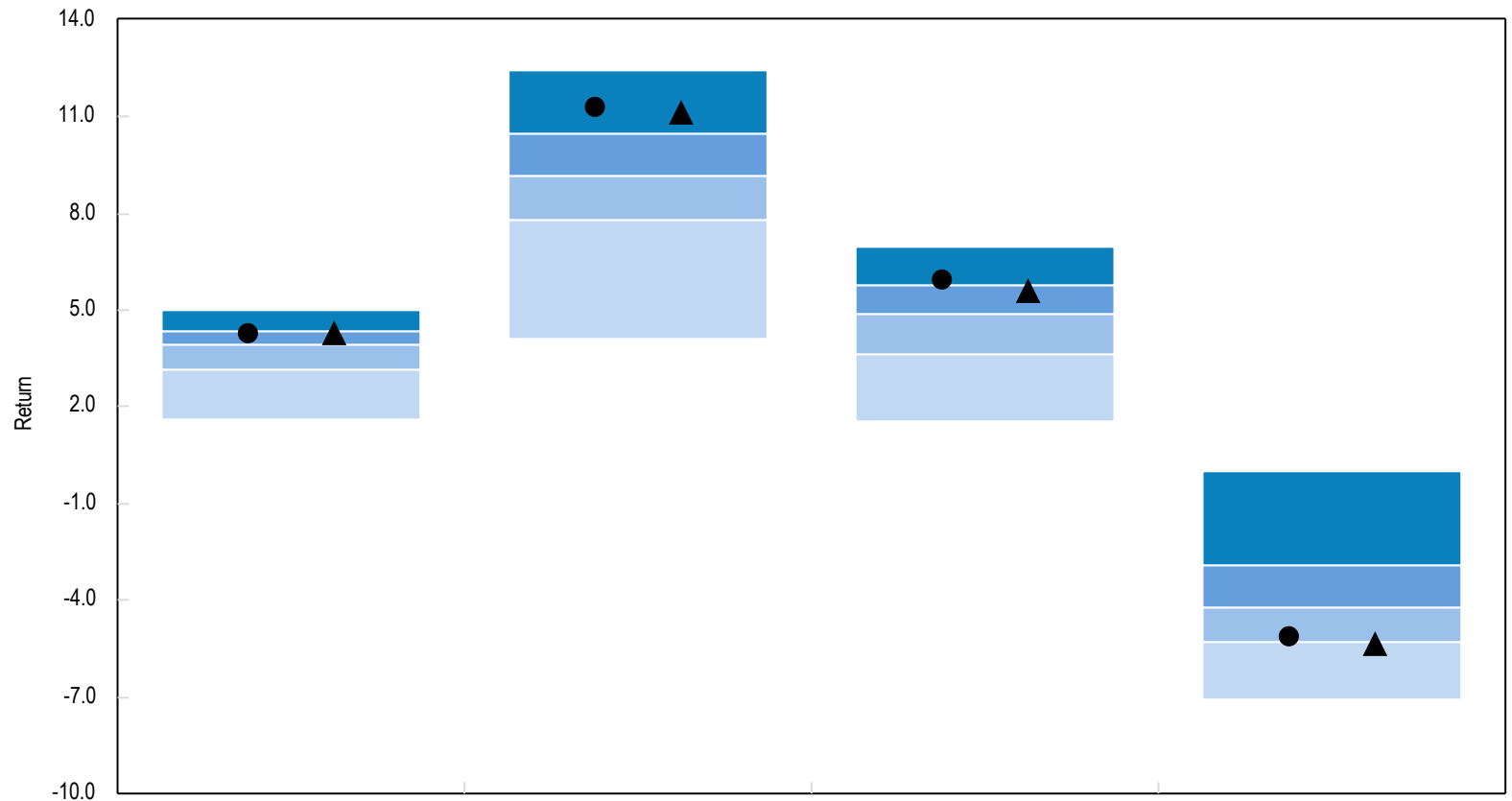


Total Fund  
Cash Flow by Manager - Last Three Months

Illinois Police Officers' Pension Investment Fund  
Period Ending: March 31, 2023

Name	Beginning Market Value	Contributions	Distributions	Net Cash Flows	Income	Net Investment Change	Ending Market Value
RhumbLine Russell 1000 Index	\$1,419,543,922	\$105,854,970	-	\$105,854,970	\$6,723,021	\$102,362,127	\$1,634,473,270
RhumbLine Russell 2000 Index	\$385,767,696	\$29,916,281	-	\$29,916,281	\$1,785,690	\$7,789,887	\$425,256,624
SSgA Non-US Developed Index	\$1,227,651,529	\$60,863,076	-\$33,000,000	\$27,863,076	\$10,333,594	\$88,581,613	\$1,354,428,782
SSgA Non-US Developed SC Index	\$409,690,499	\$20,588,897	-\$7,000,000	\$13,588,897	\$3,214,867	\$16,940,155	\$443,433,194
SSgA Emerging Markets Equity Index	\$579,104,090	\$28,482,621	-	\$28,482,621	\$3,880,343	\$18,846,192	\$630,311,503
SSgA High Yield Corporate Credit	\$814,479,099	\$50,869,469	-	\$50,869,469	\$14,245,627	\$15,787,654	\$895,381,257
SSgA EMD Hard Index Fund	\$499,100,060	\$28,693,521	-	\$28,693,521	\$9,116,937	-\$91,732	\$536,818,786
SSgA US TIPS Index	\$243,800,835	\$21,805,870	-	\$21,805,870	\$351,674	\$5,301,982	\$271,260,172
Principal USPA	\$177,550,286	\$4,452,423	-	\$4,452,423	\$1,738,053	-\$7,515,409	\$176,225,353
SSgA REITs Index	\$299,184,364	\$34,962,243	-	\$34,962,243	\$3,234,504	\$4,684,670	\$342,064,940
SSgA Core Fixed Income Index	\$573,459,757	\$45,673,492	-	\$45,673,492	\$4,692,819	\$13,775,547	\$637,599,953
SSgA Short-Term Gov't/Credit Index	\$1,227,903,318	\$102,528,651	-	\$102,528,651	\$7,880,878	\$12,267,557	\$1,350,576,692
Cash	\$267,346,893	\$167,388,282	-\$149,487,451	\$17,900,831	\$2,730,838	-	\$287,978,562
Transition Account	\$280,635,591	\$142,533,888	-\$403,992,632	-\$261,458,744	-	\$11,933,445	\$31,110,292
Member Accounts	\$33,905,897	\$91,614,714	-\$127,703,798	-\$36,089,084	-	\$2,187,959	\$4,771
<b>Total Fund with Member Funds and Transition Accounts</b>	<b>\$8,439,123,835</b>	<b>\$936,228,397</b>	<b>-\$721,183,881</b>	<b>\$215,044,516</b>	<b>\$69,928,844</b>	<b>\$292,851,647</b>	<b>\$9,016,924,151</b>

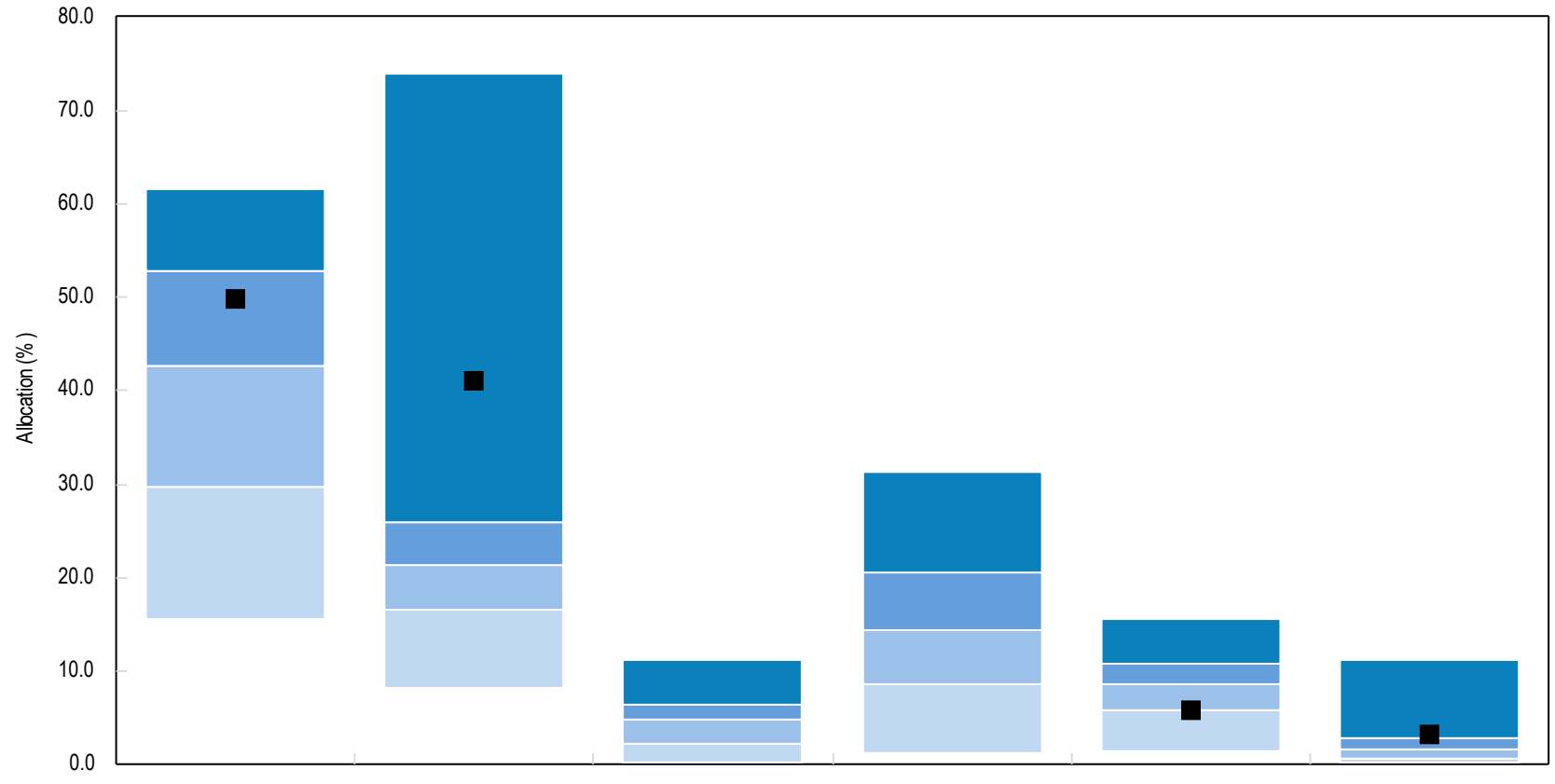
IPOPIF Investment Portfolio vs. All Public Plans > \$1B-Total Fund



	Quarter	2 Quarters	3 Quarters	1 Year
● IPOPIF Investment Portfolio	4.3 (29)	11.3 (15)	6.0 (24)	-5.1 (72)
▲ Policy Index	4.3 (28)	11.2 (20)	5.6 (33)	-5.3 (77)
5th Percentile	5.0	12.4	7.0	0.0
1st Quartile	4.4	10.5	5.8	-2.9
Median	3.9	9.2	4.9	-4.2
3rd Quartile	3.1	7.8	3.6	-5.3
95th Percentile	1.6	4.1	1.6	-7.1
Population	129	127	127	122

Parentheses contain percentile rankings. Performance shown for IPOPIF Investment Fund which excludes the Transition Account and Member Funds.

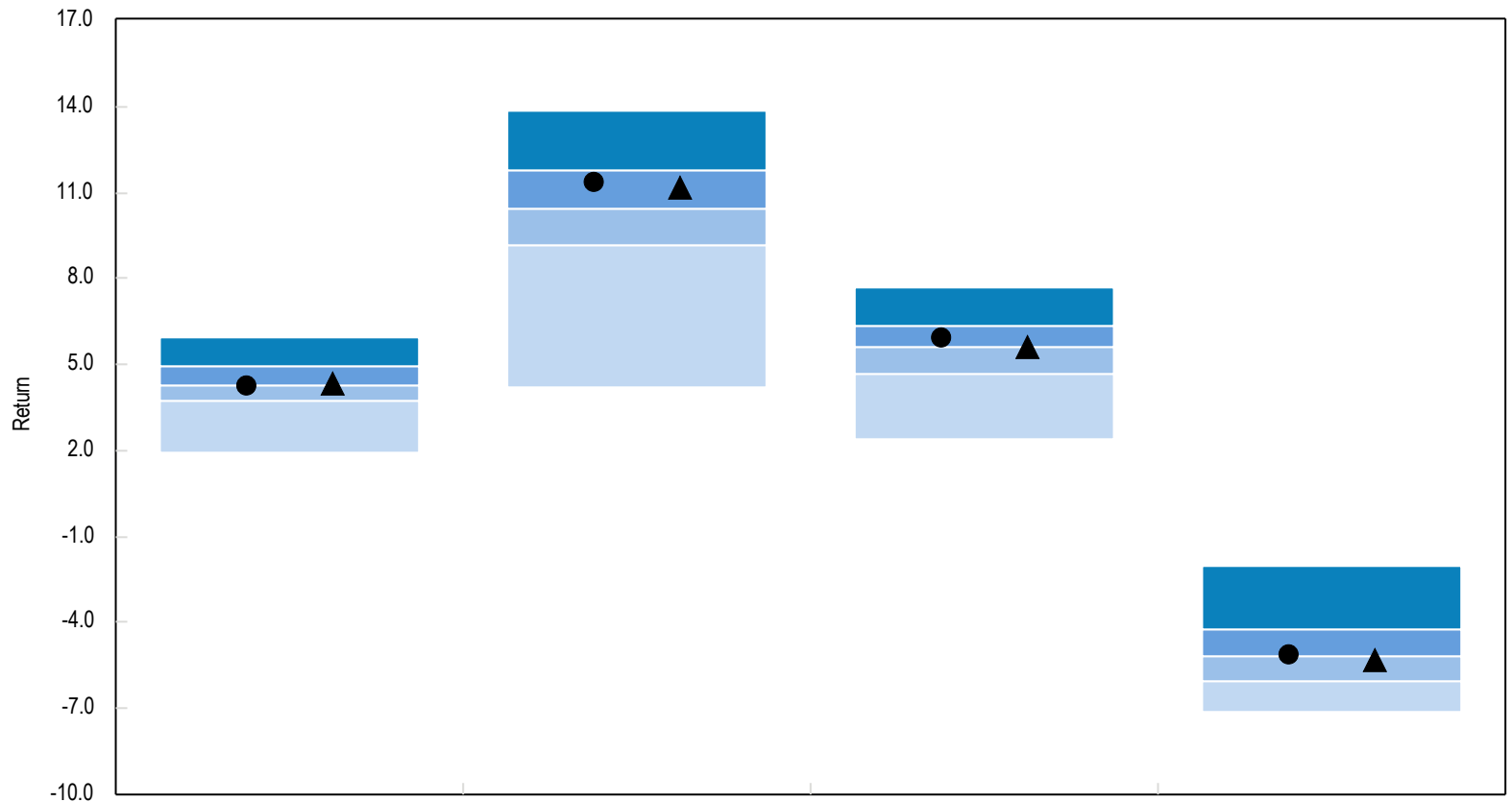
Total Plan Allocation vs. All Public Plans > \$1B-Total Fund  
As of March 31, 2023



	Total Equity 49.9 (33)	Total Fixed Income 41.1 (8)	Hedge Funds -	Private Equity -	Total Real Estate 5.8 (76)	Cash & Equivalents 3.2 (22)
■ IPOPIF Investment Portfolio						
5th Percentile	61.7	73.9	11.2	31.3	15.6	11.1
1st Quartile	52.9	25.8	6.4	20.5	10.8	2.8
Median	42.8	21.4	4.7	14.3	8.5	1.6
3rd Quartile	29.7	16.5	2.2	8.6	5.8	0.6
95th Percentile	15.6	8.2	0.3	1.3	1.4	0.2
Population	108	115	25	45	86	81

Parenteses contain percentile rankings. Excludes Transition Account and Member Funds. Real Assets contains Core Real Estate and REITs.

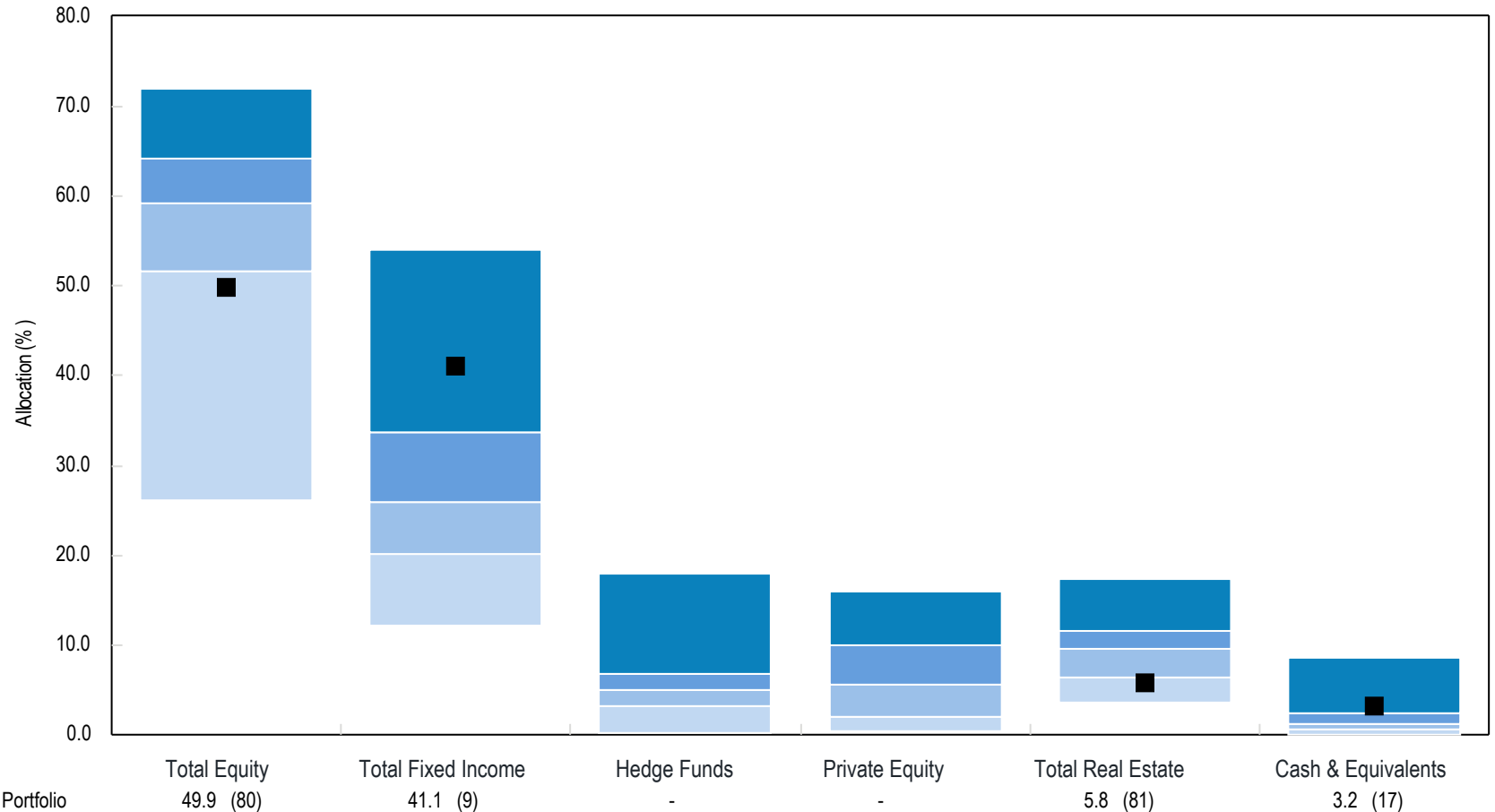
IPOPIF Investment Portfolio vs. All Public Plans < \$1B-Total Fund



	Quarter	2 Quarters	3 Quarters	1 Year
● IPOPIF Investment Portfolio	4.3 (51)	11.3 (34)	6.0 (40)	-5.1 (50)
▲ Policy Index	4.3 (49)	11.2 (39)	5.6 (51)	-5.3 (54)
5th Percentile	5.9	13.8	7.7	-2.0
1st Quartile	5.0	11.8	6.4	-4.2
Median	4.3	10.4	5.6	-5.2
3rd Quartile	3.8	9.1	4.7	-6.1
95th Percentile	1.9	4.2	2.4	-7.1
Population	324	321	319	313

Parentheses contain percentile rankings. Performance shown for IPOPIF Investment Fund which excludes the Transition Account and Member Funds.

Total Plan Allocation vs. All Public Plans < \$1B-Total Fund  
As of March 31, 2023



	Total Equity 49.9 (80)	Total Fixed Income 41.1 (9)	Hedge Funds -	Private Equity -	Total Real Estate 5.8 (81)	Cash & Equivalents 3.2 (17)
■ IPOPIF Investment Portfolio						
5th Percentile	72.1	54.1	18.0	15.9	17.5	8.6
1st Quartile	64.3	33.7	6.9	10.1	11.5	2.3
Median	59.3	26.0	5.1	5.5	9.6	1.2
3rd Quartile	51.6	20.2	3.2	2.0	6.5	0.5
95th Percentile	26.1	12.2	0.3	0.4	3.6	0.1
Population	515	534	60	123	338	446

Parenteses contain percentile rankings. Excludes Transition Account and Member Funds. Real Assets contains Core Real Estate and REITs.

# Total Fund

## Data Sources and Methodology Page

Period Ending: March 31, 2023

### Performance Return Calculations

Performance is calculated using Time Weighted Rates of Return (TWRR) methodologies. Monthly returns are geometrically linked and annualized for periods longer than one year.

### Data Source

Verus is an independent third party consulting firm and calculates returns from best source book of record data. Returns calculated by Verus may deviate from those shown by the manager in part, but not limited to, differences in prices and market values reported by the custodian and manager, as well as significant cash flows into or out of an account. It is the responsibility of the manager and custodian to provide insight into the pricing methodologies and any difference in valuation.

### Illiquid Alternatives

Due to the inability to receive final valuation prior to report production, closed end funds (including but are not limited to Real Estate, Hedge Funds, Private Equity, and Private Credit) performance is typically reported at a one-quarter lag. Valuation is reported at a one-quarter lag, adjusted for current quarter flow (cash flows are captured real time). Closed end fund performance is calculated using a time-weighted return methodology consistent with all portfolio and total fund performance calculations. For Private Markets, performance reports also include Verus-calculated multiples based on flows and valuations (e.g. DPI and TVPI) and manager-provided IRRs.

### Manager Line Up

Manager	Inception Date	Data Source
RhumbLine Russell 1000 Index Fund	3/15/2022	State Street
RhumbLine Russell 2000 Index Fund	3/15/2022	State Street
SSgA Non-US Developed Index Fund	3/10/2022	State Street
SSgA Non-US Developed SC Index Fund	3/10/2022	State Street
SSgA Emerging Markets Equity Index Fund	3/10/2022	State Street
SSgA High Yield Corporate Credit	3/18/2022	State Street
iShares JPM Emerging Market Bond Index ETF	3/14/2022	State Street

Manager	Inception Date	Data Source
SSgA US TIPS Index Fund	3/17/2022	State Street
Principal USPA	4/6/2022	State Street
SSgA REITs Index Fund	3/10/2022	State Street
SSgA Core Fixed Income Index Fund	3/17/2022	State Street
SSgA Short-Term Gov't/Credit Index Fund	3/17/2022	State Street
Cash	3/22/2022	State Street

### Policy Index Composition

As of 1/1/2023	Policy Index	Growth	Income	Inflation Protection	Risk Mitigation
Russell 1000	18%	36.0%			
Russell 2000	5%	10.0%			
MSCI World ex U.S.	15%	30.0%			
MSCI World ex U.S. Small Cap	5%	10.0%			
MSCI Emerging Markets	7%	14.0%			
Bloomberg US Aggregate Index	7%				28.0%
Bloomberg 1-3 Year Gov/Credit Index	15%				60.0%
Bloomberg US Corporate High Yield Index	10%		62.5%		
Bloomberg US TIPS 0-5 Year	3%			33.3%	
JPM EMBI Global Diversified Index	6%		37.5%		
NFI-ODCE Equal-Weighted Index	2%				
Wilshire US REIT Index	4%			44.5%	
90 Day US Treasury Bill Index	3%				12.0%

As of 3/31/2022	Policy Index	Growth	Income	Inflation Protection	Risk Mitigation
Russell 3000	23%	46.0%			
MSCI ACWI ex USA IMI	20%	40.0%			
MSCI Emerging Markets IMI	7%	14.0%			
Bloomberg US Aggregate Index	7%				28.0%
Bloomberg 1-3 Year Gov/Credit Index	15%				60.0%
Bloomberg US Corporate High Yield Index	10%		62.5%		
Bloomberg US TIPS 0-5 Year	3%			33.3%	
50% JPM EMBI GD/50% JPM GBI EM GD	6%		37.5%		
NCREIF Property Index	2%			22.2%	
Wilshire US REIT Index	4%			44.5%	
90 Day US Treasury Bill Index	3%				12.0%

# Glossary

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**Allocation Effect:** An attribution effect that describes the amount attributable to the managers' asset allocation decisions, relative to the benchmark.

**Alpha:** The excess return of a portfolio after adjusting for market risk. This excess return is attributable to the selection skill of the portfolio manager. Alpha is calculated as:  $\text{Portfolio Return} - [\text{Risk free Rate} + \text{Portfolio Beta} \times (\text{Market Return} - \text{Risk free Rate})]$ .

**Benchmark R squared:** Measures how well the Benchmark return series fits the manager's return series. The higher the Benchmark R squared, the more appropriate the benchmark is for the manager.

**Beta:** A measure of systematic, or market risk; the part of risk in a portfolio or security that is attributable to general market movements. Beta is calculated by dividing the covariance of a security by the variance of the market.

**Book to Market:** The ratio of book value per share to market price per share. Growth managers typically have low book to market ratios while value managers typically have high book to market ratios.

**Capture Ratio:** A statistical measure of an investment manager's overall performance in up or down markets. The capture ratio is used to evaluate how well an investment manager performed relative to an index during periods when that index has risen (up market) or fallen (down market). The capture ratio is calculated by dividing the manager's returns by the returns of the index during the up/down market, and multiplying that factor by 100.

**Correlation:** A measure of the relative movement of returns of one security or asset class relative to another over time. A correlation of 1 means the returns of two securities move in lock step, a correlation of -1 means the returns of two securities move in the exact opposite direction over time. Correlation is used as a measure to help maximize the benefits of diversification when constructing an investment portfolio.

**Excess Return:** A measure of the difference in appreciation or depreciation in the price of an investment compared to its benchmark, over a given time period. This is usually expressed as a percentage and may be annualized over a number of years or represent a single period.

**Information Ratio:** A measure of a manager's ability to earn excess return without incurring additional risk. Information ratio is calculated as: excess return divided by tracking error.

**Interaction Effect:** An attribution effect that describes the portion of active management that is contributable to the cross interaction between the allocation and selection effect. This can also be explained as an effect that cannot be easily traced to a source.

**Portfolio Turnover:** The percentage of a portfolio that is sold and replaced (turned over) during a given time period. Low portfolio turnover is indicative of a buy and hold strategy while high portfolio turnover implies a more active form of management.

**Price to Earnings Ratio (P/E):** Also called the earnings multiplier, it is calculated by dividing the price of a company's stock into earnings per share. Growth managers typically hold stocks with high price to earnings ratios whereas value managers hold stocks with low price to earnings ratios.

**R Squared:** Also called the coefficient of determination, it measures the amount of variation in one variable explained by variations in another, i.e., the goodness of fit to a benchmark. In the case of investments, the term is used to explain the amount of variation in a security or portfolio explained by movements in the market or the portfolio's benchmark.

**Selection Effect:** An attribution effect that describes the amount attributable to the managers' stock selection decisions, relative to the benchmark.

**Sharpe Ratio:** A measure of portfolio efficiency. The Sharpe Ratio indicates excess portfolio return for each unit of risk associated with achieving the excess return. The higher the Sharpe Ratio, the more efficient the portfolio. Sharpe ratio is calculated as:  $\text{Portfolio Excess Return} / \text{Portfolio Standard Deviation}$ .

**Sortino Ratio:** Measures the risk adjusted return of an investment, portfolio, or strategy. It is a modification of the Sharpe Ratio, but penalizes only those returns falling below a specified benchmark. The Sortino Ratio uses downside deviation in the denominator rather than standard deviation, like the Sharpe Ratio.

**Standard Deviation:** A measure of volatility, or risk, inherent in a security or portfolio. The standard deviation of a series is a measure of the extent to which observations in the series differ from the arithmetic mean of the series. For example, if a security has an average annual rate of return of 10% and a standard deviation of 5%, then two thirds of the time, one would expect to receive an annual rate of return between 5% and 15%.

**Style Analysis:** A return based analysis designed to identify combinations of passive investments to closely replicate the performance of funds

**Style Map:** A specialized form or scatter plot chart typically used to show where a Manager lies in relation to a set of style indices on a two dimensional plane. This is simply a way of viewing the asset loadings in a different context. The coordinates are calculated by rescaling the asset loadings to range from -1 to 1 on each axis and are dependent on the Style Indices comprising the Map.

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## MEMORANDUM

DATE: June 1, 2023  
TO: IPOPIF Board of Trustees  
FROM: IPOPIF Investment Staff  
SUBJECT: Investment Manager Search Request: International Small Cap Active

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### **Recommendation**

That the Board of Trustees approve a search for active investment managers focusing on small international companies.

### **Procurement of Investment Services Policy**

The Board of Trustees established the Procurement of Investment Services Policy (“Policy”), PP-2021-07, so that all decisions to procure Investment Services will be made with respect for the principles of competitive selection, full disclosure, objective evaluation, and proper documentation. The Policy establishes, among other provisions, competitive selection procedures (Section D), including evaluation factors (Section D.6). Section D.2 establishes that “The Board shall approve when there shall be a search for Investment Services and the parameters of the search based on a recommendation from investment staff or Investment Consultant.

### **Allocation Perspective and Search Sequence**

- The IPOPIF short-term and long-term asset allocation dedicates a 5% weight each to US small cap and non-US small cap equity.
- Staff indicated plans to pursue small cap equity searches in prior Board presentations outlining key initiatives for 2023.
- Staff is planning to sequence the US small cap search to occur after the non-US search to:
  - Focus resources.
  - Allow consideration of “global” products that cover US and Non-US companies.
  - Allow for process improvements as we begin our first search for active investment management services with our new team.

### **Portfolio Structure**

- The 5% allocation to international small cap equates to \$500 million at a total fund size of \$10 billion.
- “Structure” refers to the number, weights, and investment approach of the investment managers utilized, e.g., passive vs. active, growth vs. core vs. value, fundamental vs. quantitative process.
- The structure of the portfolio will be determined by the search evaluation, recommendation, and Board decisions.

- The recommended mandate sizes will be determined by several factors including manager capacity limitations, IPOPIF concentration risk in the product or firm, and fit with complementary managers.
- Smaller mandates may be considered for Emerging Investment Managers or managers that are a Minority-Owned Business, Woman-Owned Business, Business Owned by a Person with a Disability (“MWDBE”), a Qualified Veteran-Owned Small Business, or Qualified Service-Disabled Veteran Owned Small Business (“Veteran Owned”).
- Passive exposure may be maintained based on the final recommendation and Board approval.
- To minimize operating costs and maximize market access, IPOPIF currently does not use separate accounts for non-US exposure. For international exposure, IPOPIF can use commingled funds, mutual funds, exchange traded funds, or similar vehicles.

### **Fees and Budget Impact**

- Active management will incur higher investment management fees. Staff and the Board will need strong conviction that expected excess returns will exceed the active management fees.
- Due to uncertainty regarding implementation timing and structure, active manager fees are not included in the FY24 budget. Budget amendments will be proposed with the final selection recommendation.

### **Utilization of Investment Manager Database**

Section D.4 of the Policy provides that IPOPIF may utilize a third-party industry database (the “IPOPIF Database”) of institutional-quality registered investment advisers to serve as the primary pool from which the IPOPIF will identify and evaluate candidates in a search for Investment Advisers. The Policy further details requirements to ensure comprehensive access and evaluation of the potential service provider universe. IPOPIF uses the eVestment database.

Staff intends to use the IPOPIF Database to conduct an initial evaluation of the provider universe to (i) determine whether candidates meet certain initial evaluation criteria for the search and (ii) identify the highest caliber candidates. Candidates who do not meet the initial evaluation criteria will not be requested to submit additional information as part of the RFP. Candidates who the IPOPIF Staff, in consultation with the Investment Consultant, identify as the highest caliber candidates will be requested to submit additional information; provided, however, that nothing will prevent candidates who meet the minimum criteria from submitting additional information.

All MWDBE and Veteran-Owned investment advisers that meet the initial evaluation criteria in the RFP will be requested to submit additional information as part of the RFP.

### **Preliminary Universe Analysis**

- Based on evaluation of the IPOPIF Database as of 12/31/22.

- There was a total of 388 potential international or global small-cap products offered by 365 firms.
- 58 of those products from 40 firms screened as having higher potential based on data completion, product size, and tracking error.
- This perspective is provided only for Board information. The search evaluation will start with fresh data through 3/31/23.

### Preliminary Timeline

The following timeline is provided for planning purposes and is subject to change at staff discretion.

Date	Milestone
Fri 6/9/23	Board Meeting - Search Approval
Fri 6/16/23	RFP Posted
Fri 6/30/23	Begain Database evaluation
Fri 7/7/23	Identify highest caliber candidates
Fri 7/14/23	Request RFP submission from highest caliber candidates
Fri 7/28/23	RFP submission deadline
Fri 8/4/23	identify finalists
Fri 8/11/23	interview finalists
Fri 8/18/23	Finalize evaluation
Fri 9/15/23	Board interviews/selection

### Small Cap vs. Large Cap Comparison

	Large Cap	Small Cap
US Index	Russell 1000	Russell 2000
Names	1000	2000
Median Market Cap	\$12.2 billion	\$927 million
% of Total Index Value	93%	7%
Non-US Index	MSCI World ex USA	MSCI ACWI ex USA Small Cap
Names	881	4,357
Median Market Cap	\$9.2 billion	\$549 million
% of Total Index Value	86%	14%



**PERSPECTIVES  
THAT DRIVE  
ENTERPRISE  
SUCCESS**



JUNE 2023

Private Markets Education

**Illinois Police Officers' Pension Investment Fund**

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# Private markets overview

# What are private markets?

Private Equity	Private Debt	Private Real Estate	Private Real Assets
Venture Capital Early Stage Late Stage	Direct Lending	Core	Infrastructure
Growth Equity	Distressed Debt Control Trading	Value-add	Natural resources
Buyouts	Real estate/real asset	Opportunistic	Agriculture
Secondaries	Other non-corporates		Energy

Private markets investments are not listed on market exchanges

These are institutional investments not available to retail investors and which have large minimum investment sizes (i.e.,  $\geq$  \$5million)

Investments are made via subscription agreements with extensive contract provisions

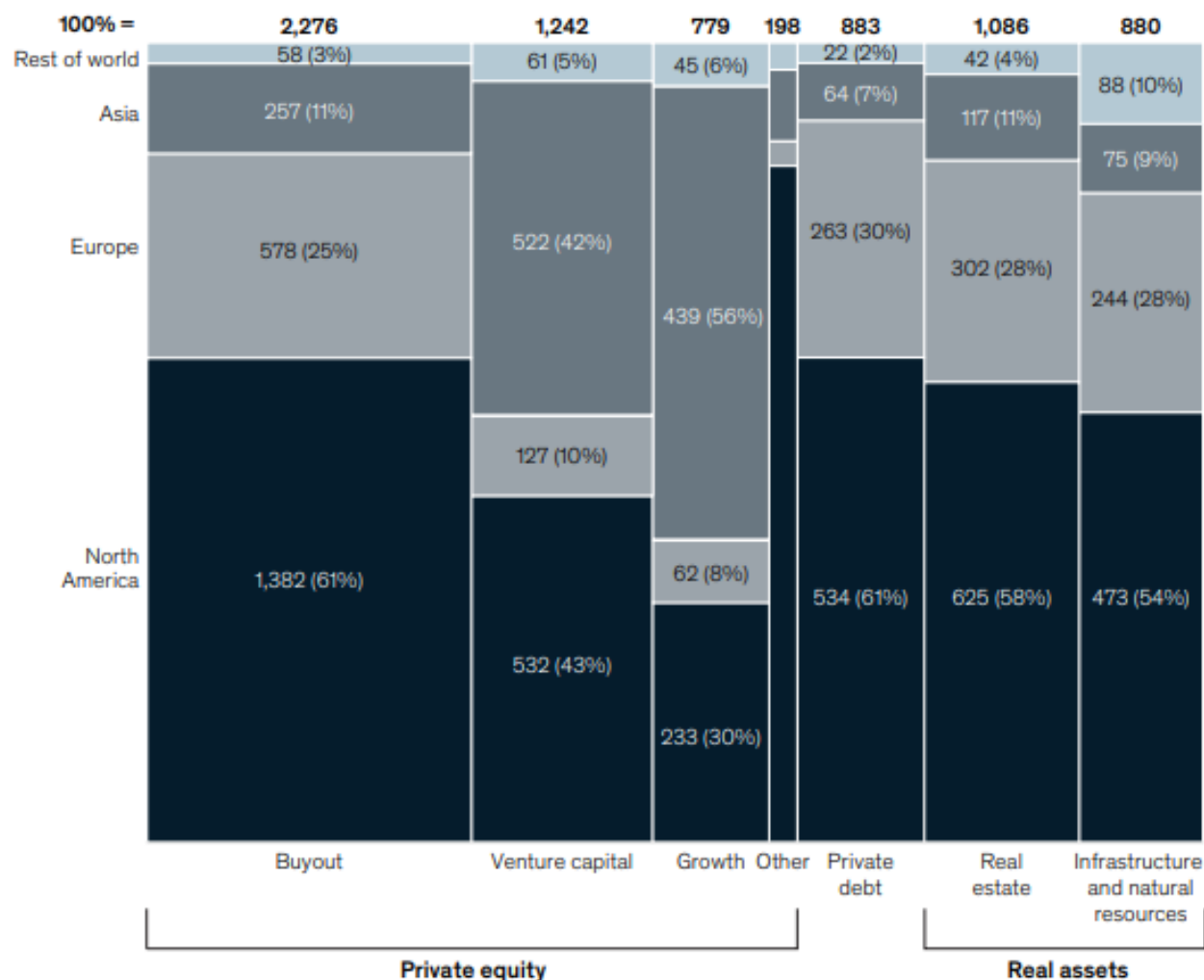
# Size of private markets

McKinsey estimates that private markets assets under management exceeded \$7.3 trillion in 2020:

- Private equity: \$4.5 trillion
- Private debt: \$779 billion
- Real estate: \$1.1 trillion
- Infrastructure and natural resources: \$880 billion

Global public equity markets exceeded \$100 trillion in market cap at year-end 2020

Private market assets under management, H1 2020, \$ billion



Source: Preqin and McKinsey



# Who invests in private markets?

Investor Type	Average Allocation
Public Pension Funds	12%
Corporate Pensions	4%
Endowment/Foundation	17%
Insurance	13%
Family Office	19%
High Net Worth*	35-52%

Large endowments & foundations that were early adopters typically have significant allocations to privates, larger than the average.

Larger public pension funds (>\$10 billion) often have average allocations greater than 12%.

Source: P&I, WillisTowersWatson, KKR, Peltz International

\* High net worth range includes high net worth and ultra high net worth

# Largest public fund investors in private equity

## Top 10 public pension funds invested in private equity

	Members	Private Equity Investment (\$Bil.)
1. California Public Employees Retirement System	2,081,473	\$44,830.73
2. California State Teachers Retirement System	981,000	\$36,991.26
3. Washington State Board of Investment	609,482	\$36,441.31
4. Teacher Retirement System of Texas	1,877,919	\$34,764.38
5. New York State Common Retirement Fund	1,172,147	\$29,470.17
6. Oregon Public Employees Retirement System	228,482	\$25,725.64
7. State of Michigan Retirement System	553,000	\$20,826.00
8. New York City Public Pension Funds	569,872	\$18,482.00
9. The Florida Retirement System	2,600,000	\$17,339.86
10. Virginia Retirement System	754,033	\$15,798.81

Source: American Investment Counsel Public Pension Study 2022

# Key differences

## Traditional Assets:

- Listed companies on regulated exchanges; can be sold, thus liquid
- Immediate exposure to investments
- Index covers ~entire universe of companies
- “Active Management:” stock selection from defined universe
- **Fees: typically less than 1% of invested capital**
- GIPS (Global Performance Investment Standards) compliant returns

## Private Equity/Private Credit:

- Unlisted companies held in private partnerships (i.e. funds); negotiated and sold over time, thus illiquid
- Exposure lags commitment to a fund
- Index captures performance and cashflows of (a subset of) private partnerships
- “Active Management:” company selection from undefined universe; and transformation of portfolio companies
- **Fees: 1.5-2% of commitments, plus 20% of profits (subject to 8% hurdle)**
- **Private Credit Fees: 1-2% of commitments, plus 10-20% of profits**
- Diligence, reporting, etc.: standards vary

# The case for private markets investments

# Why invest in private markets?

Primary reason: higher net expected returns versus public markets

## Structural features underlying outperformance

- Enhanced alignment of interests
- Investment structures with return guarantees, preferred payouts, etc.
- Operational expertise of select investment managers:
  - Sector / asset selection
  - Revenue growth
  - Margin improvement
- Flexibility in timing of capital deployment and exits: multiple expansion
- Utilization of leverage (buyouts and real assets)

Features that  
in our view  
generally  
persist over the  
long-term.

# Additional reasons to invest in privates

Theoretical basis challenged, but practically often realized

- Reduced volatility:
  - Moderate changes in plan value
  - Enables smoothing of spending rate
- Access to large and diverse set of investment opportunities not available in public markets
- Differentiated active management skills set

# Overview of private equity

- Investments in privately held companies:
  - Generally illiquid / limited liquidity
  - Few established industry benchmarks
  - Sub-classes differ in cash-flow and performance attributes
- Long term investment horizon: 3-12+ years
- Primary reason to invest: **Return enhancement**

	1 Year	3 Years	5 Years	10 Years	20 Years
Venture Capital	-9.1%	28.4%	23.8%	19.4%	12.4%
Buyouts	-1.5%	18.5%	16.1%	15.3%	14.7%
Growth Equity	-9.4%	20.8%	18.4%	15.7%	14.3%
Fund of Funds / Secondaries	-1.6%	21.3%	17.3%	14.0%	11.8%
<b>All Private Equity*</b>	<b>-4.7%</b>	<b>21.2%</b>	<b>18.2%</b>	<b>15.9%</b>	<b>13.8%</b>
S&P 500	-15.5%	8.2%	9.2%	11.7%	9.8%
Russell 3000	-17.6%	7.7%	8.6%	11.4%	9.9%
Bloomberg Barclays Aggregate	-14.6%	-3.3%	-0.3%	0.9%	3.1%
91 Day T-Bill	0.6%	0.5%	1.1%	0.6%	1.2%

Source: Cambridge Associates and InvestmentMetrics as of September 30, 2022.

\* Includes Venture Capital, Buyouts, Growth Equity, Fund of Funds and Secondaries.

# Overview of private debt

- Investments into privately negotiated debt or debt-like transactions primarily to companies or assets of small to medium size (i.e., “middle market”) as determined by earnings, number of employees, or asset value:
  - Generally illiquid / limited liquidity
  - Few established industry benchmarks
  - Debt tranches differ in cash-flow and performance attributes
- Medium term investment horizon: 2-5+ years
- Primary reason to invest: **High income and return enhancement**

Private Credit experienced notable amount of fundraising and deployment growth, particularly in 2021, which normalized in 2022, returning to pre-pandemic levels.

	1 Year	3 Years	5 Years	10 Years	20 Years
Private Credit	5.9%	12.4%	10.0%	10.3%	10.7%
Direct Lending	-3.5%	4.6%	5.1%	5.9%	6.2%
Distressed Debt	7.8%	14.0%	10.6%	10.6%	11.0%
S&P/LSTA Levered Loan	-2.5%	2.2%	3.0%	3.5%	n/a
Bloomberg Barclays Universal	-14.9%	-3.1%	-0.2%	1.2%	3.4%
Bloomberg Barclays Aggregate	-14.6%	-3.3%	-0.3%	0.9%	3.1%
91 Day T-Bill	0.6%	0.5%	1.1%	0.6%	1.2%

Source: Cambridge Associates and InvestmentMetrics as of September 30, 2022.



# Overview of private real assets

- Investments in tangible and intangible assets that should provide a degree of inflation protection (Infrastructure, Natural Resources, Commodities, Real Estate):
  - Generally illiquid / limited liquidity
  - Few established industry benchmarks
  - Sub-classes differ in inflation protection, cash-flow and performance attributes
  - Value appreciation from scarcity (i.e., limited supply) versus demand for natural resources
- Long term investment horizon: 7-15+ years
- Primary reason to invest: **Inflation protection, diversification, income and return enhancement**

	1 Year	3 Years	5 Years	10 Years	20 Years
Infrastructure	9.4%	10.8%	10.3%	10.7%	9.2%
Natural Resources	25.2%	8.7%	5.1%	3.6%	7.5%
Timber	10.7%	4.8%	3.8%	4.0%	4.2%
Real Estate	10.7%	11.0%	9.9%	11.0%	7.8%
S&P Global Natural Resources	1.0%	9.1%	5.7%	3.4%	n/a
S&P Global Infrastructure	-6.0%	-0.1%	2.1%	5.7%	n/a
NCREIF ODCE	21.0%	11.4%	9.3%	9.9%	n/a

Source: Cambridge Associates and InvestmentMetrics as of September 30, 2022.

# The role of asset classes

- Why do we invest in various asset classes?
- What is it we practically expect them to contribute to the portfolio over time?
- What will determine whether or not they serve the desired role?

Each asset class plays different roles in an institutional portfolio, across return spectrum, diversification, and volatility.

Further, the asset classes are impacted by macroeconomic environment to various degrees.

	RETURN ROLES				DIVERSIFICATION & VOLATILITY ROLES			HOW MACRO OUTLOOK/GDP AFFECTS ROLE	
	Benefit from GDP Growth	Earn Risk Premium	Produce Stable Income	Hedge Against Inflation	Low Absolute Volatility	Low Corr. To Other Assets	Reduce Portfolio Volatility	Elements of Return for Asset Class	Sensitivity to GDP
Public Equities	●	◐	◐	◑	○	○	○	PEs, Dividends, Earnings Growth	●
Private Equities	●	●	○	◑	○	◐	○	PEs (exits), Financing, Opportunity Set	●
Fixed (Treasury)	○	○	●	◐	●	●	●	Direct Link to Yields	◑
Fixed (Credit)	◐	◐	●	◐	◐	◐	◐	Direct Link to Yields, Credit Spreads	◐
Real Assets	●	◐	◐	●	◐	◐	◐	Unemployment, Vacancies, Cap Rates	●

MAGNITUDE	●	◐	◑	◒	○
	High	Med-High	Medium	Low	None

# Key considerations

# Key risks of private markets

- **Illiquidity risk:** cumbersome, time-intensive, and costly to liquidate assets
- **Market risk:** volatility driven by broader risk factors such as equity, inflation, interest rates, etc.
- **Financial structure risk:** complexity, leverage, and different rights of varying investors
- **Capital risk:** loss of capital due to investment in speculative strategies or other factors such as credit events
- **Manager selection risk:** below expectation returns due to manager selection and active bets
- **Operational risk:** losses from inadequate processes and systems supporting the GP's investment process

Once allocation to privates is determined, investors generally focus on mitigating manager selection risks.

# Illiquid allocation

## How much capital should your plan allocate to illiquid assets?

Determining the appropriate allocation to illiquid assets requires an investor to consider:

- Investment objectives/requirements
- Cash Flow dynamics (money in and money out)
- Stress testing

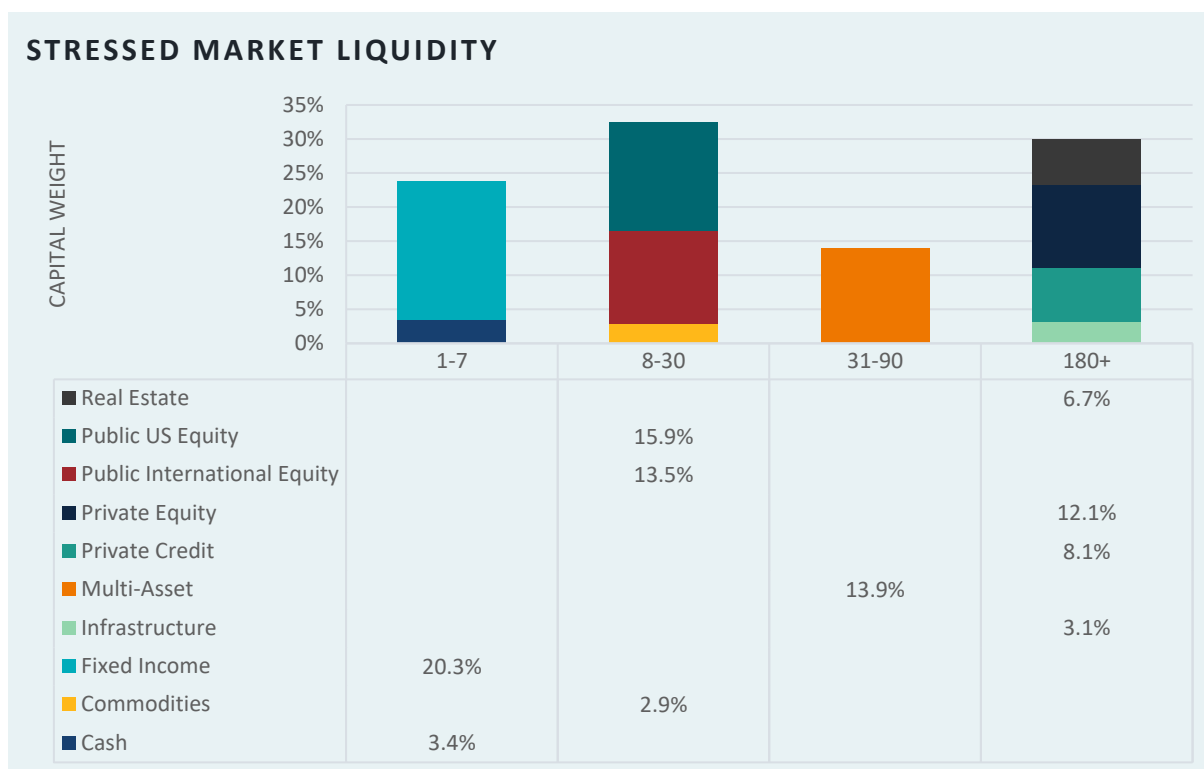
# Liquidity risk

## MARKET LIQUIDITY RISK

A MEASUREMENT OF THE TIMING REQUIRED TO CONVERT AN INVESTMENT POSITION TO CASH

- **Stressed market conditions:** defined as periods when liquidity is withdrawn from the market and managers are imposing gates.

The sum of liquid financial assets is an input into the liquidity coverage framework



Liquidity tranches based on estimates of asset class liquidity

# Liquidity coverage ratio (LCR)

Does the plan need to sell illiquid assets to cover cash outflows in the next 5 years?

$$\text{Liquidity Coverage Ratio (LCR)} = \frac{\begin{aligned} & \text{Liquid Financial Assets (stressed market condition)} \\ & \Sigma(\text{Distributions from Illiquid Assets}) \\ & \Sigma\left(\frac{\text{Employer}}{\text{Employee}} \text{Contributions}\right) \\ & \Sigma(\text{State Appropriations}) \\ & \Sigma(\text{Investment Income}) \end{aligned}}{\begin{aligned} & \Sigma(\text{Benefit Payments}) \\ & \Sigma(\text{Capital Calls for Illiquid Assets}) \\ & \Sigma(\text{Plan Expenses}) \end{aligned}}$$

LCR Value	Implication
<1	The plan will need to sell illiquid assets to cover cash flows
1	The plan has sufficient liquidity to cover all cash flows
>1	The plan will not be required to sell illiquid assets to cover liquidity needs

# Fees and cost structure: Private markets vs. traditional investments

## PRIVATE MARKET FUND FEES

- Management Fee: 1.25% to 2.0% per annum on commitments during investment period; thereafter, 1.25% to 2.0% per annum on invested capital
- GP's Carried Interest in Profits ("Carry"): 20%
- LPs' Preferred Return: 8% per annum, before GP earns Carry

## TRADITIONAL ACTIVE ASSET MANAGEMENT FEES

- Management Fee: 0.10% to 1.0% per annum on assets under management (i.e., invested capital)
- Manager Carried Interest in Profits: none
- Investors' Preferred Return: none

Significantly higher fees and expenses in private markets than in traditional investments.

## KEY PRIVATE INVESTMENT RESPONSIBILITIES

- Investment research
- Portfolio construction / risk management
- Source privately held opportunities
- Buy companies: build relationship, negotiate deal, finance
- Manage companies: devise strategy, add operating value, hire executives, provide active Board oversight
- Exit investments: private and public IPO
- Investor relations
- Back office

## KEY TRADITIONAL INVESTMENT RESPONSIBILITIES

- Investment research
- Active management: stock selection, portfolio construction, risk management
- Buy / sell securities
- Investor relations
- Back office

*Fee comparison provided for typical funds; actual fees on specific funds may vary. Past performance is not a predictor of future returns.*

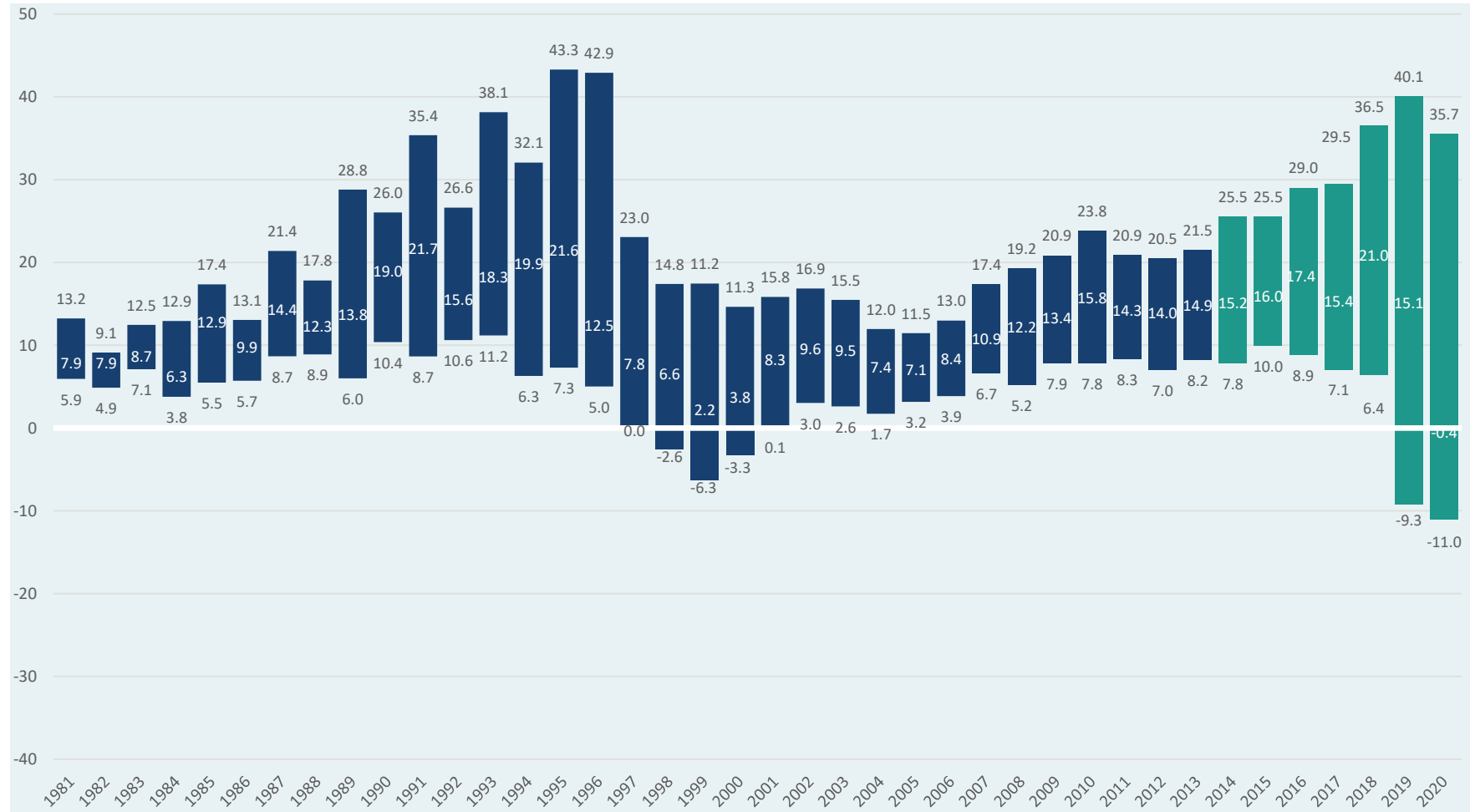


# Comparison of private markets key terms

	Private Credit	Private Equity	Private Real Estate	Private Real Assets
Typical Fund Life	5 – 7 years	10 – 12 years	7 – 10 years	10 – 20+ years
Typical Investment Period	3 – 4 years	5 – 6 years	3 – 4 years	5-7 years
Management Fee	0.5% - 2% on <i>invested capital</i>	1.5% - 2% on <i>committed capital</i>	1.25% - 1.50% on <i>committed capital</i>	1.25% - 2.0% on <i>committed capital</i>
GP Carry	10% - 15%	15% - 20%	20%	15-20%
Admin Fee / Fee Offset	Yes	Yes	Yes	Yes
Preferred Hurdle	5%-8%	8%	8-9%	6-8%
Distributions	Quarterly distribution of interest income	Distributions are lumpy and subject to exit	Distributions are lumpy and subject to exit	Distributions are lumpy and subject to exit
GP Commitment	> 1%	> 2%	1-5%	1-2%
Typical Fund Leverage	Yes, 0x – 2x	No	Yes, 40 – 70%	No
Target Return	8%-12% net	15%+ net	11-14% net (value-added), 15%+ net (opportunistic)	8%-15%+

# Manager selection is critical to results

Dispersion between top and bottom quartile fund returns



Mature funds avg. dispersion: 15.54%

Active funds avg. dispersion: 26.92%

Source: Thomson Reuters C|A U.S. All Private Equity net IRRs, as of 12/31/20

For illustrative purposes only as dispersion of returns varies by sub-asset class. Mature funds defined as those whose 80% or more of total value has been distributed.

# Time weighted rates of return vs. internal rates of return

- **Time weighted** rate of return (“TWR”) is industry standard return calculation methodology for public market investment portfolios
  - TWR measures compound growth rate and is not sensitive to withdrawals or contributions (i.e., assumes stable invested pool) for a given measurement period
    - ‘geometric mean’ return for period
- For private market investments, in which exposure values change over time, industry convention is to employ Internal Rate of Return (“IRR”) calculation methodology
  - IRR is discount rate that sets present value of all cash flows (positive and negative) to net present value of zero
  - IRR is single calculation that considers all cash flows which have occurred during entire life of investment to end of current measurement period. As such, it is often referred to as dollar-weighted return

# Comparison of return methodologies

\$100 investment today, worth \$104 in 2 years

SCENARIO	TIME WEIGHTED RETURN (TWR)	DOLLAR WEIGHTED INTERNAL RATE OF RETURN (IRR)
Initial investment = \$100	\$100 beginning market value (BMV)	\$100 Initial Outlay for investment
YEAR 1 <ul style="list-style-type: none"> <li>Value moves to \$110 in first year</li> <li>\$70 is withdrawn at end of period</li> </ul>	$(\$110/\$100) - 1 = 10\%$ \$110 ending market value for period (EMV) \$70 cash taken out after calculation	\$70 cash flow to investor
YEAR 2 <ul style="list-style-type: none"> <li>Beginning market value = \$40</li> <li>Has \$6 loss in 2<sup>nd</sup> year</li> </ul>	$(\$34/\$40) - 1 = -15\%$ EMV = \$34	\$34 cash flow to investor
Return for the two-year period	Two-year annualized return <b>TWR:</b> $[(1+10\%)*(1-15\%)]^{(1/2)} - 1 = -3.3\%$	<b>IRR = +3.0%</b>

Time Weighted Return (TWR)

Single Period:  $(EMV/BMV) - 1$

Multi-Period:  $[(1+R) * (1+R) \dots (1+R)]^{(1/n)} - 1$

Internal Rate of Return (IRR)

$$-\text{Outlay} + \sum_{t=1}^n \frac{CF_t}{(1 + IRR)^t}$$

# Performance metrics

**IRR:** Internal Rate of Return

**TVPI:** Total Value to Paid In Capital (Remaining value in fund + Distributions / Paid In Capital)

- The ratio of the total value left in the fund + the capital given back to investors, in relation to the amount of capital drawn down by the fund to invest

**DPI:** Distributions to Paid In Capital (Distributions / Paid In Capital)

- The ratio of capital given back to the investor, in relation to the amount of capital drawn down by the fund to invest

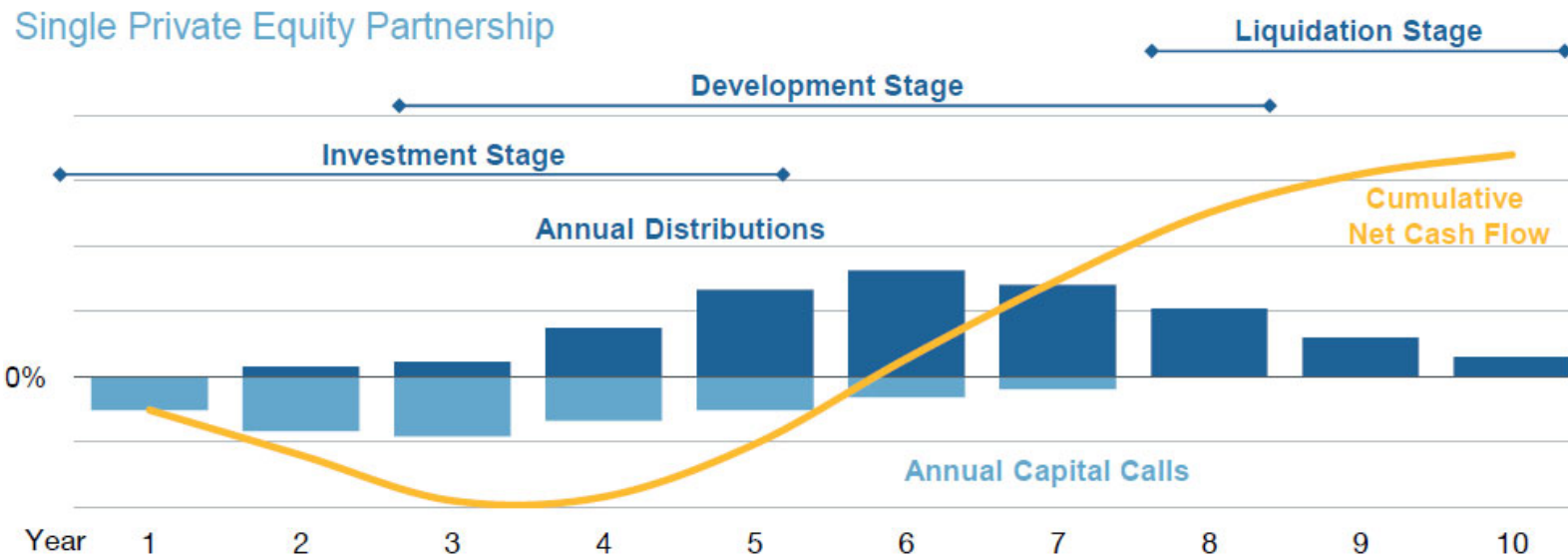
<i>(in millions USD)</i>									
<b>Fund</b>	<b>Vintage Year</b>	<b>Fund Size</b>	<b>Capital Called</b>	<b>Capital Distributed</b>	<b>Unrealized Value</b>	<b>Total Value</b>	<b>Net IRR</b>	<b>Net TVPI</b>	<b>Net DPI</b>
Private Equity Fund A	2019	\$505	\$430	\$114	\$783	\$897	40.40%	2.1x	0.3x

# Benchmark issues: Private markets

## THREE PRIMARY TYPES OF BENCHMARKS FOR PRIVATE MARKETS

Benchmark	Public markets “plus”	Public markets equivalent (“PME”)	Peer group
Definition	Published public markets benchmark plus a premium (e.g., Russell 3000 +3%)	Internal rate of return calculated using published public market index and partnership cash flows	Universe of limited partner private markets funds across sectors and vintage years
Calculation Methodology	Time weighted rate of return (“TWR”)	Internal rate of return (“IRR”)	Internal rate of return (“IRR”)
How commonly used?	Gauges private portfolio performance vs. public markets plus expected hurdle	Exact comparison of cash flows invested in private markets versus public markets	Compares private portfolio performance versus a larger universe of private investments
Quality	Low	Moderate to High	Low to Moderate
Comments	- Easiest to use and understand	- More complex to understand and to calculate relative to others	- Subject to typical peer group cons such as survivorship and selection bias
	- Benchmark misfit risk is largest compared to others	- Least amount of benchmark misfit risk	- Less misfit risk. Better alignment due to IRR calculation

# J-curve and lifecycle of fund cash flows



**Investment Stage (Years 1-5)**

- > Capital commitments are made by limited partner at partnership's closing
- > Investments are made in portfolio companies and typically can be made through Year 5
- > Capital is called to fund investments as needed

**Development Stage (Years 3-8)**

- > Manager works to add value to portfolio companies
- > Follow-on investments are made
- > Initial investments start to mature
- > Mature investments are exited
- > Cash distributions are paid to investors

**Liquidation Stage (Years 8-10)**

- > Many investments have been exited
- > Several investments are left to wind down
- > Provisions to extend usually in one to two year increments up to a maximum of four years

J-curve can produce negative returns in early years on temporary basis

Secondaries can mitigate the J-curve as they generally invest in more mature funds

As cash is iteratively called and distributed, investors need to (a) overcommit to hit target exposures; and (b) commit to funds ongoing to maintain exposure

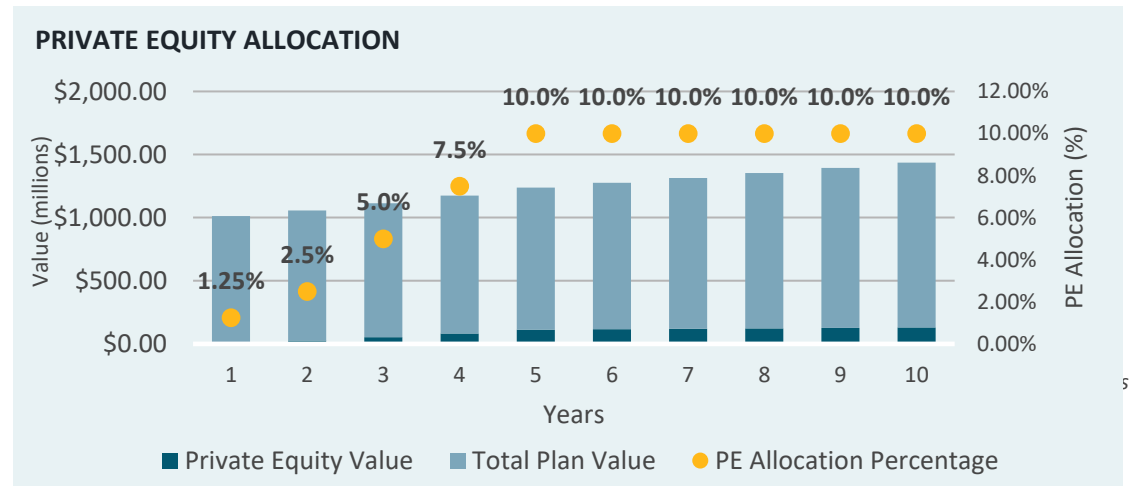
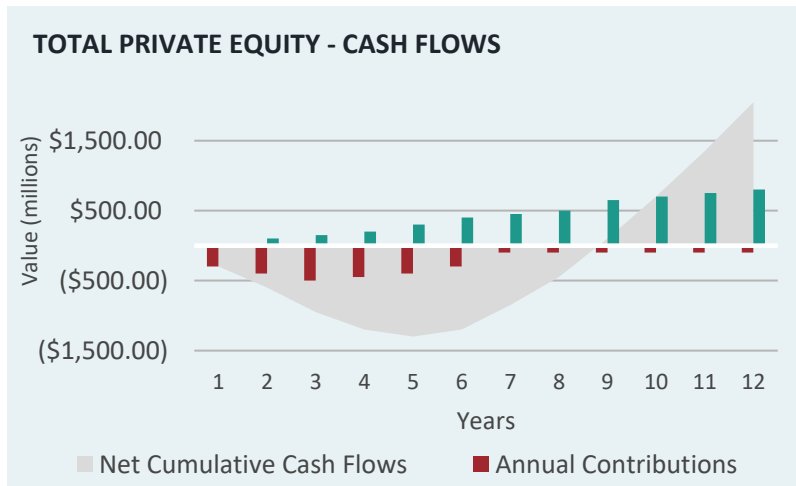
Source: HarbourVest

This example is shown for illustrative purposes only and is intended to demonstrate the mechanics and cash flows of a private equity fund. It is not intended to predict the performance or cash flows of any specific fund and should not be construed as predicting the future. The actual pace and timing of cash flows of a private equity fund are highly dependent on the fund's investment pace, the types of investments made by the fund, and market conditions. Private equity investing involves significant risks, including loss of the entire investment. Investments in private equity fund involve significant risk, including loss of the entire investment.

# Commitment planning

## Verus PE Roadmap

<b>Purpose</b>	Plan future commitments given varying cash flows and valuations of existing fund commitments
<b>Process</b>	<ul style="list-style-type: none"> <li>— Each underlying existing commitment projected</li> <li>— Projections aggregated to total portfolio level to determine PE allocation in future years</li> <li>— Once future PE allocations forecasted, adjust future commitments to reach PE allocation target by certain year</li> </ul>
<b>Benefits</b>	<ul style="list-style-type: none"> <li>— Flexibility in adjusting future commitments</li> <li>— Ability to conduct scenario analysis</li> </ul>
<b>Verus Assumptions</b>	<ul style="list-style-type: none"> <li>— Organized by sub-class</li> <li>— Iteratively developed over years</li> <li>— Based on Venture Economics, Private I, and vast knowledge and experience of our private markets team</li> </ul>





# Valuations

## Valuation Methodologies

<b>Market Approach</b>	Comparables are used as a valuation benchmark (relevance may be based on size, profitability, growth, end-users, etc.)
— <b>Trading Comp.</b>	Trading values of comparable assets, primarily public, are observed, providing a prevailing market sentiment benchmark.
— <b>Transaction Comp.</b>	Historical transactions, primarily private, are observed, providing a precedent and description of the buyer universe.
<b>Income Approach</b>	Income generation is used to determine valuation.
— <b>Discounted Cash Flow</b>	Fair value is determined by the present value of future cash flows.
<b>Leveraged Buyout Approach</b>	Purchase price based primarily on financial projections, required rate of returns, and amount of available leverage.
<b>Cost Approach</b>	Investments made within a year are generally held at cost.
<b>Process</b>	<ul style="list-style-type: none"><li>— GPs typically arrive at a valuation through a weighted combination of the four approaches above.</li><li>— GPs propose valuation based on management projections to fund auditors; once approved, Limited Partner Advisory Committee reviews to approve proposed NAV.</li></ul>

## Timing – NAV released:

- Q1-Q3: 2-3 months after quarter-end
- Q4: 3-4 months after quarter-end
- Fund-of-funds, Secondary funds and similar vehicles: additional 2-3 months
- Performance of privates generally reported on a “quarter-lagged” basis in overall plan performance reports

# Resource and capability needs

Capability	Key Tasks & Skills
<b>Investments</b>	<ul style="list-style-type: none"> <li>— Source high quality managers across sub-asset classes through extensive personal networks, including other LPs, GPs, service providers, founders, and management teams.</li> <li>— Complete in-depth investment due diligence, including deep dive quantitative and qualitative analysis, on-site visits, reference checks, value creation analysis, cash flow verifications, and track record benchmarking for each potential fund underwriting.</li> <li>— Foster relationships over years with quality GPs to help the Plan gain access to top tier, capacity-constrained and access-constrained funds.</li> <li>— Compose investment memoranda for each potential fund commitments to present to Investment Committee and/or Board.</li> <li>— Review performance and portfolio exposures across sub-assets, sectors, geographies, vintage years, investment styles, on a continual basis.</li> <li>— Evaluate impact of any macro events and firm-specific developments, amendments, redemptions; maintain dialogues with GPs year-round.</li> </ul>
<b>Investment Operations</b>	<ul style="list-style-type: none"> <li>— Complete subscription documents for each Private Markets commitments.</li> <li>— Maintain and monitor quarterly cash flow updates for each underlying fund internally.</li> <li>— Report performance and conduct analytics on a quarterly basis.</li> </ul>
<b>Legal</b>	<ul style="list-style-type: none"> <li>— Review all legal documents, including Limited Partner Agreements, for each fund.</li> <li>— Negotiate terms and conditions on behalf of the Plan.</li> <li>— Draft any side letters in conjunction with GP counsels.</li> </ul>

# Governance and decision making

## — Key trustee decisions at inception:

- Asset allocation
- Investment policy statement for private portfolios
- Determine implementation:
  - Strategy: discretionary and/or non-discretionary
  - Model options: fund-of-funds, direct funds, co-investments, direct deals
- Proper staffing, compensation, and advisor support model aligned with implementation model and strategy

## — Ongoing responsibilities:

- Plan: review / approve pace of new investments, typically annually
- Review performance

# Implementation options

# Implementation approaches to private markets

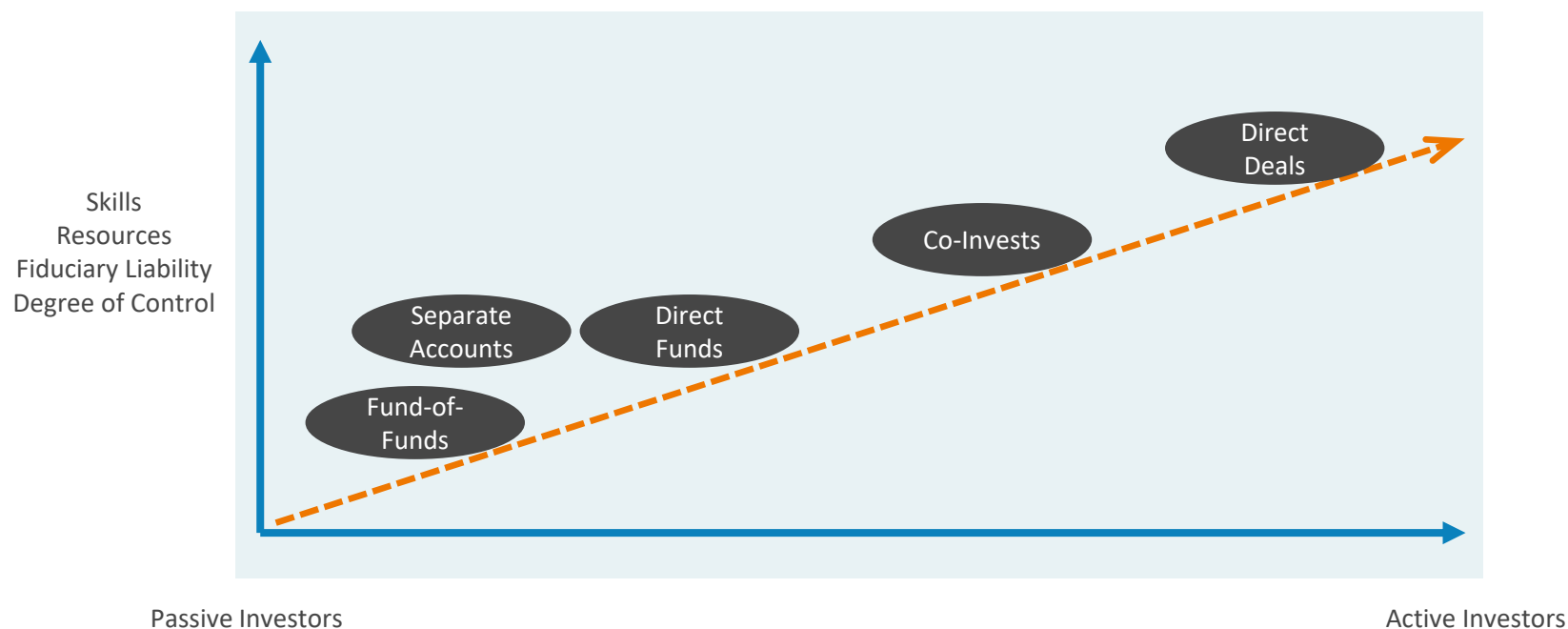
Implementation approach driven by each investor's:

- Investment objectives
- Internal skills and resources
- Tolerance for control, risks, cost

Institutions of size seeking to retain control typically adopt the “direct funds” model to launch their programs.

Smaller investors tend to outsource investing in private markets to fund-of-funds or OCIOs.

ACTIVE-PASSIVE INVESTOR SPECTRUM



# Direct funds vs. fund-of-funds

	Direct Funds	Fund of Funds (FoFs)
<b>Strengths</b>	<ul style="list-style-type: none"> <li>— Single layer of fees</li> <li>— Customized portfolio</li> <li>— Increased control over investments: pacing, types of funds</li> <li>— Direct relationships with General Partners</li> </ul>	<ul style="list-style-type: none"> <li>— Generally lowers risk through broad diversification across managers, strategies, sub-asset classes, and /or geographies</li> <li>— Simpler to implement</li> </ul>
<b>Considerations</b>	<ul style="list-style-type: none"> <li>— Operationally complex</li> <li>— Resource intensive</li> <li>— Can take longer to construct full PE program</li> </ul>	<ul style="list-style-type: none"> <li>— Long-term commitment to vehicle with extra layer of management fees and carried interests</li> <li>— Historically lower net returns to LPs than direct funds</li> <li>— Potentially lack of transparency</li> <li>— Alignment of interests can vary</li> <li>— Longer fund life / illiquidity than direct</li> <li>— Significantly more difficult to withdraw / terminate after commitment</li> </ul>

# Implementation vehicles – direct funds

<b>Buyout Fund</b>	
Vintage	Year 1
Investment Period	Year 1-4
Target Sectors (#)	1-10
Target Geographies	Regional National International
Portfolio Companies (#)	8-15
Company Attributes	EBITDA > 0
Investment Attributes	Equity Control (>50%)

# Implementation vehicles – FoF/secondaries

Buyout Fund		Buyout Fund		Venture Fund		Debt Fund (Mezzanine)	
Vintage	Year 1	Vintage	Year 1	Vintage	Year 1	Vintage	Year 1
Investment Period	Years 1-4	Investment Period	Years 1-4	Investment Period	Years 1-4	Investment Period	Years 1-4
Target Sectors (#)	1-10	Target Sectors (#)	1-10	Target Sectors (#)	1-3	Target Sectors (#)	3-10
Target Geographies	Regional National International	Target Geographies	Regional National International	Target Geographies	Regional National International	Target Geographies	Regional National
Portfolio Companies (#)	8-15	Portfolio Companies (#)	8-15	Portfolio Companies (#)	Early: 15-75 Late: 12-20	Portfolio Companies (#)	12-20
Company Attributes	EBITDA > 0	Company Attributes	EBITDA > 0	Company Attributes	Seed to pre-IPO	Company Attributes	EBITDA > 0
Investment Attributes	Equity Control (>50%)	Investment Attributes	Equity Control (>50%)	Investment Attributes	Equity Control (>50%)	Investment Attributes	Equity Control (>50%)

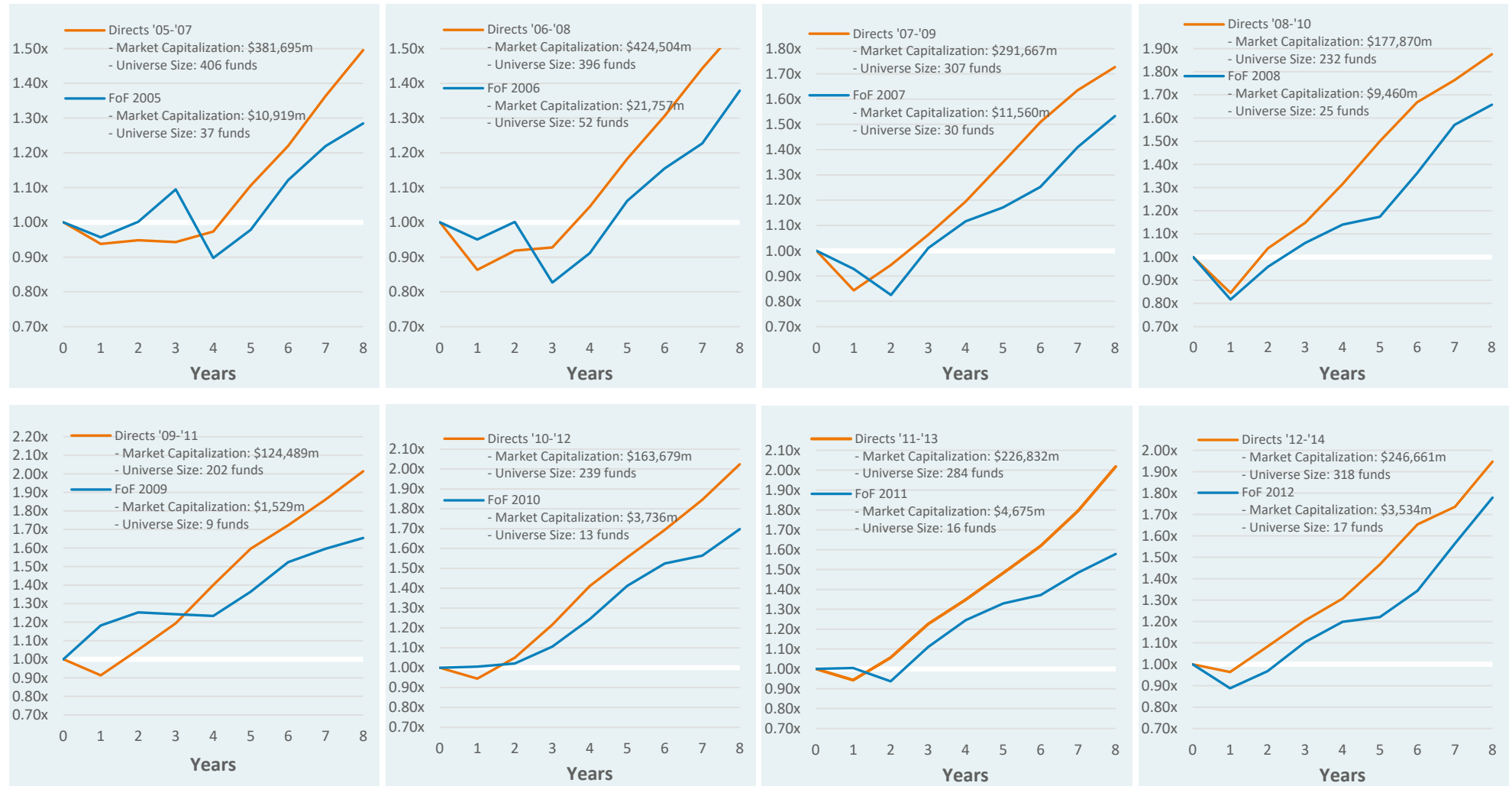
  

Buyout Fund		Buyout Fund		Venture Fund		Debt Fund (Mezzanine)	
Vintage	Year 1	Vintage	Year 1	Vintage	Year 1	Vintage	Year 1
Investment Period	Years 1-4	Investment Period	Years 1-4	Investment Period	Years 1-4	Investment Period	Years 1-4
Target Sectors (#)	1-10	Target Sectors (#)	1-10	Target Sectors (#)	1-3	Target Sectors (#)	3-10
Target Geographies	Regional National International	Target Geographies	Regional National International	Target Geographies	Regional National International	Target Geographies	Regional National
Portfolio Companies (#)	8-15	Portfolio Companies (#)	8-15	Portfolio Companies (#)	Early: 15-75 Late: 12-20	Portfolio Companies (#)	12-20
Company Attributes	EBITDA > 0	Company Attributes	EBITDA > 0	Company Attributes	Seed to pre-IPO	Company Attributes	EBITDA > 0
Investment Attributes	Equity Control (>50%)	Investment Attributes	Equity Control (>50%)	Investment Attributes	Equity Control (>50%)	Investment Attributes	Equity Control (>50%)



# Total return multiple: direct funds vs. FoFs

## COMPARISON OF NET TVPI (2005 – 2014): US PE DIRECT FUNDS (VC + GROWTH + BO) VS US PE FOFS:



\*Source: Thomson Reuters C|A as of June 30, 2020

# Fees: direct vs fund-of-funds

- Typical FoFs charge an extra layer of management fees (typically in the 1% range) + carried interest (5-10%)
- Additionally, investors also pay the underlying GPs' fees ("2% + 20%") on an indirect, manager look-through basis

## Representative FoF Fees and Expenses per \$100 million PE Commitment<sup>1</sup>

<i>Fee Structure</i>	0% Carry	5% Carry	7.5% Carry	10% Carry
0% Mgmt. Fee	\$0m (0%)	-\$4.3m (-4.3%)	-\$6.4m (-6.4%)	-\$8.5m (-8.5%)
.50% Mgmt. Fee	-\$7.5m (-7.5%)	-\$11.8m (-11.8%)	-\$13.9m (-13.9%)	-\$16.0m (-16.0%)
.75% Mgmt. Fee	-\$11.3m (-11.3%)	-\$15.5m (-15.5%)	-\$17.6m (-17.6%)	-\$19.8m (-19.8%)
1% Mgmt. Fee	-\$15.0m (-15.0%)	-\$19.3m (-19.3%)	-\$21.4m (-21.4%)	-\$23.5m (-23.5%)

1. Fund life assumption of 12 years for directs and 15 years for Fund of Funds.

# Direct vs. fund-of-funds vs. separate accounts

	Direct Funds	Fund of Funds (FoFs)	Separate Accounts (SMAs) <sup>1,2</sup>
<b>Strengths</b>	<ul style="list-style-type: none"> <li>— Single layer of fees</li> <li>— Customized portfolio</li> <li>— Increased control over investments: pacing, types of funds</li> <li>— Direct relationships with General Partners</li> </ul>	<ul style="list-style-type: none"> <li>— Generally lowers risk through broad diversification across managers, strategies, sub-asset classes, and /or geographies</li> <li>— Simpler to implement</li> </ul>	<ul style="list-style-type: none"> <li>— ‘One-stop-shop’</li> <li>— Flexibility around targeted investment approach and jurisdiction of vehicle</li> <li>— Higher touch and greater transparency</li> </ul>
<b>Considerations</b>	<ul style="list-style-type: none"> <li>— Operationally complex</li> <li>— Resource intensive</li> <li>— Can take longer to construct full PE program</li> </ul>	<ul style="list-style-type: none"> <li>— Long-term commitment to vehicle with extra layer of management fees and carried interests</li> <li>— Historically lower net returns to LPs than direct funds</li> <li>— Potentially lack of transparency</li> <li>— Alignment of interests can vary</li> <li>— Longer fund life / illiquidity than direct</li> <li>— Significantly more difficult to withdraw / terminate after commitment</li> </ul>	<ul style="list-style-type: none"> <li>— Excludes managers who don’t partake, including many top-quartile GPs</li> <li>— Likely higher execution costs than commingled funds (particularly with more complex investments)</li> </ul>

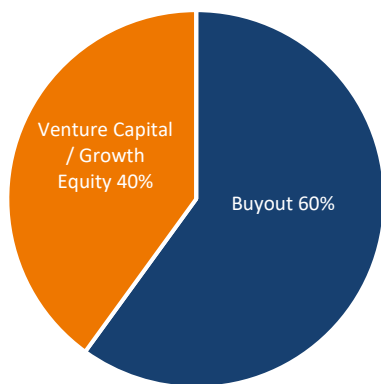
1. SMAs are separate vehicles operated by a direct GP that invest on behalf of individual LPs, often with customization of the clients’ needs across diversification

2. In addition to Separate Managed Accounts (SMAs), there has been a proliferation of Conduit Funds offered by financial institutions that create partnership structures in conjunction with GPs. Each offering is bespoke, requiring careful examinations of structure and potential appended fees.

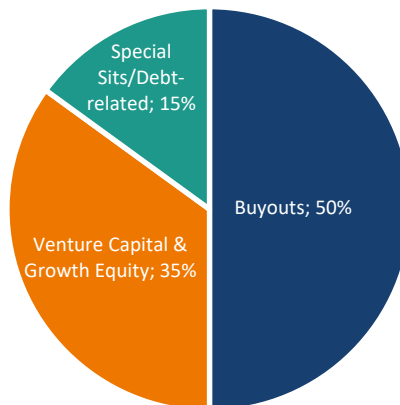
# Sample portfolios

# Illustrative \$100M PE portfolio construction

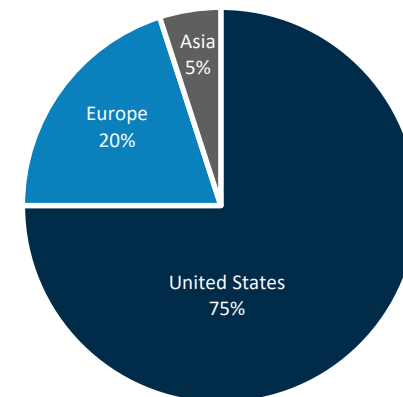
**PRIVATE EQUITY  
TARGET PORTFOLIO**



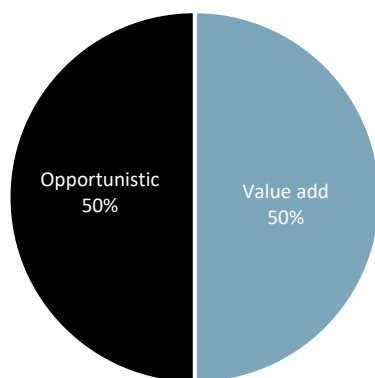
**PRIVATE MARKETS  
TARGET PORTFOLIO**



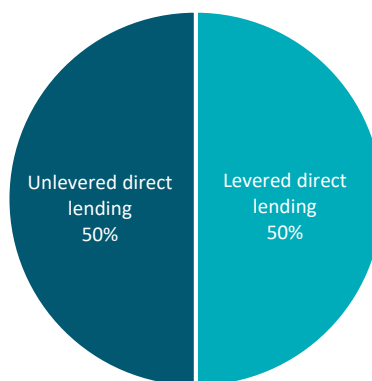
**PRIVATE EQUITY GEOGRAPHIC  
ALLOCATION**



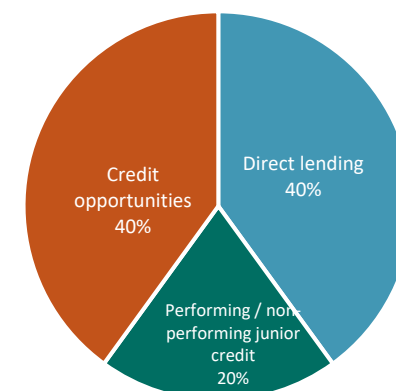
**PRIVATE REAL ESTATE  
TARGET PORTFOLIO**



**PRIVATE CREDIT  
TARGET PORTFOLIO**



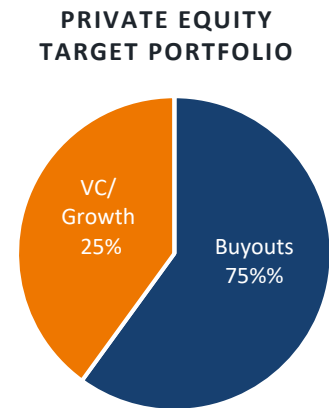
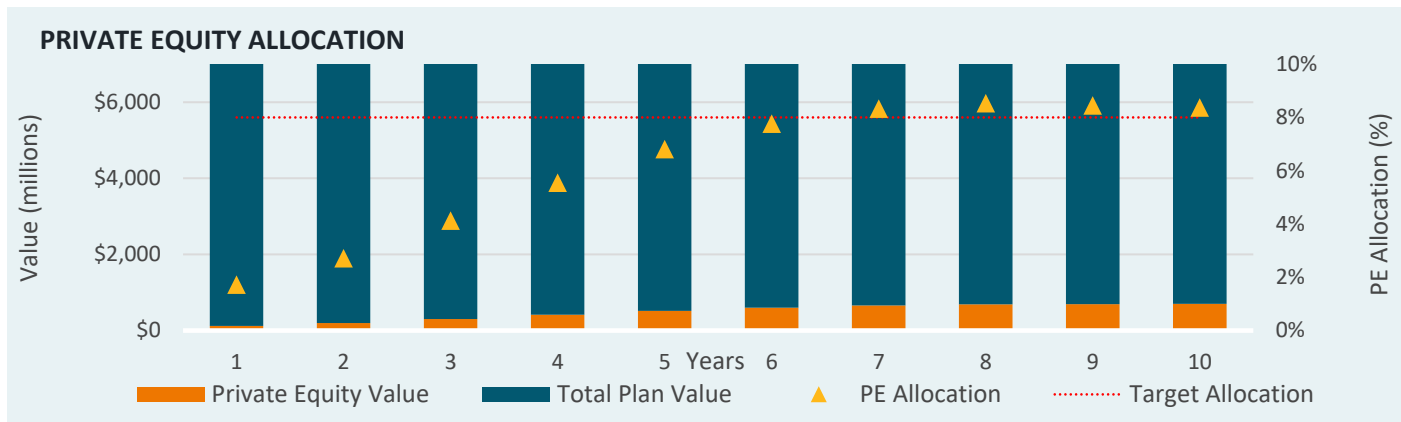
**PRIVATE CREDIT  
(HIGHER RETURN) ALLOCATION**



# \$700M exposure via direct funds + co-investment funds and secondary funds

**Goals:** High returns via customized structure (e.g. minimal J-curve, lower cost)

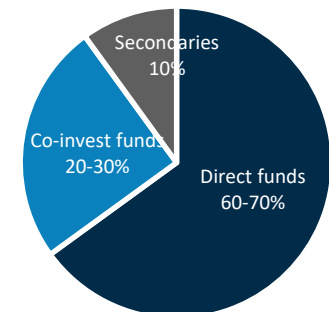
Annual commitments of \$200-250 million per year scaling down to \$150-200 million per year after year three, along with \$70-75M annual commitments in 2/3 co-investment funds and 1/3 secondaries will get to its PE target allocation by year 6-7 while maintaining diversification by vintage year and avoiding target overshoot



## PRIVATE EQUITY ROADMAP

	YEAR 1	YEAR 2	YEAR 3	YEARS 1-3
Private markets commitments	\$233M	\$33M	\$233M	\$700M
# commitments	4-5	4-5	4-5	12-15
-Direct Funds	\$160M	\$160M	\$160M	\$480M
-Secondaries Funds	\$70M	-	-	\$70M
-Co-investment funds	-	\$70-75M	\$70-75M	\$150M

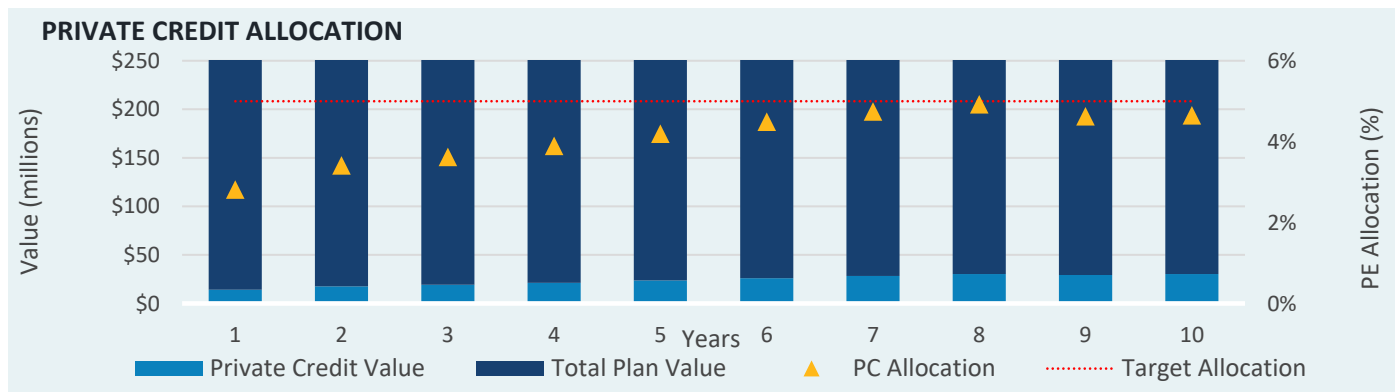
Secondary funds can be used to start the program and to mitigate the J-curve.



# \$500M exposure via private credit funds

**Goals:** Diversified, higher returning private credit portfolio

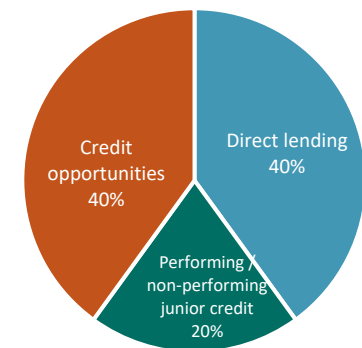
Annual commitments of \$170 million per year scaling down to \$100 million per year after year three across direct lending, junior credit, and credit opportunities will get to its PC target allocation by year 6-7 while maintaining diversification by vintage year and avoiding target overshoot



## PRIVATE CREDIT ROADMAP

	YEAR 1	YEAR 2	YEAR 3	YEARS 1-3
Private markets commitments	\$170M	\$170M	\$160M	\$500M
# commitments	3-4	3-4	3-4	9-12
-Direct lending funds	\$70M	\$70M	\$65M	\$480M
-Performing / non-performing junior credit funds	\$30M	\$30M	\$30M	\$75M
-Credit Opportunities Funds	\$70M	\$70M	\$65M	\$150M

## PRIVATE CREDIT TARGET PORTFOLIO



# Notices & disclosures

**Past performance is no guarantee of future results.** *The information presented in this report is provided pursuant to the contractual agreement (the “Contract”) by and between the entity named and to which this report or presentation deck is being presented (“Client”) and Verus Advisory, Inc. (“Company”). Client is an institutional counter-party and in no event should the information presented be relied upon by a retail investor.*

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*The material may include estimates, outlooks, projections and other “forward-looking statements.” Such statements can be identified by the use of terminology such as “believes,” “expects,” “may,” “will,” “should,” “anticipates,” or the negative of any of the foregoing or comparable terminology, or by discussion of strategy, or assumptions such as economic conditions underlying other statements. No assurance can be given that future results described or implied by any forward-looking information will be achieved. Actual events may differ significantly from those presented. Investing entails risks, including possible loss of principal. Risk controls and models do not promise any level of performance or guarantee against loss of principal.*

*Verus – also known as Verus Advisory™.*



# Passive Manager review

June 9, 2023

# RhumbLine Advisers LP

<b>RhumbLine Advisers LP</b>	
Firm Description	Index Fund Manager
Headquarters	Boston, MA
Firm MWDBE Ownership Category	Female
Firm AUM 12/31/2022	\$88 Billion
IPOPIF contract date	12/29/2021

	<b>RhumbLine US Large</b>	<b>RhumbLine US Small</b>
IPOPIF Investment strategies	Russell 1000 Index Fund	Russell 2000 Index Fund
IPOPIF inception date	3/14/2022	3/14/2022
Vehicle	Separate Account	Separate Account
Benchmark	Russell 1000	Russell 2000
Annual Fee Rate	Flat 0.0050%	Flat 0.0050%
MWDBE brokerage for 1Q2023	100%	98%
IPOPIF 3/31/23 Value	\$1,634 Mil	\$425 Mil
Weight of IPOPIF portfolio on 3/31/23	18.1%	4.7%
IPOPIF ST target as of 3/31/23	18%	5%
IPOPIF ST target as of 4/30/23	23%	5%

# RhumbLine Advisers LP

## Net of Fee Performance as of 3/31/2023

	IPOPIF Value	1 Month	3 Months	12 Months
<b>RhumbLine US Large Cap Index Fund</b>	<b>\$1,634 Mil</b>	3.16%	7.45%	-8.36%
Russell 1000		3.16%	7.46%	-8.39%
<b>Difference</b>		<b>0.00%</b>	<b>-0.01%</b>	<b>0.03%</b>
<b>Rhumbline US Small Cap Index Fund</b>	<b>\$425 Mil</b>	-4.77%	2.74%	-11.59%
Russell 2000		-4.78%	2.74%	-11.61%
<b>Difference</b>		<b>0.01%</b>	<b>0.00%</b>	<b>0.02%</b>

Data source: RhumbLine Advisers LP

### Performance

- RhumbLine performance meets expectations for a passive manager, matching the benchmark since inception with minimal variance.

### Commentary

- Denise D'Entremont, who became Chief Executive Officer in 2022, is now the majority owner of RhumbLine.
- RhumbLine invests contributions, completes reporting, and provides client service in a timely fashion.
- RhumbLine exceeds MWDBE Brokerage goals while adhering to best execution requirements.

# State Street Global Advisors

State Street Global Advisors ("SSGA")	
Firm Description	Index Fund, ETF, and Sector Fund specialists
Headquarters	New York, NY
Firm MWDBE Ownership Category	Majority
Firm AUM 12/31/2022	\$3.5 Trillion
IPOPIF contract date	12/29/2021

	Non-US Developed	Non-US Developed SC	EM Equity	High Yield	EM Debt	TIPS	REITS	Core Bonds	ST Gov- Credit
IPOPIF Investment strategies									
IPOPIF inception date	3/10/22	3/10/22	3/10/22	3/18/22	6/28/22	3/18/22	3/16/22	3/18/22	3/18/22
Vehicle	Commingled Fund	Commingled Fund	Commingled Fund	Commingled Fund	Commingled Fund	Separate Account	Commingled Fund	Commingled Fund	Commingled Fund
Benchmark	MSCI World ex US (Net)	MSCI World ex US Small Cap Index (Net)	MSCI Emerging Markets (Net)	Bloomberg U.S. High Yield Very Liquid Ind	JPM EMBI Global Diversified Index	Blmbg. US TIPS 0-5 Year	Dow Jones U.S. Select REIT	Blmbg. U.S. Aggregate Index	Blmbg. 1-3 Year Gov/Credit index
MWDBE brokerage for 1Q23	13%	4%	6%	0%	0%	0%	4%	0%	0%
IPOPIF 3/31/23 Value	\$1,354 Mil	\$443 Mil	\$630 Mil	\$895 Mil	\$537 Mil	\$271 Mil	\$342 Mil	\$638 Mil	\$ 1,351
Portfolio weight 3/31/23	15.0%	4.9%	7.0%	9.9%	6.0%	3.0%	3.8%	7.1%	15.0%
IPOPIF ST target as of 3/31/23	15%	5%	7%	10%	6%	3%	4%	7%	15%
IPOPIF ST target as of 4/30/23	18%	5%	7%	10%	6%	3%	4%	3%	13%

- Tiered fee on Strategies:
  - 0.02% on the first \$1,000,000,000 (in aggregate)
  - 0.015% on the next \$1,000,000,000
  - 0.005% thereafter
- Additional fee on three of the strategies:
  - Non-applicable on the first \$1,000,000,00; 0.05% thereafter.
  - Applicable for SGA EM Equity, SSGA High Yield, and SSGA EM Debt.

# State Street Global Advisors

Net of Fee Performance as of 3/31/2023				
	IPOPIF Value	1 Month	3 Months	12 Months
<b>SSGA Non-US Developed</b>	<b>\$1,354 Mil</b>	2.30%	8.11%	-2.33%
MSCI World ex USA		2.22%	8.02%	-2.74%
<b>Difference</b>		<b>0.08%</b>	<b>0.09%</b>	<b>0.41%</b>
<b>SSGA Non-US Developed SC</b>	<b>\$443 Mil</b>	0.05%	5.03%	-9.71%
MSCI GIM World Ex US Small Cap Index		-0.02%	4.99%	-10.13%
<b>Difference</b>		<b>0.07%</b>	<b>0.04%</b>	<b>0.42%</b>
<b>SSGA EM Equity</b>	<b>\$630 Mil</b>	3.28%	4.12%	-9.73%
MSCI Emerging Markets Index		3.03%	3.96%	-10.70%
<b>Difference</b>		<b>0.25%</b>	<b>0.16%</b>	<b>0.97%</b>
<b>SSGA High Yield</b>	<b>\$895 Mil</b>	1.10%	3.65%	-4.11%
ICE BoFA US High Yield Master II Constrained		1.11%	3.72%	-3.85%
<b>Difference</b>		<b>-0.01%</b>	<b>-0.07%</b>	<b>-0.26%</b>
<b>SSGA EM Debt</b>	<b>\$537 Mil</b>	0.95%	1.93%	N/A
JP MORGAN EMBI GLOBAL DIVERSIFIED		0.96%	1.86%	N/A
<b>Difference</b>		<b>-0.01%</b>	<b>0.07%</b>	<b>N/A</b>
<b>SSGA TIPS</b>	<b>\$271 Mil</b>	1.90%	2.20%	-0.21%
BLOOMBERG US TREASURY TIPS 0-5 YEARS		1.90%	2.19%	-0.32%
<b>Difference</b>		<b>0.00%</b>	<b>0.01%</b>	<b>0.11%</b>
<b>SSGA REITS</b>	<b>\$342 Mil</b>	-2.59%	2.76%	-20.97%
Dow Jones U.S. Select REIT Index(SM)		-2.60%	2.77%	-20.98%
<b>Difference</b>		<b>0.01%</b>	<b>-0.01%</b>	<b>0.01%</b>
<b>SSGA Core Bonds</b>	<b>\$637 Mil</b>	2.54%	3.15%	-4.79%
Bloomberg US Aggregate Index		2.54%	2.96%	-4.78%
<b>Difference</b>		<b>0.00%</b>	<b>0.19%</b>	<b>-0.01%</b>
<b>SSGA ST Gov-Credit</b>	<b>\$1,351 Mil</b>	1.45%	1.56%	0.29%
Bloomberg U.S. Government/Credit 1-3 Year Index		1.45%	1.51%	0.26%
<b>Difference</b>		<b>0.00%</b>	<b>0.05%</b>	<b>0.03%</b>

Data source: State Street Global Advisors

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- Fair Value Pricing adjusts pricing to reflect after-market activity and prevent market-timing trades.
  - This creates tracking error (variance to benchmark returns), but long-term returns remain in-line with the benchmarks
-

## MEMORANDUM

DATE: June 2, 2023  
TO: IPOPIF Board of Trustees  
FROM: Kent Custer, Chief Investment Officer  
SUBJECT: Investment Officer Job Description and Salary Range

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### **Recommendation**

That the Board of Trustees approve the Investment Officer Position Description and Salary Range of \$135,000 to \$200,000.

### **Background**

- At the Board of Trustees meeting of April 23, 2021, the Board approved the Investment Analyst job description (PP-2021-03) and salary range of \$95,000 to \$125,000 and also approved the Investment Officer job description (PP-2021-02) and salary range of \$125,000 to \$175,000.
- The job descriptions stipulate that the Board of Trustees will review the policies at least every two (2) years to ensure that they remain relevant and appropriate and consistent with state and federal laws and regulations.
- At the April 14, 2023 Board of Trustees meeting the Board approved the recruitment of two additional Investment Officers.
- This recommendation has not been previously reviewed by the Governance Committee. Board action is requested now due to the current Investment Officer search.

### **Position Descriptions**

- The Investment Officer Position description is attached for review.
- No changes are recommended by the Chief Investment Officer.

### **Salary Ranges**

- I asked Megan Holford of Lauterbach & Amen to conduct a compensation analysis for the Investment Officer Position. Her Market Analysis is attached for reference.
- Ms. Holford proposed that the Investment Officer salary range be increased to \$135,000 to \$200,000.
- I independently reviewed salary information available for the Illinois Municipal Retirement Fund, the Illinois Teachers Retirement System, the Illinois State Board of Investments, and the Illinois Firefighters Pension Investment Fund (FPIF) and agree with the salary range proposal from Ms. Holford.
- I did not change the related FY24 budget recommendation for Investment Compensation. I believe the current budget recommendation is appropriate.

**ILLINOIS POLICE OFFICERS' PENSION INVESTMENT FUND**

**POLICY AND PROCEDURE**

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**POLICY NUMBER:** PP-2021-02

**SUBJECT:** INVESTMENT OFFICER JOB DESCRIPTION

**EFFECTIVE DATE:** APRIL 23, 2021

**AMENDED:**

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**INDEX:**

SECTION A: INTRODUCTION

SECTION B: DUTIES AND RESPONSIBILITIES

SECTION C: POLICY REVIEW

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**A. INTRODUCTION**

1. The Investment Officer reports to the Chief Investment Officer (CIO).
2. Under the direction of the Chief Investment Officer (CIO), an Investment Officer provides expert analytical and technical support for the Investment Operations in the areas of investment management, investment reporting, performance measurement, and special projects and studies. Performs related investment duties, as required.
3. This position is assigned greater responsibility to operate independently than an Investment Analyst and may be assigned primary responsibility for one or more critical portfolio management operations or asset classes.
4. The Investment Officer will uphold the highest standards of ethics and professionalism and will act in a manner consistent with the Illinois Police Officers' Pension Investment Fund's mission, vision, and strategic plan.



## **B. DUTIES AND RESPONSIBILITIES OF THE INVESTMENT OFFICER**

### **5. Investment Management**

- a. Provide technical support to the CIO in developing and carrying out the Investment Policy, strategies, objectives, procedures, and processes for the Illinois Police Officers' Pension Investment Fund.
- b. Maintain oversight of compliance of Board-approved strategies, portfolio guidelines, and investment policies.
- c. Perform on-going review of investment policies, strategies and portfolio guidelines and make recommendations to CIO for any changes, as needed.
- d. Ensure portfolio rebalancing and portfolio transitions in accordance with the Board approved Investment Policy Statement.
- e. Recommend, analyze, and monitor chosen investment managers in regard to performance, risk, and return.
- f. Provide written and verbal recommendations if termination or addition of investment managers is warranted.
- g. Review, critique and assess performance of portfolios, to determine risk attribution.
- h. Collaborate and assist with pension investment consultants pertaining to long-term investment strategy.

### **6. Monitoring and Reporting**

- a. Regularly monitor a significant number of selected investment managers to assess performance, risk and return and evaluate any strategy modification. May recommend termination of an investment manager for reasons articulated clearly in oral and written analyses.
- b. Review individual manager performance and multi-manager portfolios to assess return and risk attribution and prepare reports, as required.
- c. Assist the CIO in preparing materials for Board of Trustee and Committee meetings with assigned primary responsibility for one or more sections or segments. The Investment Officer is expected to prepare and fluently present entire reports and memoranda before investment governance bodies.

- d. Assist the CIO in monitoring compliance with Board approved policies and all applicable laws and regulations.
  - e. Provide periodic reporting in accordance with Board policies to the participating police pension funds.
7. Team Management
- a. This position may be assigned responsibility for managing or overseeing the work of other professional staff members.
  - b. Identify training needs of investment staff.
  - c. Make recommendations to CIO with regards to hiring and termination of employees as needed.
8. Administration
- a. Serve as primary staff contact or liaison with several external service providers such as consultants and advisors and take the lead in monitoring such providers' reports, data interfaces, and information systems.
  - b. Work effectively with Legal Counsel to address legal issues with contracts as needed.
  - c. Communicate and respond to legislative and regulatory agencies as well as financial auditors to provide complete information requests.
9. Qualifications
- a. Graduation from an accredited university or college with a bachelor's degree in economics, finance, accounting, business, or related field of study preferred, and
  - b. MBA preferred but not required.
  - c. CFA designation preferred but not required.
  - d. Five to seven years of investment work experience, or
  - e. Three years of such experience with public funds, or
  - f. Any combination of education, training and/or experience that could likely provide the desired knowledge and abilities.
  - g. Demonstrated investment management success.

10. Knowledge of:

- a. Investment concepts, terminology, styles, models, and strategies including portfolio theory, asset allocation and performance measurement, and a solid understanding of capital markets.
- b. Principles and practices of institutional investment management and specifically public pension fund management.
- c. Modern portfolio theory and application to public pension funds.
- d. Institutional real estate, private equity, hedge funds and other non-traditional investment areas, including advanced knowledge of and prior experience in the functional areas to be assigned to this position.
- e. Analytical techniques and tools commonly utilized in the management of equity and fixed income portfolios in a pension fund environment.
- f. Statistical concepts, methods and models, and their application to investments.

11. Skills and abilities to:

- a. Establish and maintain professional relationships with members of the Board of Trustees, IPOPIF management and professional staff, and consultants.
- b. Isolate critical investment data to assess financial risk of investment options and report those succinctly orally and in writing. Identify key risks to the portfolio or segments assigned and provide strategies to mitigate or address those issues on a timely basis.
- c. Independently evaluate overall performance of external investment managers and consultants.
- d. Prioritize conflicting timelines and ensure that projects are completed as required.
- e. Interact with external service providers such as: actuarial and investment consultants, money managers and custodians.

- f. Strong proven analytical and writing skills for the preparation of the Board of Trustee and Committee meetings analysis of portfolio managers and due diligence reports. This employee must prepare coherent, accurate, comprehensive, and insightful research reports and policy/program/strategy recommendations without supervision, and be able to present them fluently, effectively, convincingly, honestly, and successfully to trustees, peers, co-workers, and stakeholder groups.
- g. Communicate in English clearly, concisely, and effectively both orally and in writing. Work products must be complete, comprehensive, and accurate when submitted.
- h. Perform job functions with a high degree of independence and in an ethical and objective manner.
- i. Use computer software to compose spreadsheets, graphs, flowcharts, calculations, and time reports, etc.

**C. POLICY REVIEW**

- 12. The Policy is subject to change in the exercise of the Board's judgement.
- 13. The Board of Trustees will review this policy at least every two (2) years to ensure that it remains relevant and appropriate and consistent with state and federal laws and regulations.
- 14. In the event of legislative changes to the pertinent sections addressed in this policy, the Board will review the policy as appropriate.
- 15. This policy was adopted by the Board on April 23, 2021.



## **ILLINOIS POLICE OFFICERS’ PENSION INVESTMENT FUND**

### **I. LEGISLATURE ADJOURNS SPRING SESSION**

- a. The Illinois General Assembly has officially adjourned the Spring legislative session. On Saturday, May 27, 2023 around 3:30 am the Illinois House of Representatives adjourned after a robust floor debate on the budget. On May 26<sup>th</sup>, the Senate concluded their business, voting on the FY 2024 budget around 1:30 am. Despite not being able to adjourn on the self-imposed May 19<sup>th</sup> deadline, the legislature was able to conclude its business before the traditional May 31<sup>st</sup> deadline. This is the second year in a row the legislature has committed to a truncated schedule. Last year the legislature adjourned in early April.

### **II. WHAT’S NEXT?**

- a. The Illinois General Assembly passed a total of 565 bills this legislative session. Those bills involve: Drones As First Responders, Medicaid, Toll Lanes on I-55, Elections, recreational prosthetics and orthotics, gaming, juvenile court fees, red light camera regulations, the creation of a state health exchange, bond authorization, budget implementation bill and much more. The legislature has 30 days to present a bill to the Governor, and the Governor has 60 days after receiving the bill to sign, veto, or issue an amendatory veto. The legislature very rarely passes bills where the Governor has indicated he will issue a veto, but one particular energy bill (HB 3445) has invoked the ire of the Illinois Attorney General, various environmental groups, and the Illinois Commerce Commission.
  - i. The FY 2024 Budget (SB 250) will begin on July 1. The State is projected to have around \$50.7 billion dollars in revenue from a combination of personal income tax, corporate income tax, and state sales tax. A significant portion of the money will be allotted for ARC pension payments, debt service on bonds, and payments to the state employee health and Medicaid programs.
    1. Of significance – an additional \$200 million will be spent towards paying down the State’s pension unfunded liability.
    2. Key areas of the budget involving \$75 million increase for early education childhood block grant at the Illinois State Board of Education, \$53.5 million for public health emergency preparedness, \$100 million MAP grants, \$550 million Medicaid for undocumented migrants (adults), \$85 million homelessness, \$112 million LDGF, and \$250 million

for youth services and violence prevention programs were front in center in the debate over the budget.

### III. SUPREME COURT TO HEAR PENSION CONSOLIDATION CASE

- a. On May 24, 2023, the Illinois Supreme Court permitted Plaintiff Pension Funds to file a petition for Leave to Appeal in the pension consolidation challenge. The decision by the state's Supreme Court follows the February ruling by an Illinois appellate court that the consolidated funds, the \$9 billion IPOPIF and the \$7.2B IFPIF, are constitutional. At the center of the issue is the constitutional right of participants to control and manage their assets. During a contentious and robust debate made by police and fire pension members, municipal leaders and other vested stakeholders, the pension consolidation law passed in May of 2019. It is unknown when the Supreme Court will next take action on this matter.

### IV. IPOPIF LEGISLATIVE AGENDA – STATUS UPDATE

- a. **SB 2100 (IPOPIF Technical Corrections)** – Chief Sponsor Senate Special Committee on Pension Chairman Robert Martwick and House Personnel and Pensions Committee Member Daniel Didech, Chairwoman Stephanie Kifowit, Committee Member Janet Yang Rohr
  - i. **PASSED** Both Houses on May 11, 2023
  - ii. Currently awaiting Governor's Signature
- b. **SB 2102 (DOI AUDITS – IPOPIF OPPOSED)** - Chief Sponsor Senate Special Committee on Pensions Chairman Robert Martwick, Senator Dave Syverson and House Assistant Majority Leader Natalie Manley
  - i. **FAILED**
  - ii. Re-referred back to House Rules Committee
- c. **HB 3817 (Budget Implementation Bill – BIMP)** – Chief Sponsor Senate Majority Caucus Appropriations Leader Elgie Sims and House Speaker Pro Tempore Jehan Gordon-Booth
  - i. **PASSED** Both Houses on May 27, 2023
  - ii. New Language – Sec.1A-112 Fees: Effective July 1, 2023, each pension fund established under Article 3 or 4 of this Code shall pay an annual compliance fee of at least .02% but not more than .05% of the total assets of the pension fund, as reported in the most current annual statement of the fund, to the Department of Insurance unless the approximate Consolidated Fund agrees to conduct an audit or examination of all pension funds as provided in Sec. 1A-104. The Department shall have the discretion to set the annual compliance fee to be paid by each pension fund to cover the cost of the compliance audits. The Department shall provide written notice to each Article 3

- and 4 pension fund of the amount of the annual compliance fee due not less than 60 days prior to the fee payment deadline.
- iii. Currently awaiting Governor's Signature

**V. UNRESOLVED LEGISLATIVE ISSUES**

- a. Open Meetings Act – Remote Meetings
  - i. Please supplemental report for a list of OMA -remote meetings bills that have been re-referred back to Senate Assignments or House Rules committees.
- b. Ethics Reform – anti-corruption
- c. Energy
- d. Pension Benefit Fixes
  - i. Tier 2
  - ii. Chicago Police birthdate restriction removal
  - iii. Chicago Fire and Chicago Police Downstate Reciprocity

**VI. TRACKED BILL(S) – STATUS UPDATE**

- a. Please see \*Updated\* supplemental 20-page Report

**VII. FALL VETO SESSION SCHEDULE**

- a. The House & Senate have published their 2023 Veto session schedules.
- b. Both chambers will meet the following days:

- Tuesday, October 24, 2023
- Wednesday, October 25, 2023
- Thursday, October 26, 2023

- Tuesday, November 7, 2023
- Wednesday, November 8, 2023
- Thursday, November 9, 2023

# ILLINOIS POLICE OFFICERS' PENSION INVESTMENT FUND



## MONTHLY FINANCIAL REPORT

FOR THE NINE MONTHS ENDED MARCH 31, 2023

PREPARED BY:



Lauterbach & Amen, LLP

CERTIFIED PUBLIC ACCOUNTANTS



**Illinois Police Officers' Pension Investment Fund**  
**Statement of Fiduciary Net Position**  
**As of March 31, 2023**

<b>Assets</b>	
<b>Cash</b>	
Lake Forest B&T	\$ 236,853
<b>Total Cash</b>	<b>236,853</b>
<b>Investments</b>	
Investments	9,016,924,150
<b>Total Investments</b>	<b>9,016,924,150</b>
<b>Total Assets</b>	<b>9,017,161,003</b>

<b>Liabilities</b>	
<b>Payables</b>	
Illinois Finance Authority Loan	5,548,091
Capitalized Interest	79,635
<b>Total Payables</b>	<b>5,627,726</b>
<b>Accrued Expenses</b>	
Payroll & Related	103,393
Professional	8,149
General	56,499
<b>Total Accrued Expenses</b>	<b>168,041</b>
<b>Total Liabilities</b>	<b>5,795,767</b>

<b>Net Position Restricted</b>	<b>9,011,365,236</b>
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**Illinois Police Officers' Pension Investment Fund  
Statement of Changes in Fiduciary Net Position  
For the Nine Months Ended March 31, 2023**

<b>Additions</b>	
<b>Proceeds</b>	
Cash Received from Local Funds	278,503,212
Investments Received from Local Funds	5,684,408,222
<b>Total Proceeds</b>	<b><u>5,962,911,434</u></b>
<b>Investment Income (Loss)</b>	
Lake Forest Bank & Trust - Checking	1,103
Lake Forest Bank & Trust - Max Safe	6,663
Interest	43,941,844
Net appreciation (depreciation) in fair value of investments	348,903,191
<b>Net Investment Income (Loss)</b>	<b><u>392,852,801</u></b>
<b>Total Additions</b>	<b><u>6,355,764,235</u></b>
<b>Deductions</b>	
<b>Administrative Expenses</b>	
Board of Trustees & Meetings	(12,884)
Administrative Operations	(1,582,618)
Investment Operations	(1,956,499)
<b>Total Administrative Expenses</b>	<b><u>(3,552,001)</u></b>
<b>Participating Fund Withdrawals</b>	<b>(75,595,432)</b>
<b>Total Deductions</b>	<b><u>(79,147,433)</u></b>
<b>Net Increase (Decrease)</b>	<b><u>6,276,616,802</u></b>
<b>Net Position Restricted</b>	
<b>Beginning of the Year</b>	2,734,748,434
<b>End of the Period</b>	<b><u>9,011,365,236</u></b>

## Illinois Police Officers' Pension Investment Fund

### Additions Report for the Nine Months Ended March 31, 2023

	<u>Received</u> <u>this Month</u>	<u>Budgeted*</u> <u>this Month</u>	<u>Received this</u> <u>Fiscal Year</u>	<u>Budgeted* this</u> <u>Fiscal Year</u>
<b>Additions</b>				
<u>Consolidated Funds</u>				
Cash Received from Local Funds	51,003,828	-	278,503,212	-
Investments Received from Local Funds	11,521,592	-	5,684,408,222	-
	<u>62,525,420</u>	<u>-</u>	<u>5,962,911,434</u>	<u>-</u>
<u>Investment Income (Loss)</u>				
Interest & Dividends	6,841,431	-	43,949,610	-
Net appreciation (depreciation)	117,132,396	-	348,903,191	-
	<u>123,973,827</u>	<u>-</u>	<u>392,852,801</u>	<u>-</u>
<b>Total Additions</b>	<b>186,499,247</b>	<b>-</b>	<b>6,355,764,235</b>	<b>-</b>

# Illinois Police Officers' Pension Investment Fund

## Deductions Report for the Nine Months Ended March 31, 2023

	<u>Expended this Month</u>	<u>Budgeted* this Month</u>	<u>Expended this Year</u>	<u>Budgeted* this Year</u>
<b>Expenditures</b>				
<b>Board of Trustees and Meetings</b>				
<u>Board of Trustees and Meetings Expenses</u>				
Professional Services				
<i>Administrative Services</i>	-	5,400	3,200	64,800
<i>Election Services</i>	-	(531)	(6,366)	(6,366)
Education and Training	868	1,500	11,125	18,000
Meeting Expenses	883	788	4,261	9,461
Board Member Reimbursements	-	875	664	10,500
	<b>1,751</b>	<b>8,032</b>	<b>12,884</b>	<b>96,395</b>
<b>Administrative Operations</b>				
<u>Personnel</u>				
Administrative Personnel	55,374	49,642	348,873	595,698
Employment Expenses				
<i>FICA/Medicare</i>	4,246	3,123	22,548	37,481
<i>Medical/Dental Benefits</i>	3,038	4,076	10,390	48,912
<i>Unemployment</i>	-	250	-	3,000
<i>Retirement Benefits</i>	695	3,446	21,676	41,352
	<b>63,353</b>	<b>60,537</b>	<b>403,487</b>	<b>726,443</b>
<u>Professional Services</u>				
Finance				
<i>Accounting</i>	-	2,000	8,000	24,000
<i>Audit - Financial</i>	5,000	2,292	27,500	27,500
<i>Audit - Certified Asset List</i>	39,190	37,077	349,495	444,924
<i>Audit - Transition</i>	-	1,146	-	13,752
<i>Chief Financial Officer</i>	-	17,077	89,369	204,918
Administrative Services	-	12,792	18,188	153,500
Government Liaison	5,700	5,700	39,900	68,400
Actuarial Services	7,125	15,271	124,413	183,250
Outsourced Human Resources	(6,088)	2,000	646	24,000
Legal Services				
<i>Legal Services - General</i>	-	5,833	14,713	70,000
<i>Legal Services - Fiduciary</i>	6,552	8,333	37,218	100,000
Technology Services	405	7,020	5,278	84,245
Communication Services	2,000	2,000	18,000	24,000
	<b>59,884</b>	<b>118,541</b>	<b>732,720</b>	<b>1,422,489</b>

# Illinois Police Officers' Pension Investment Fund

## Deductions Report for the Nine Months Ended March 31, 2023

	<u>Expended this Month</u>	<u>Budgeted* this Month</u>	<u>Expended this Year</u>	<u>Budgeted* this Year</u>
<b>Expenditures</b>				
<u>Bank Services and Fees</u>				
Local Bank Fees	204	417	2,833	5,000
Loan Interest Expense	-	19,334	148,392	232,011
	<b>204</b>	<b>19,751</b>	<b>151,225</b>	<b>237,011</b>
<u>Services &amp; Supplies</u>				
Assets under \$5,000	964	11,808	116,602	141,690
Insurance	-	7,035	84,418	84,418
Office Lease/Rent	5,375	4,031	32,250	48,375
Printing & Postage	10	3,000	3,092	36,000
Supplies & Maintenance	754	1,167	7,705	14,000
Telecommunication	230	1,099	9,249	13,193
Contingency	(2)	1,000	5	12,000
Dues / Licenses	1,497	941	2,665	11,295
Training & Education	-	1,000	135	12,000
Travel & Transportation	96	1,000	2,544	12,000
Utilities	-	425	-	5,100
Website	344	4,167	36,521	50,000
	<b>9,268</b>	<b>36,673</b>	<b>295,186</b>	<b>440,071</b>
<b>Investment Operations</b>				
<u>Personnel</u>				
Investment Operations Personnel	50,000	59,375	417,346	712,500
Employment Expenses				
<i>FICA/Medicare</i>	3,726	4,542	23,972	54,506
<i>Medical/Dental Benefits</i>	9,736	3,879	45,950	46,548
<i>Unemployment</i>	-	208	-	2,500
<i>Retirement Benefits</i>	4,970	5,011	49,976	60,135
	<b>68,432</b>	<b>73,015</b>	<b>537,244</b>	<b>876,189</b>
<u>Investment &amp; Banking</u>				
General Investment Consultant	-	35,625	213,750	427,500
Database Subscription(s)	-	3,088	37,050	37,050
Investment Management	(2,955)	75,149	33,867	901,790
Custodial Services	(29,067)	38,750	(29,067)	465,000
	<b>(32,022)</b>	<b>152,612</b>	<b>255,600</b>	<b>1,831,340</b>

## Illinois Police Officers' Pension Investment Fund Deductions Report for the Nine Months Ended March 31, 2023

	<b>Expended <u>this Month</u></b>	<b>Budgeted* <u>this Month</u></b>	<b>Expended <u>this Year</u></b>	<b>Budgeted* <u>this Year</u></b>
<b>Expenditures</b>				
<u>Professional Services</u>				
Project Architect	-	2,348	28,175	28,175
Transition Management	847,718	70,645	847,718	847,734
Transition Consultant/Services	-	23,980	287,762	287,762
	<u>847,718</u>	<u>96,973</u>	<u>1,163,655</u>	<u>1,163,671</u>
<b>Total Expenditures</b>	<b>1,018,588</b>	<b>566,134</b>	<b>3,552,001</b>	<b>6,793,609</b>
<b>Participating Fund Withdrawals</b>		<b>26,269,976</b>	<b>75,595,432</b>	
<b>Total Deductions</b>		<b>27,288,564</b>	<b>79,147,433</b>	

\*Including All Budget Amendments as of March 31, 2023

# ILLINOIS POLICE OFFICERS' PENSION INVESTMENT FUND



## MONTHLY FINANCIAL REPORT

FOR THE TEN MONTHS ENDED APRIL 30, 2023

PREPARED BY:



Lauterbach & Amen, LLP

CERTIFIED PUBLIC ACCOUNTANTS

**Illinois Police Officers' Pension Investment Fund**  
**Statement of Fiduciary Net Position**  
**As of April 30, 2023**

<b>Assets</b>	
<b>Cash</b>	
Lake Forest B&T	\$ 118,163
<b>Total Cash</b>	<b>118,163</b>
<b>Investments</b>	
Investments	9,146,885,445
<b>Total Investments</b>	<b>9,146,885,445</b>
<b>Total Assets</b>	<b>9,147,003,608</b>

<b>Liabilities</b>	
<b>Accrued Expenses</b>	
Payroll & Related	100,716
Professional	1,813
General	56,499
<b>Total Accrued Expenses</b>	<b>159,028</b>
<b>Total Liabilities</b>	<b>159,028</b>

<b>Net Position Restricted</b>	<b>9,146,844,580</b>
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**Illinois Police Officers' Pension Investment Fund  
Statement of Changes in Fiduciary Net Position  
For the Ten Months Ended April 30, 2023**

<b>Additions</b>	
<b>Proceeds</b>	
Cash Received from Local Funds	355,521,278
Investments Received from Local Funds	5,690,044,004
<b>Total Proceeds</b>	<b><u>6,045,565,282</u></b>
<b>Investment Income (Loss)</b>	
Lake Forest Bank & Trust - Checking	1,129
Lake Forest Bank & Trust - Max Safe	6,693
Interest	48,666,902
Net appreciation (depreciation) in fair value of investments	425,390,489
<b>Net Investment Income (Loss)</b>	<b><u>474,065,213</u></b>
<b>Total Additions</b>	<b><u>6,519,630,495</u></b>
<b>Deductions</b>	
<b>Administrative Expenses</b>	
Board of Trustees & Meetings	(30,553)
Administrative Operations	(1,930,600)
Investment Operations	(2,305,942)
<b>Total Administrative Expenses</b>	<b><u>(4,267,095)</u></b>
<b>Participating Fund Withdrawals</b>	<b>(103,267,254)</b>
<b>Total Deductions</b>	<b><u>(107,534,349)</u></b>
<b>Net Increase (Decrease)</b>	<b><u>6,412,096,146</u></b>
<b>Net Position Restricted</b>	
<b>Beginning of the Year</b>	2,734,748,434
<b>End of the Period</b>	<b><u>9,146,844,580</u></b>

## Illinois Police Officers' Pension Investment Fund

### Additions Report for the Ten Months Ended April 30, 2023

	<u>Received</u> <u>this Month</u>	<u>Budgeted*</u> <u>this Month</u>	<u>Received this</u> <u>Fiscal Year</u>	<u>Budgeted* this</u> <u>Fiscal Year</u>
<b>Additions</b>				
<u>Consolidated Funds</u>				
Cash Received from Local Funds	77,018,066	-	355,521,278	-
Investments Received from Local Funds	5,635,782	-	5,690,044,004	-
	<u>82,653,848</u>	<u>-</u>	<u>6,045,565,282</u>	<u>-</u>
<u>Investment Income (Loss)</u>				
Interest & Dividends	4,725,113	-	48,674,724	-
Net appreciation (depreciation)	76,487,298	-	425,390,489	-
	<u>81,212,411</u>	<u>-</u>	<u>474,065,213</u>	<u>-</u>
<b>Total Additions</b>	<b>163,866,259</b>	<b>-</b>	<b>6,519,630,495</b>	<b>-</b>

# Illinois Police Officers' Pension Investment Fund

## Deductions Report for the Ten Months Ended April 30, 2023

	<u>Expended this Month</u>	<u>Budgeted* this Month</u>	<u>Expended this Year</u>	<u>Budgeted* this Year</u>
<b>Expenditures</b>				
<b>Board of Trustees and Meetings</b>				
<u>Board of Trustees and Meetings Expenses</u>				
Professional Services				
<i>Administrative Services</i>	16,713	5,400	19,913	64,800
<i>Election Services</i>	-	(531)	(6,366)	(6,366)
Education and Training	-	1,500	11,125	18,000
Meeting Expenses	956	788	5,217	9,461
Board Member Reimbursements	-	875	664	10,500
	<b>17,669</b>	<b>8,032</b>	<b>30,553</b>	<b>96,395</b>
<b>Administrative Operations</b>				
<u>Personnel</u>				
Administrative Personnel	41,833	49,642	390,707	595,698
Employment Expenses				
<i>FICA/Medicare</i>	3,207	3,123	25,755	37,481
<i>Medical/Dental Benefits</i>	1,669	4,076	12,060	48,912
<i>Unemployment</i>	-	250	-	3,000
<i>Retirement Benefits</i>	4,308	3,446	25,985	41,352
	<b>51,017</b>	<b>60,537</b>	<b>454,507</b>	<b>726,443</b>
<u>Professional Services</u>				
Finance				
<i>Accounting</i>	8,000	2,000	16,000	24,000
<i>Audit - Financial</i>	-	2,292	27,500	27,500
<i>Audit - Certified Asset List</i>	-	37,077	349,495	444,924
<i>Audit - Transition</i>	-	1,146	-	13,752
<i>Chief Financial Officer</i>	68,600	17,077	157,969	204,918
Administrative Services	39,175	12,792	57,363	153,500
Government Liaison	5,700	5,700	45,600	68,400
Actuarial Services	7,000	15,271	131,413	183,250
Outsourced Human Resources	250	2,000	896	24,000
Legal Services				
<i>Legal Services - General</i>	13,743	5,833	28,456	70,000
<i>Legal Services - Fiduciary</i>	7,316	8,333	44,534	100,000
Technology Services	48,967	7,020	54,245	84,245
Communication Services	2,000	2,000	20,000	24,000
	<b>200,751</b>	<b>118,541</b>	<b>933,471</b>	<b>1,422,489</b>

## Illinois Police Officers' Pension Investment Fund

### Deductions Report for the Ten Months Ended April 30, 2023

	<u>Expended this Month</u>	<u>Budgeted* this Month</u>	<u>Expended this Year</u>	<u>Budgeted* this Year</u>
<b>Expenditures</b>				
<u>Bank Services and Fees</u>				
Local Bank Fees	211	417	3,044	5,000
Loan Interest Expense	82,173	19,334	230,565	232,011
	<b>82,384</b>	<b>19,751</b>	<b>233,609</b>	<b>237,011</b>
<u>Services &amp; Supplies</u>				
Assets under \$5,000	-	11,808	116,602	141,690
Insurance	-	7,035	84,418	84,418
Office Lease/Rent	5,375	4,031	37,625	48,375
Printing & Postage	4,375	3,000	7,467	36,000
Supplies & Maintenance	1,227	1,167	8,932	14,000
Telecommunication	619	1,099	9,868	13,193
Contingency	(1)	1,000	(1)	12,000
Dues / Licenses	98	941	2,764	11,295
Training & Education	-	1,000	135	12,000
Travel & Transportation	81	1,000	2,625	12,000
Utilities	1,627	425	1,627	5,100
Website	430	4,167	36,951	50,000
	<b>13,831</b>	<b>36,673</b>	<b>309,013</b>	<b>440,071</b>
<b>Investment Operations</b>				
<u>Personnel</u>				
Investment Operations Personnel	50,075	59,375	467,421	712,500
Employment Expenses				
<i>FICA/Medicare</i>	3,732	4,542	27,704	54,506
<i>Medical/Dental Benefits</i>	4,654	3,879	50,604	46,548
<i>Unemployment</i>	-	208	-	2,500
<i>Retirement Benefits</i>	6,283	5,011	56,259	60,135
	<b>64,744</b>	<b>73,015</b>	<b>601,988</b>	<b>876,189</b>
<u>Investment &amp; Banking</u>				
General Investment Consultant	-	35,625	213,750	427,500
Database Subscription(s)	-	3,088	37,050	37,050
Investment Management	284,698	75,149	318,566	901,790
Custodial Services	-	38,750	(29,067)	465,000
	<b>284,698</b>	<b>152,612</b>	<b>540,299</b>	<b>1,831,340</b>

## Illinois Police Officers' Pension Investment Fund Deductions Report for the Ten Months Ended April 30, 2023

	<u>Expended this Month</u>	<u>Budgeted* this Month</u>	<u>Expended this Year</u>	<u>Budgeted* this Year</u>
<b>Expenditures</b>				
<u>Professional Services</u>				
Project Architect	-	2,348	28,175	28,175
Transition Management	-	70,645	847,718	847,734
Transition Consultant/Services	-	23,980	287,762	287,762
	-	<u>96,973</u>	<u>1,163,655</u>	<u>1,163,671</u>
<b>Total Expenditures</b>	<b>715,094</b>	<b>566,134</b>	<b>4,267,095</b>	<b>6,793,609</b>
<b>Participating Fund Withdrawals</b>		<b>27,671,821</b>	<b>103,267,254</b>	
<b>Total Deductions</b>		<b>28,386,915</b>	<b>107,534,349</b>	

\*Including All Budget Amendments as of April 30, 2023

# Warrant #64



**Illinois Police Officers'**  
PENSION INVESTMENT FUND

## Expenses for Ratification - June 9, 2023 Board Meeting

### **BOARD OF TRUSTEES and MEETINGS**

#### **Meeting Expenses**

4/13/2023	Barracks Hospitality Group Lunch and beverages for April 14, 2023, Board Meeting Invoice #53111	\$801.98
4/25/2023	Richard White Out of pocket reimbursement for Peoria Marriott for April 14, 2023 Board Meeting	\$6,198.90
<b>Total Board of Trustees and Meetings Meeting Expenses</b>		<b>\$7,000.88</b>

#### **Board Member Reimbursements**

4/14/2023	Daniel Hopkins Out of pocket reimbursement for hotel and travel for April 14, 2023, Board Meeting	\$302.11
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**TOTAL BOARD OF TRUSTEES AND MEETINGS EXPENSES** **\$7,302.99**

### **ADMINISTRATIVE OPERATIONS**

#### **Professional Services - Human Resources**

4/27/2023	Kent Custer Out of pocket reimbursement for Investment Officer job posting at CFA Institute Career Center	\$435.00
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#### **Professional Services - Actuarial**

4/17/2023	Foster & Foster, Inc. Preparation of Fiscal Year 2022 Actuarial Valuation Reports for 5 participating pension funds and preparation of ASOP memo, Invoice #26664	\$3,250.00
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#### **Professional Services - Legal**

##### **General**

4/21/2023	Reimer Dobrovolny & Labardi PC Legal Services Rendered and Out of Pocket Expenses for the period January 16 -27, Invoice #29143	\$2,635.00
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##### **Fiduciary and Litigation**

4/10/2023	Jacobs Burns Orlove & Hernandez LLP Legal Services rendered for March 2023, General Matters Invoice #107697 Legal Services rendered for March 2023, Litigation Invoice #107698	\$3,717.00 <u>\$324.50</u> \$4,041.50
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## Warrant #64



**Illinois Police Officers'**  
PENSION INVESTMENT FUND

# Expenses for Ratification - June 9, 2023 Board Meeting

### **Professional Services - Technology**

3/16/2023	Ernst & Young LLP Billing for Technology and Operating Model Future State October 2022 - January 2023, Invoice #US01U001188914	\$48,967.00
4/5/2023	Levi, Ray & Shoup, Inc. Network support services March 2023, Invoice #293189	\$2,767.50
<b>Total Technology Professional Services Expenses</b>		<b>\$51,734.50</b>

### **Professional Services - Communication**

4/23/2023	Shepherd Communications Professional Service Fee for May 2023	\$2,000.00
<b>Total Administrative Operations Professional Services Expenses</b>		<b>\$64,096.00</b>

### **Services and Supplies**

#### **Office Lease**

5/1/2023	City of Peoria Rent for May 2023	\$5,375.00
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#### **Supplies & Maintenance**

4/14/2023	Daniel Hopkins Out of pocket reimbursement for printer ink	\$59.89
4/25/2023	Richard White Out of pocket reimbursement for Owl Labs Technology Device	\$1,379.12
<b>Total Services and Supplies, Supplies &amp; Maintenance Expenses</b>		<b>\$1,439.01</b>

#### **Telecommunications**

4/25/2023	Richard White Out of pocket expense reimbursement for 1 month of AT&T charges and 1 month of Comcast internet charges	\$618.66
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#### **Travel & Transportation**

4/6/2023	Katherine Cobb Out of pocket reimbursement for April 2023 parking fee	\$81.00
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#### **Dues & Licenses**

4/30/2023	Professional Software Services CS Professional Suite Accounting Software license, Invoice #REC/Accounting CS License	\$12,135.94
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## Warrant #64



**Illinois Police Officers'**  
PENSION INVESTMENT FUND

# Expenses for Ratification - June 9, 2023 Board Meeting

<b>Website</b>		
4/5/2023	Levi, Ray & Shoup, Inc.	
	Website maintenance March 2023, Invoice #293190	\$115.00
	Website hosting and related support, Invoice #293191	\$200.00
		<b>\$315.00</b>
	<b>Total Administrative Operations Services and Supplies Expenses</b>	<b>\$19,964.61</b>
<b>TOTAL ADMINISTRATIVE OPERATIONS EXPENSES</b>		<b>\$84,060.61</b>
<b>INVESTMENT OPERATIONS</b>		
<b>Investment &amp; Banking</b>		
<b>Investment Management</b>		
4/6/2023	RhumbLine Advisors	
	Investment Management Services for March 2023	\$8,534.00
	\$2,059,729,894 AUM, .5bps, Invoice #gipop12023March	
	State Street Global Advisors	
11/23/2022	Investment Management Services for April 2022 - Emerging Markets Index Fund, \$25,562,194 AUM, 1.55 bps, Invoice #SSGABA3635194	\$330.18
11/23/2022	Investment Management Services for April 2022 - Non-US Small Cap Index Fund, \$1,927,347 AUM, 1.55 bps, Invoice #SSGABA3635196	\$244.07
11/23/2022	Investment Management Services for April 2022 - US REIT Index Fund Index Fund, \$15,468,846 AUM, 1.55 bps, Invoice #SSGABA3635197	\$199.81
11/23/2022	Investment Management Services for April 2022 - US Agg Bond Index Fund, \$24,539,687 AUM, 1.55 bps, Invoice #SSGABA3635198	\$316.97
11/23/2022	Investment Management Services for April 2022 - US St Gov/Credit Bond Fund, \$55,851,537 AUM, 1.55 bps, Invoice #SSGABA3635199	\$721.42
	<b>Total Investment Management Expenses</b>	<b>\$10,346.45</b>
<b>Custodial Services</b>		
3/10/2023	State Street Bank & Trust Company	
	Custody Fees, Charges and Expenses for May 2022	\$12,535.12
	Invoice #2205149465-6011	
	<b>Total Investment Operations Investment &amp; Banking Expenses</b>	<b>\$22,881.57</b>
<b>TOTAL INVESTMENT OPERATIONS EXPENSES</b>		<b>\$22,881.57</b>
<b>TOTAL EXPENSES FOR RATIFICATION</b>		<b>\$114,245.17</b>



# Warrant #65



**Illinois Police Officers'**  
PENSION INVESTMENT FUND

## Expenses for Ratification - June 9, 2023 Board Meeting

### BOARD OF TRUSTEES and MEETINGS

#### Professional Services - Administrative Services

Foster & Foster		
5/10/2023	Plan administration services for the month of December 2022 including December 9, 2023, Board Meeting, Invoice #26929	\$3,200.00
5/10/2023	Plan administration services for the month of January 2023, including January 27, 2023, Board Meeting; and January Governance Committee, Audit and Budget Committee, Legislative Committee and Contract Committee Meetings; Invoice #26938	\$5,300.00
5/25/2023	Plan administration services for the month of February 2023, including February 10, 2023 Board Meeting, Post-Meeting January 19, 2023, Audit and Budget Committee and Legislative Committee Meeting matters; February 24, 2023 Legislative Committee Meeting; and March 2, 2023 Audit and Budget Committee Meeting; Invoice #27061	\$4,812.50
5/25/2023	Plan administration services for the month of March 2023, including March 17, 2023 Board Meeting; and March Governance Committee, Contract Committee; Election Committee, and Audit and Budget Committee Meetings; and April 5, 2023, Audit and Budget Committee Meeting Invoice #27062	\$6,912.50
5/26/2023	Plan administration services for the month of April 2023, including April 14, 2023 Board Meeting; and March Governance Committee and Contract Committee Meetings; and April 5, 2023, Audit and Budget Committee Meeting; Invoice #27075	<u>\$4,175.00</u>
		\$24,400.00

#### Meeting Expenses

5/19/2023	Barracks Hospitality Group Lunch and beverages for May 19, 2023, Committee Meetings Invoice #53166	\$245.14
4/13/2023	Cooks Rentals Table, chair, and linen rental, delivery, set-up and tear down for April 14, 2023, Board Meeting, invoice #39253	\$734.00
	<b>Total Board of Trustees and Meetings Meeting Expense</b>	<b>\$979.14</b>

## Warrant #65



**Illinois Police Officers'**  
PENSION INVESTMENT FUND

# Expenses for Ratification - June 9, 2023 Board Meeting

### Board Member Reimbursements

5/18/2023	Daniel Hopkins Out of pocket expense reimbursement for hotel and travel for May 19, 2023, Committee Meeting	\$302.11
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**TOTAL BOARD OF TRUSTEES AND MEETINGS EXPENSES** **\$25,681.25**

### **ADMINISTRATIVE OPERATIONS**

#### Professional Services - Finance

##### **Accounting**

5/30/2023	Lauterbach & Amen, LLP Monthly accounting and payroll - March 2023, Invoice #78528	\$2,000.00
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##### **Chief Financial Officer**

5/30/2023	Lauterbach & Amen, LLP Professional services rendered (Tier 2) for March 2023 Invoice #78528	\$7,200.00
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#### Professional Services - Administrative Services

Foster & Foster		
5/10/2023	Plan administrative services to support transition of assets and Executive Director/CIO for the month of December 2022, Invoice #26929	\$4,987.50
5/10/2023	Plan administrative services to support Executive Director/CIO for the month of January 2023, Invoice #26938	\$5,025.00
5/25/2023	Plan administrative services to support Executive Director/CIO for the month of February 2023, Invoice #27061	\$2,887.50
5/25/2023	Plan administrative services to support transition of assets and Executive Director/CIO for the month of March 2023, Invoice #27062	\$1,950.00
5/26/2023	Plan administrative services to support Executive Director/CIO for the month of April 2023, Invoice #27075	<u>\$2,887.50</u>
		<b>\$17,737.50</b>

#### Professional Services - Government Liaison

Vision M.A.I. Consulting		
4/1/2023	Professional services rendered for April 2023, Invoice #4	\$5,700.00
5/1/2023	Professional services rendered for May 2023, Invoice #5	\$5,700.00
6/1/2023	Professional services rendered for June 2023, Invoice #6	<u>\$5,700.00</u>
		<b>\$17,100.00</b>

## Warrant #65



**Illinois Police Officers'**  
PENSION INVESTMENT FUND

# Expenses for Ratification - June 9, 2023 Board Meeting

### Professional Services - Human Resources

5/30/2023	Lauterbach & Amen, LLP Professional services rendered for November 2022 to March 2023 and Indeed cost advertisement, Invoice #78529	\$7,810.78
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### Professional Services - Legal

#### **Fiduciary & Litigation**

5/10/2023	Jacobs Burns Orlove & Hernandez LLP Legal services rendered in April 2023 General Matters, Invoice #107859	\$8,633.69
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### Professional Services - Communication

5/26/2023	Shepherd Communications Professional Service Fee for June 2023	\$2,000.00
<b>Total Administrative Operations Professional Services Expenses</b>		<b>\$62,481.97</b>

### Services and Supplies

#### **Assets under \$5,000**

5/1/2023	Levi, Ray & Shoup, Inc. Dell Thunderbolt Dock, 4 24" Monitors, 2 Laptops, Invoice #294005	\$5,433.10
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#### **Office Lease**

5/30/2023	City of Peoria Rent for June 2023, Invoice #44805	\$5,375.00
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#### **Printing & Postage**

	Foster & Foster, Inc.	
4/13/2023	Postage for Transfer Mailings December 2022, Invoice #26929	\$106.70
	Katherine Cobb	
4/13/2023	Out of pocket expense reimbursement for April 2023 postage for priority mailing of fund documents	\$63.16
<b>Total Services and Supplies, Printing &amp; Postage</b>		<b>\$169.86</b>

#### **Supplies & Maintenance**

	Katherine Cobb	
5/4/2023	Out of pocket expense reimbursement for protective case for cell phone	\$12.48
5/19/2023	Out of pocket expense reimbursement for A/V cord for meeting owl	<u>\$38.14</u>
		\$50.62
4/11/2023	Levi, Ray & Shoup, Inc. Replacement battery for Dell laptop, Invoice #293437	\$155.99

## Warrant #65



**Illinois Police Officers'**  
PENSION INVESTMENT FUND

# Expenses for Ratification - June 9, 2023 Board Meeting

### Supplies & Maintenance (Continued)

	ODP Business Solutions, LLC	
5/16/2023	Office Supplies, Copy Paper, Ink and Other, Invoice #314280312001	\$111.48
5/16/2023	Office Supplies, Network Cable, Invoice #314280986001	\$13.49
5/18/2023	Office supplies, Business Cards, Invoice #314280985001	\$59.99
5/18/2023	Office supplies, Network Cable, Invoice #314280986002	\$13.49
5/18/2023	Office supplies, Paper Pads and Tape Cartridges, Invoice #315037418001	\$74.13
5/19/2023	Office supplies, Name Plate, Invoice #315036925001	<u>\$18.99</u>
		\$291.57
	The Cleaning Source	
3/31/2023	Weekly cleaning service March 2023, Invoice #IP0323	\$186.00
4/30/2023	Weekly cleaning service April 2023, Invoice #IP0423	\$186.00
5/31/2023	Weekly cleaning service May 2023, Invoice #IP0523	<u>\$186.00</u>
		\$558.00
	<b>Total Services &amp; Supplies, Supplies &amp; Maintenance</b>	<b>\$1,056.18</b>

### Telecommunications

5/4/2023	AmeriCALL	
	Monthly telephone charges for May 4, 2023 to June 3, 2023	\$1,734.60
	Invoice #2865918	
5/23/2023	Richard White	
	Out of pocket expense reimbursement for 1 month of AT&T charges and 1 month of Comcast internet charges	\$679.98
	<b>Total Services and Supplies, Telecommunications</b>	<b>\$2,414.58</b>

### Travel & Transportation

5/4/2023	Katherine Cobb	
	Out of pocket reimbursement for May 2023 parking fee	\$81.00

### Dues & Licenses

	ADP, Inc.	
2/17/2023	Processing charges for pay period ending January 31, 2023, paid February 15, 2023, Debit #626553447	89.23
3/31/2023	Processing charges for pay period ending March 15, 2023, paid March 31, 2023, Debit #629730259	89.23
4/14/2023	Processing charges for pay period ending March 31, 2023, paid April 14, 2023, Debit #630893099	<u>\$8.95</u>
		\$187.41

## Warrant #65



**Illinois Police Officers'**  
PENSION INVESTMENT FUND

# Expenses for Ratification - June 9, 2023 Board Meeting

### Dues & Licenses (Continued)

5/3/2023	Illinois Department of Insurance Annual State Pension Funds Compliance Fee fiscal year 2024 Invoice #H29115	\$8,000.00
5/17/2023	Kent Custer Out of pocket expense reimbursement for CFA Institute Annual Dues	\$299.00
4/27/2023	Levi, Ray & Shoup, Inc. SentinelOne Control cloud antivirus agent, 20 licenses, Invoice #293827	\$800.00
5/18/2023	Microsoft 365 Business Premium 1 yr. license, 25 licenses, Invoice #295742	<u>\$6,971.50</u>
		\$7,771.50
5/26/2023	NextRequest FOIA Workflow platform subscription and set up fee, Invoice #28266	\$12,288.00
5/23/2023	Richard White Out of pocket expense reimbursement for 7 Adobe Acrobat Pro licenses	\$2,015.16
	<b>Total Services and Supplies, Dues &amp; Licenses</b>	<b>\$30,561.07</b>

### Utilities

5/15/2023	City of Peoria Q1 2023 Utility Reimbursement, Invoice #44576	\$2,093.11
	<b>Total Administrative Operations Services &amp; Supplies Expenses</b>	<b>\$47,183.90</b>

**TOTAL ADMINISTRATIVE OPERATIONS EXPENSES** **\$109,665.87**

### INVESTMENT OPERATIONS

#### Investment & Banking

#### Investment Management

5/18/2023	RhumbLine Advisors Investment Management Services for April 2023 \$2,072,356,164 AUM, .5bps, Invoice #gipop12023April	\$8,635.00
5/10/2023	State Street Global Advisors Investment Management services for January 2023 - Emerging Markets Index Fund \$624,843,832 AUM, 1.55 bps Invoice #SSGABA3747311	\$8,070.90
5/11/2023	Investment Management services for January 2023 - Non-US Small Cap Index Fund \$433,568,986 AUM, 1.55 bps Invoice #SSGABA3747313	\$5,600.27
5/11/2023	Investment Management services for January 2023 - Non-US Developed Index Fund \$1,308,184,897, 1.55 bps, Invoice #SSGABA3747319	\$16,897.39

## Warrant #65



**Illinois Police Officers'**  
PENSION INVESTMENT FUND

# Expenses for Ratification - June 9, 2023 Board Meeting

5/11/2023	Investment Management services for January 2023 - US Agg Bond Index Fund \$592,835,986, 1.55 bps, Invoice #SSGABA3747315	\$7,657.46
5/11/2023	Investment Management services for January 2023 - US REIT Index Fund \$318,485,687, 1.55 bps, Invoice #SSGABA3747314	\$4,113.77
5/11/2023	Investment Management services for January 2023 - US ST Gov/Credit Bond Fund \$1,245,550,665, 1.55 bps, Invoice #SSGABA3747316	\$16,088.36
5/11/2023	Investment Management services for January 2023 - US High Yield Bond Index Fund \$847,055,902, 1.55 bps, Invoice #SSGABA3747317	\$10,941.14
5/11/2023	Investment Management services for January 2023 - US TIPS 0-5 Yrs Fund \$238,811,480, 1.55 bps, Invoice #SSGABA3747320	\$3,084.65
5/11/2023	Investment Management services for January 2023 - Emerging Markets Bond Index Fund \$515,238,014, 1.55 bps, Invoice #SSGABA3747321	\$6,655.16
5/11/2023	Investment Management services for February 2023 - Emerging Markets Index Fund \$631,658,318 AUM, 1.55 bps Invoice #SSGABA3747508	\$8,158.92
5/12/2023	Investment Management services for February 2023 - Non-US Small Cap Index Fund \$452,481,291 AUM, 1.55 bps Invoice #SSGABA3747510	\$5,844.55
5/12/2023	Investment Management services for February 2023 - Non-US Developed Index Fund \$1,367,914,476, 1.55 bps, Invoice #SSGABA3747516	\$17,668.90
5/11/2023	Investment Management services for February 2023 - US Agg Bond Index Fund \$605,544,141, 1.55 bps, Invoice #SSGABA3747512	\$7,821.61
5/11/2023	Investment Management services for February 2023 - US REIT Index Fund \$343,367,077, 1.55 bps, Invoice #SSGABA3747511	\$4,435.16
5/11/2023	Investment Management services for February 2023 - US ST Gov/Credit Bond Fund \$1,281,178,162, 1.55 bps, Invoice #SSGABA3747513	\$16,548.55
5/11/2023	Investment Management services for February 2023 - US High Yield Bond Index Fund \$872,766,815, 1.55 bps, Invoice #SSGABA3747514	\$11,273.24
5/11/2023	Investment Management services for February 2023 - US TIPS 0-5 Yrs Fund \$253,889,923, 1.55 bps, Invoice #SSGABA3747517	\$3,279.41
5/11/2023	Investment Management services for February 2023 - Emerging Markets Bond Index Fund \$528,027,909, 1.55 bps, Invoice #SSGABA3747518	\$6,820.36
5/11/2023	Investment Management services for March 2023 - Emerging Markets Index Fund \$614,706,234 AUM, 1.55 bps Invoice #SSGABA3747654	\$7,939.96
5/12/2023	Investment Management services for March 2023 - Non-US Small Cap	\$5,660.47

## Warrant #65



**Illinois Police Officers'**  
PENSION INVESTMENT FUND

# Expenses for Ratification - June 9, 2023 Board Meeting

	Index Fund \$438,229,758 AUM, 1.55 bps Invoice #SSGABA3747656	
5/12/2023	Investment Management services for March 2023 - Non-US Developed Index Fund \$1,327,643,433 AUM, 1.55 bps Invoice #SSGABA3747662	\$17,148.73
5/11/2023	Investment Management services for March 2023 - US REIT Index Fund \$328,957,940, 1.55 bps, Invoice #SSGABA3747657	\$4,249.04
5/11/2023	Investment Management services for March 2023 - US Agg Bond Index Fund \$623,529,004, 1.55 bps, Invoice #SSGABA3747658	\$8,053.92
5/11/2023	Investment Management services for March 2023 - US ST Gov/Credit Bond Fund \$1,326,128,572, 1.55 bps, Invoice #SSGABA3747659	\$17,129.16
5/11/2023	Investment Management services for March 2023 - US High Yield Bond Index Fund \$877,913,868, 1.55 bps, Invoice #SSGABA3747660	\$11,339.72
5/11/2023	Investment Management services for March 2023 - US TIPS 0-5 Yrs Fund \$264,197,209, 1.55 bps, Invoice #SSGABA3747663	\$3,412.55
5/11/2023	Investment Management services for March 2023 - Emerging Markets Bond Index Fund \$529,480,723, 1.55 bps, Invoice #SSGABA3747664	<u>\$6,839.13</u>
		\$242,732.48
	<b>Total Investment Operations Investment Management Expenses</b>	<b>\$251,367.48</b>
<b>Custodial Services</b>		
	State Street Bank & Trust Company	
3/10/2023	Custody Fees, Charges and Expenses for June 2022 Invoice #2206149465-6011	\$28,533.67
3/10/2023	Custody Fees, Charges and Expenses for July 2022 Invoice #2207149465-6011	\$20,493.26
3/10/2023	Custody Fees, Charges and Expenses for August 2022 Invoice #2208149465-6011	\$18,436.15
3/10/2023	Custody Fees, Charges and Expenses for September 2022 Invoice #2209149465-6011	\$23,384.81
3/10/2023	Custody Fees, Charges and Expenses for October 2022 Invoice #2210149465-6011	\$31,175.74
3/10/2023	Custody Fees, Charges and Expenses for November 2022 Invoice #2211149465-6011	\$38,877.55
3/10/2023	Custody Fees, Charges and Expenses for December 2022 Invoice #2212149465-6011	<u>\$33,940.11</u>
	<b>Total Investment Operations Custodial Services Expenses</b>	<b>\$194,841.29</b>



Illinois Police Officers'  
PENSION INVESTMENT FUND

## Expenses for Ratification - June 9, 2023 Board Meeting

<b>TOTAL INVESTMENT OPERATIONS EXPENSES</b>	<b>\$446,208.77</b>
<b>TOTAL EXPENSES FOR RATIFICATION</b>	<b>\$581,555.89</b>



## MEMORANDUM

TO: BOARD OF TRUSTEES  
FROM: RICHARD WHITE, EXECUTIVE DIRECTOR  
RE: REVIEW SOFTWARE PURCHASES  
DATE: JUNE 9, 2023

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The Purchasing Policy provides the ability of the Executive Director to approve certain purchases and to communicate to the Board of Trustees an explanation as to the justification for the purchases. In the following three cases, purchases were for software products that are necessary to advance the ability for fund staff to bring tasks and responsibilities in-house. Two of these software products were chosen specifically because they were compatible with software used by existing service providers which would permit and compliment the transfer of responsibility to our staff and/or because a software product was familiar to our staff from their experience in previous organizations.

In all cases, staff believed that these products would meet and deliver the requirements for our immediate needs, that these software products would be available in a timely manner, and because time is a precious resource for staff meant that the research and search process to identify and review other software products would not be the highest and best use of staff time and may not result in a different decision. These software products have terms and conditions that provide for changes in the future should this be necessary.

The software products that have purchased are:

**1. Thomson Reuters Accounting CS software:**

An internal General Ledger system is critical for Fund staff to assume the responsibility of preparing monthly and annual financial statements; the Fund currently does not own or license any such system. Fund Staff has purchased a license for Thomson Reuters Accounting CS, which is an accounting, general ledger, and financial reporting software system (G/L system) with an initial annual cost of \$11,685. This software is used by Lauterbach & Amen for the Fund's accounting and the ability to implement our internal system in an efficient manner using the same software system used by our external service provider was determined to be a significant advantage to the Fund in terms of providing support and coordination with L&A.

## 2. Diligent

The Diligent software package will be used to bring the Board and Committee meeting planning, agenda development and materials preparation in-house. The cost of this software is \$19,500 which includes on-boarding training for staff and board, on-going support for staff in the use of the software and best in-class data security. For information, the agenda materials will be available on a Board member's computer which will also permit the trustee to make annotations and notes on the materials as they are being reviewed by the trustee in preparation for a meeting. The materials can also be printed. The process to train on the use of the software has begun and it is anticipated that the Board will receive their training on the product in June and implementation afterwards, on a schedule to be determined as more experience with the product is obtained.

## 3. NextRequest

NextRequest is an all-in-one platform for managing records requests in a cloud-based environment. The application includes a public request portal that will be placed onto the website to assist with the submission of requests that includes a 'public reading room' that allows requestors to view past requests and materials. The application includes administrative tools with an internal tracking system that allows for monitoring of the completion of requests, automatic reminders, task assignments and tracking, time tracking for reimbursement needs and an audit trail. The application also provides for processing requests that includes the redaction of materials.

The annual fee for the software is \$10,788 and a one-time set-up and onboarding fee of \$1,500.

This implementation of this software will lead to the processing of the public request and FOIA requests by IPOPIF staff.

Audit and Budget Committee: These purchases were reviewed by the Audit and Budget Committee, which recommended that these purchases be reviewed by the Board of Trustees and did not recommend any additional approvals to be required by the Board.

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**Recommended action:** Review purchases of Accounting CS, Diligent, and NextRequest software packages.

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**MEMORANDUM**

TO: BOARD OF TRUSTEES  
FROM: RICHARD WHITE, EXECUTIVE DIRECTOR  
RE: IPOPIF COMMERCIAL INSURANCE COVERAGE -RENEWAL  
DATE: JUNE 9, 2023

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**RECOMMENDED ACTION:** Approve Insurance Policy Contracts for the term of July 1, 2023, to June 30, 2024.

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The IPOPIF receives commercial insurance coverage through the Cook Castle Associates, LLC company, which was awarded the original contract in 2020, for services through a competitive bid process and have included annual renewals of the policies since then.

The Contract Committee reviewed the existing coverages and addressed new coverages at their May 19, 2023, meeting and recommended the package of coverages, that will be reviewed at this meeting, for the next fiscal year.

- Fiduciary Liability: Retain current provider with added coverage enhancement.
- Management Liability: Retain current provider with existing coverages.
- Cyber Risk: Change provider with increased coverage limit, reduced policy retention, and added coverage enhancements.
- Business Owners Policy: Retain current provider with existing coverages with increased Business Personal Property limit.
- Worker's Compensation: Retain current provider with existing coverage.

The annual premiums with the increased coverage and other changes will be \$107,017 which represents a premium change of \$25,889 or approximately 32% increase over last year.

Mr. Greg Kiesewetter, CIC, Cook Castle Associates, Inc. will be reviewing the insurance coverage with the Board of Trustees.

**MEMORANDUM**

TO: BOARD OF TRUSTEES  
FROM: RICHARD WHITE, EXECUTIVE DIRECTOR  
RE: APPROVE SERVICE PROVIDER CONTRACTS  
DATE: JUNE 9, 2023

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**Recommended action(s):** Approve one-year contract with Lauterbach & Amen, LLP and Shepherd Public Relations, LLC and authorize the Executive Director to execute the contracts.

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As presented in the Fiscal Year 2024 Budget summary, the services of Shepherd Public Relations and Lauterbach & Amen LLP will be modified effective July 1.

**1. Lauterbach & Amen, LLP**

Accounting Services included all accounting services performed by Lauterbach & Amen, LLP which includes all services to close FY 2023 monthly accounting and financial reporting, support the FY 2023 financial statement audit, assist with Fund staff migration to an in-house general ledger system, and support the transfer process for any transitioning Article 3 Fund in FY 2024. The professional services of the Chief Financial Officer have been eliminated with anticipated increased Fund Finance and Accounting Staff assuming more of the finance responsibilities. Services with L&A will be billed hourly, based on three levels of support (Partner - \$175, Senior - \$125, and Staff - \$75).

The general terms of the contract for services were reviewed with the Audit and Budget Committee has reviewed the proposed contract for services and the Action Plan for Accounting and Finance presented at the April 5, 2022, Committee meeting.

**2. Shepherd Public Relations, LLC**

Shepherd Public Relations (formally Shepherd Communications) has provided communication services to the Fund since 2021. The scope of this engagement will change with the addition of an IPOPIF staff communication specialist with Shepherd PR providing strategic communication, planning and execution that is primarily focused on media relations and coverage. Shepherd PR will consult and counsel our internal communications specialist to ensure professional level materials and information are developed. The monthly fee with Shepherd Communications will be reduced to \$1,500.

The Audit and Budget Committee reviewed this change in services at a recent meeting.

**MEMORANDUM**

TO: BOARD OF TRUSTEES  
FROM: RICHARD WHITE, EXECUTIVE DIRECTOR  
RE: APPROVE FURNITURE PURCHASE  
DATE: JUNE 9, 2023

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**Recommended action:** Affirm and approve the purchase of office furniture in the amount of \$32,466.16.

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**Discussion:**

The Board of Trustees has previously approved the purchase of desk furniture, chairs, storage and filing cabinets, and tables for the office from Lincoln Office to accommodate the opening of the permanent office for the existing staff.

Recent actions taken by the Board of Trustees authorized the hiring of additional staffing for the Fund. The additional staffing will be housed in cubicles that are currently not furnished but will be with the purchase of this furniture.

As per the Purchasing Policy, purchases of goods and services of \$20,000 require Board approval. It is important to note that based on the recruitment and timing of the staff hiring likely to take place soon and the delivery schedule of the furniture to be a couple of months away, I went ahead and signed the purchase order for the furniture ahead of this meeting and formal Board approval in anticipation of Board approval so as to save us some time in this process. I request that the Board of Trustees approve the purchase of the additional office furniture.

**MEMORANDUM**

TO: Board of Trustees  
FROM: Richard White, Executive Director  
Regina Tuczak, Finance Director  
RE: Fiscal Year 2024 Budget  
DATE: June 9, 2023

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**Item 6a.iii. Fiscal Year 2024 Budget**

Modifications have been made to the Fiscal Year 2024 Budget that was last presented to the Trustees at the April 14, 2023, Board meeting. In addition, the Audit and Budget Committee held a meeting on Friday, May 19<sup>th</sup> and requested that a final estimate of FY 2023 expenses be added to the analysis. Such analysis has been added to the Summary table presented below:

**FISCAL YEAR 2024 BUDGET REPORT- Summary**

	Final Adopted Budget FY 2023	Expenses thru Warrant 65 June 1, 2023	Expected FY 23 Expenses	Proposed Budget FY 2024
Board of Trustees and Meetings	\$96,395	\$63,538	\$75,717	\$195,740
Administrative Operations				
Personnel	\$726,443	\$506,781	\$594,942	\$1,098,852
Professional Services	\$1,422,489	\$1,025,493	\$1,183,754	\$714,155
Bank Services and Fees	\$237,011	\$233,797	\$234,047	\$4,500
Services and Supplies	\$440,071	\$404,848	\$415,578	\$429,103
Investment Operations				
Personnel	\$876,189	\$680,753	\$782,504	\$1,240,748
Investment and Banking	\$1,831,340	\$1,105,404	\$1,711,924	\$2,310,635
Professional Services	\$1,163,671	\$1,163,671	\$1,163,671	\$0
<b>TOTAL</b>	<b>\$6,793,609</b>	<b>\$5,184,285</b>	<b>\$6,162,137</b>	<b>\$5,993,733</b>

**Changes incorporated into the Proposed Budget FY 2024 from the version provided to the Board on April 14, 2023, are as follows:**

- Board of Trustee Meeting Expense for FY 2024 increased from \$191,450 to \$195,740 (revised) with two offsetting items:
  - Meeting Expenses increased from \$44,000 to \$55,000 (revised) to incorporate anticipated expenses for quarterly regional in-person presentations to Article 3 Funds.
  - Board Member reimbursements decreased from \$40,150 to \$33,440 (revised) to reflect the proximity of some Trustees to the Peoria office and assumed reduction in overnight stays given FY 2023 experience.
  
- Administrative Operations Personnel Costs for FY 2024 decreased from \$1,204,050 to \$1,098,853 (revised) to reflect the salary of the Senior Accountant that started June 1; change in expected start date of the 2<sup>nd</sup> Senior Accountant to January 1, 2024; change in expected start date of the Information Technologist to August 1, 2023; eliminate a salary increase for the Executive Director; and a change in the IMRF employer rate for calendar 2024 based on the published preliminary rate notice. (Rate changed from 8.44% to 6.01%.) Detail provided as a Budget supplement.
  
- Administrative Operations Professional Services for FY 2024 decreased from \$719,905 to \$714,155 (revised) with three offsetting items:
  - Administrative Professional Services decreased from \$65,700 to \$47,700 (revised) to reflect an anticipated reduction in utilization of 20 hours per month for the first six months of FY 2024, from 50 hours to 30 hours per month.
  - General Legal Services decreased from \$84,000 to \$75,000 (revised) to reflect expected utilization alignment with actual and expected FY 2023 expenses.
  - Other Consulting Services of \$21,250 were added to the FY 2024 Budget based on expected utilization at the Board Special Meeting in July - Goals and Objectives.
  
- Services and Supplies increased for FY 2024 from \$425,000 to \$429,103 (revised) with three offsetting items:
  - Insurance decreased from \$120,000 to \$107,017 (revised) to reflect the recommended coverage renewals of the Audit and Budget Committee from the May 19, 2023, meeting.
  - Dues and Licenses increased from \$41,500 to \$78,586 (revised) to reflect recent purchases in Information Technology software that will be subject to annual



renewal, monthly user fees for Accounting CS (general ledger/financial reporting), and a Department of Insurance compliance fee to be assessed in accordance with 40 ILCS 5/1A-112. Detail provided as a Budget Supplement.

- Website services and maintenance decreased from \$40,000 to \$20,000 (revised) to reflect anticipated reduction in spend on the pension app and other website design changes.
  
- Investment Operations Personnel Costs for FY 2024 increased from \$1,217,007 to \$1,240,748 (revised) to reflect the contract salary of the Chief Investment Officer effective May 1, 2023, compensation to purchase IMRF prior service for the two investment officers employed prior the Fund's participation in IMRF, and a change in the IMRF employer rate for calendar 2024 based on the published preliminary rate notice. (Rate changed from 8.44% to 6.01%.) Detail provided as a Budget supplement.
  
- Custodial Services for FY 2024 increased from \$385,000 to \$460,000 (revised) to reflect expected increase in transaction volume for Article 3 Funds and investment manager separate accounts.

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**Changes from the Final Adopted Budget for FY 2023 (FY 2023 Budget) as compared to the Proposed Budget for FY 2024 (FY 2024 Budget)** is summarized below and detail is provided in the attached worksheet, which includes comments on changes >\$5,000 and 10% from the FY 2023 Budget.

**Board of Trustees and Meetings**

Increase in expenditures of approximately \$100,000 in the FY 2024 Budget is primarily due to the following:

- a) Increase of \$18,000 in Education and Training in anticipation of greater attendance of education opportunities with increased sophistication and complexity of \$10 billion AUM investment portfolio.
- b) Increase of \$45,539 in Meeting Expenses in anticipation of holding all Board meetings at an outside location to improve acoustical and collaborative environment and anticipated quarterly regional in-person presentations to Article 3 Funds.
- c) Increase of \$22,940 in Board Member Reimbursements as in-person meeting attendance is budgeted for all Board meetings in the upcoming fiscal year.
- d) New Line item of \$11,900 for anticipated Municipal reimbursements.

## **Administrative Operations**

### **Personnel**

Costs of current personnel are expected to increase by approximately \$372,000 in the FY 2024 Budget. The FY 2024 Budget includes a staff of eight administrative staff members (Executive Director, Finance Director, 2 Senior Accountants, 2 Administrative Analysts, an Information Technologist, and a Communications Specialist). The current administrative staff consists of four staff members, with active recruiting underway for three positions.

### **Professional Services**

Costs of professional services are expected to decrease by approximately \$708,000 in the FY 24 Budget, which is largely related to the increase in administrative staff who will be performing many services internally. There are several significant elements of this change:

- a) Accounting Services has been renamed Accounting Support Services and includes all accounting services performed by Lauterbach & Amen, LLP. This item is expected to increase by \$34,600 and includes all services to close FY 2023 monthly accounting and financial reporting, support the FY 2023 financial statement audit, and support the transfer process for any transitioning Article 3 Funds in FY 2024. Professional services of the Chief Financial Officer have been eliminated with anticipated increased Fund Finance and Accounting Staff, resulting in a \$204,919 reduction from the FY 2023 Budget. Further information on these matters was included in the supplemental memo titled “Action Plan for Accounting and Finance” previously provided.
- b) Reduction of \$409,719 in Certified Asset List Audit Services as the conclusion of the transition period was confirmed at December 31, 2022. FY 2024 Budget includes fees to support the specific Article 3 Funds that have not transferred assets at June 30, 2023.
- c) Reduction of \$105,800 in Administrative Services due to increased Fund staff support of Board and Committee meeting administration, and reduced hours required of the external Plan Administrator for meetings and transition support services.
- d) Reduction of \$72,245 in Technology Services with anticipated hiring of an in-house Information Technologist to support Fund needs.
- e) Addition of Other Consulting Services of \$21,250 based on expected utilization at the Board Special Meeting in July - Goals and Objectives.

### **Bank Services and Fees**

Interest costs have been reduced by \$232,511, in the FY 2024 Budget with the prepayment of the loan balance on April 3.

### **Services and Supplies**

Costs of services and supplies are expected to decrease by approximately \$11,200 in the FY 2024 Budget. The change from the FY 2023 Budget to FY 2024 Budget, while not significant in total, is composed of a few significant changes, including offsetting increases and decreases as follows:

- a) Assets under \$10,000 (previously Assets under \$5,000) decreased by \$91,690 with the finishing of the Office Space in FY 2023, including completion of many furniture purchases and installation of the security system.
- b) Increase in Insurance Costs of \$22,599 in the FY 2024 Budget as costs of renewals have increased and are consistent with the coverage recommended by the Audit and Budget Committee.
- c) Increase in Office Lease expense of \$16,135 as FY 2024 reflects a full twelve months of lease payments. Lease payments commenced in October 2022.
- d) Increase in Dues and License costs of \$67,291 in the FY 2024 Budget primarily related to the purchase of software licenses to support Fund staff in performing services previously provided by external firms, including an accounting/general ledger system, Board administration subscription package, a records management system, and ADP platform fees. FY 2024 Budget also includes additional software for cybersecurity, membership in various associations that provide education and resources to Trustees and Fund staff, and a Department of Insurance compliance fee per 40 ILCS 5/1A-112.

### **Investment Operations**

#### **Personnel**

Costs of current personnel are expected to increase by approximately \$365,000 in the FY 2024 Budget. The FY 2024 Budget includes a staff of five investment staff members. The current investment staff consists of three staff members, with recruitment underway for two additional investment officers.

#### **Investment and Banking**

Investment and Banking expenses are expected to increase by approximately \$480,000 in the FY 2024 Budget. This increase is substantially due to an increase in Investment Management fees of \$483,210 as the FY 24 Budget assumes \$10 Billion in Assets Under Management for the full fiscal year.

#### **Professional Services**

Professional Service expenses are expected to be \$0 in the FY 24 Budget, which is \$1,163,671 less than the FY 23 Budget. As of December 31, 2022, the Board confirmed the conclusion of the transition period. While there may be some transition activity in FY 2024, support services

from the transition architect and the transition consultant will not be utilized. In addition, while the transition manager will continue to provide services to support the transfer of assets in FY 2024, the fee cap of \$1.5 million was reached in October of 2022, and no additional fees are expected.

Fund staff has completed the process to analyze fiscal year 2023 expenses, project fiscal year 2024 expenses, and incorporate requests from prior Audit and Budget Committee meetings. Pending any further modification requests from the Board, Fund staff requests that the Board of Trustees approve the Fiscal Year 2024 Budget.

**Recommended Action:** The Board of Trustees adopt the Fiscal Year 2024 Budget.

Illinois Police Officers' Pension Investment Fund (IPOPIF)  
 FY 2024 Operations Budget  
 as of 6/09/2023

Function						
Category	Original			Final	Proposed	
Sub-Category	Adopted	YTD Actual	Expected	Adopted	Budget	
Sub-Category Detail	Budget FY 23	6/1/2023	Actual FY 23	Budget FY 23	FY 2024	Comments Provided for Changes >\$5,000 and 10% from Final FY 23 Budget
<b>EXPENDITURES</b>						
<b>Board of Trustees and Meetings</b>						
<u>Board of Trustees and Meetings Expenses</u>						
Professional Services						
Administrative Services	64,800	44,313	48,513	64,800	59,400	
Election Services	7,700	(6,366)	(6,366)	(6,366)	-	No Scheduled Election in FY 24
Education and Training	18,000	11,125	11,125	18,000	36,000	Anticipated increase in education given AUM increase and changes in investment portfolio
Meeting Expenses	21,000	13,197	16,887	9,461	55,000	Assumes 11 meetings at an outside location plus quarterly Regional presentations
Board Member Reimbursements	21,000	1,269	5,557	10,500	33,440	Assumes all in-person meetings with reimbursements due to each trustee
Municipal Reimbursements	-	-	-	-	11,900	New line item in anticipation of reimbursement requests
	132,500	63,538	75,717	96,395	195,740	
<b>Administrative Operations</b>						
<u>Personnel Costs</u>	620,695	506,781	594,942	726,443	1,098,852	Staff increases from 4 FTEs to 8 FTEs
<u>Professional Services</u>						
Finance						
Accounting Support Services	24,000	18,000	24,000	24,000	58,600	Elimination of CFO services - additional support to assist in transition of services to staff
Audit - Financial	27,500	27,500	27,500	27,500	57,500	Increase per RFP - primarily due to anticipated growth and sophistication of investment portfolio
Audit - Certified Asset List	444,924 *	357,820	363,785	444,924	35,205	Transition complete at Dec. 31, 2022 - amounts budgeted are for non-transferred Article 3 funds
Audit - Transition	13,752 *	-	13,750	13,752	-	Post Transition Audit expected to be complete
Chief Financial Officer	130,200	165,169	181,419	204,919	-	Services Eliminated - see Accounting Support
Administrative Services	116,400	75,100	84,688	153,500	47,700	Transition of services to inhouse Administrative Analyst staff
Government Liaison	68,400	62,700	68,400	68,400	68,400	
Actuarial Services	179,000	134,663	185,663	183,250	183,500	
Human Resources	24,000	15,229	23,029	24,000	12,000	Most positions expected to be filled by July 1 - other HR services to be performed as needed
Legal Services						
General	120,000	31,091	53,300	70,000	75,000	
Fiduciary and Litigation	260,000	57,209	75,209	100,000	125,000	Higher utilization expected for Investment matters
Auxiliary Legal Counsel	80,000	-	-	-	-	No utilization expected in FY 24
Technology Services	50,000	57,012	59,012	84,245	12,000	Transition of services to Fund staff with hiring of Information Technologist
Communication Services	24,000	24,000	24,000	24,000	18,000	Transition of some services to Fund staff with hiring of Communications Specialist
Other Consulting Services	-	-	-	-	21,250	Consulting services for Board Special Meeting - Goals and Objectives.
	1,562,176	1,025,493	1,183,754	1,422,489	714,155	
<u>Bank Services and Fees</u>						
Local Bank Fees	5,000	3,232	3,482	5,000	4,500	
Loan Interest Expense	111,848	230,565	230,565	232,011	-	Loan payoff on April 3, 2023
	116,848	233,797	234,047	237,011	4,500	

Function						
Category						
Sub-Category						
Sub-Category Detail	Original			Final	Proposed	
	Adopted	YTD Actual	Expected	Adopted	Budget	
	Budget FY 23	6/1/2023	Actual FY 23	Budget FY 23	FY 2024	Comments Provided for Changes >\$5,000 and 10% from Final FY 23 Budget
<b>Services and Supplies</b>						
Assets under \$10,000	141,690	130,577	135,977	141,690	50,000	Reduction in spend as office buildout with security system and furniture essentially complete
Insurance	120,000	84,418	84,418	84,418	107,017	Expected increases - amount is reflective of recommendation from Audit&Budget Committee
Office Lease	64,500	48,375	48,375	48,375	64,500	Full twelve months of rent in FY 24; Nine months of rent in FY 23
Printing & Postage	36,000	7,425	7,525	36,000	34,000	
Supplies & Maintenance	14,000	11,814	13,000	14,000	14,000	
Telecommunication	10,000	13,161	14,097	13,193	17,000	
Contingency	12,000	-	-	12,000	12,000	
Dues / Licenses	11,295	65,169	65,196	11,295	78,586	Membership in pension-related associations and purchase of software licenses for in-house services
Training & Education	24,000	135	135	12,000	12,000	
Travel & Transportation	24,000	2,786	2,867	12,000	12,000	
Utilities	9,000	3,721	5,721	5,100	8,000	
Website	15,300	37,266	38,266	50,000	20,000	Reduction in spend on pension app and other website design changes
	481,785	404,848	415,578	440,071	429,103	
<b>Investment Operations</b>						
Personnel Costs	876,189	680,753	782,504	876,189	1,240,748	Staff increases from 3 FTEs to 5 FTEs
<b>Investment &amp; Banking</b>						
General Investment Consultant	427,500	320,625	427,500	427,500	427,500	
Database Subscription(s)	45,000	37,050	37,050	37,050	38,135	
Investment Management	1,063,000	581,422	841,067	901,790	1,385,000	Assumes 10 Billion AUM for FY 24
Custodial Services	465,000	166,308	406,307	465,000	460,000	
	2,000,500	1,105,404	1,711,924	1,831,340	2,310,635	
<b>Professional Services</b>						
Project Architect	60,000	*	28,175	28,175	-	No further services or expenses expected after December 31, 2022
Transition Management	1,350,000	*	847,734	847,734	-	Cap of \$1.5 million has been reached
Transition Consultant/Services	713,400	*	287,762	287,762	-	No further services or expenses expected after December 31, 2022
	2,123,400	1,163,671	1,163,671	1,163,671	-	
<b>TOTAL BUDGETED EXPENDITURES</b>	<b>7,914,093</b>	<b>5,184,285</b>	<b>6,162,137</b>	<b>6,793,609</b>	<b>5,993,733</b>	

\* Note: These expenses are related to transition of assets.

Total amount budgeted in FY 2023 is \$2,582,076.

Expected amount in revised FY 23 budget is \$1,622,347

Expected amount in FY 23 budget is \$35,205

## MEMORANDUM

TO: Board of Trustees

FROM: Richard White, Executive Director  
Regina Tuczak, Finance Director

RE: Post Transition Audit

DATE: June 9, 2023

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### Item 6b. Review Transition Audit Report

At the April 14, 2023, meeting, the Board approved the Agreed-Upon Procedures, Fees, and Statement of Work for the Post-Transition Audit to be performed by Sikich LLP (Sikich).

As of the writing of this memo, testing pertaining to the Agreed-Upon Procedures is underway but is not yet complete. Representatives from Sikich have indicated that they do not expect any exceptions in the testing selections, however, they still need to complete testing procedures on additional supporting documentation that was requested from State Street Bank & Trust Company and Fund staff. They expect to have the remaining testing completed at the end of next week (Friday, June 16).

A draft report from Sikich has been provided and is included in the materials distributed. The attached report assumes no exceptions noted in all testing procedures.

Section 40 ILCS 5/22B-120 of the Illinois Compiled Statutes requires that the audit is to be performed, “Within 6 months after the end of the transition period or as soon thereafter as may be practicable as determined by the board...” December 31, 2022, is the closing date for the transition period of participating pension funds’ transfer of investment assets to the Fund.

As stated, if no exceptions are noted, the draft report will be finalized. It is recommended that the Board approve the draft report for issuance and delivery to the Illinois Department of Insurance as soon as practicable. Should testing exceptions be noted or other modifications are necessary to the draft report, issuance of the report will be suspended, and these matters will be brought to the Board of Trustees for consideration at the July 21, 2023, meeting.

**Recommended Action:** Approve the draft Agreed-Upon Procedures report provided by Sikich LLP, pending satisfactory completion of the testing procedures by Sikich, LLP.

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## MEMORANDUM

TO: BOARD OF TRUSTEES

FROM: RICHARD WHITE, EXECUTIVE DIRECTOR

RE: VACANT ACTIVE MEMBER TRUSTEE – SELECTION PROCESS

DATE: JUNE 9, 2023

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**Recommended action:** Approve the selection process for the replacement of the Active Member Participant Trustee position to the Board of Trustees and declare the candidate application period open, effective **August 14, 2023**.\*

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### **Background:**

- As provided for in the statute, the Board of Trustees is charged with administering the election for the permanent trustees. (40 ILCS 5/22B-116).
- The statute currently provides that “[f]or a vacancy of an elected trustee occurring with an unexpired term of 6 months or more, an election shall be conducted for the vacancy in accordance with Section 22B-115 and this Section.”
- Sections 22B-115 and 116 provide for the same election process that the Board has implemented in past elections: a nomination process, an objections period to challenge a nomination, and the election, followed by certification.
- The present statute also provides that the terms of office for the elected trustees shall be four-year terms of office. The Active Member trustee will fill the remainder of a four-year term of office that began in January 2021, and continues through December 2024.
- On May 11, 2023, Senate Bill 2100 (SB 2100) passed both houses of the 103<sup>rd</sup> General Assembly. SB 2100 provides, in part, that a vacancy of an elected trustee shall be filled by the Board of Trustees via an appointment process, instead of an election, for the remainder of the unexpired term. It also states that “[t]his Act takes effect upon becoming law.”



- In Illinois, once a bill passes both chambers, it must be sent to the Governor for signature within 30 days of passing (June 11<sup>th</sup>). The Governor then has 60 days to sign the bill into law. If the Governor does nothing, then as of the 61<sup>st</sup> day, it automatically becomes law. As of May 31, 2023, SB 2100 had not been sent to the Governor. Given these timelines, SB 2100 could conceivably become law by no later than August 11, 2023. Additionally, Governmental Liaison Bello advises that there is not a timeline for this bill but that these bills are usually signed in August.
- Under SB 2100, the appointment process is designated to be coordinated by the Executive Director with the list of candidates compiled and presented to the Board of Trustees that will make the appointment.
- Any election related legal services will be the responsibility of Marisel Hernandez, Jacobs Burns Orlove & Hernandez LLP.

**Active Member Trustee seat of the Board of Trustee:**

The term “**active member**” shall refer to an active police officer participating in an Article 3 Pension Fund. The Active Member Trustee Seat with a term of office that began in January 2021 and runs through December 2024 is currently vacant with the recent resignation of the elected trustee holding this seat.

**Proposed Schedule of Events\* for the Appointment of the Active Member Trustee:**

- **June 9, 2023:** Board of Trustees Regular Meeting with the approval of the process leading to the appointment of the Active Member Trustee Seat.\*
- **August 14 to August 31, 2023:** Application period is open for candidates to submit an application for consideration to be appointed as the Active Member Trustee.
- **September 1 to September 7, 2023:** Applications for consideration to be appointed as the Active Member Trustee are reviewed by the Executive Director. The Executive Director publishes the list of qualified candidates on or before September 7, 2023, at 5:00 PM (Central Time).

- **September 8, 2023:** Board of Trustees Active Members review candidates and make recommendation to the Board of Trustees.
- **September 15, 2023:** Special Meeting of the Board of Trustees to make the appointment to the Board of Trustees. Seating of the Active Member Trustee to serve until a successor is elected, which election will be held concurrently with and in the same manner as the next regular election in 2024.

***\*Note: The timing of this procedure is dependent upon the timing of the authorizing statute being signed into law by Governor Pritzker. The schedule for this selection process will be adjusted accordingly in order to ensure that the process is conducted in accordance with the statute.***

**Illinois  
Police  
Officers'  
Pension  
Investment  
Fund**

**Administration/Operations  
Update**

**Richard White,  
Executive Director**

**IPOPIF Board Meeting  
Friday, June 9, 2023**

# ADMINISTRATION & OPERATIONS

- **BOARD OF TRUSTEES:**

- **Governance System**

- Policies under review, as per schedules, and will be submitted to the Governance Committee at the next scheduled date.
    - FOIA software on-boarding and training to begin soon.

- **Agenda and Packet Materials**

- Board Meeting Agenda and Packet materials provided seven days in-advance of this meeting. Supplemental materials provided three days in advance.
    - Board Meeting Agenda and Packet public materials provided and posted to the website two days in advance of the meeting.
    - Board Meeting Summary posted to the Website and distributed to Trustees and Staff
    - Board meeting and agenda software on-board and training has begun.

- **HUMAN RESOURCES:**

- **Recruitment** of full-time staffing proceeding at an acceptable pace and anticipate additional hiring on or about July 1, 2023.
  - **On-boarding** of new employee:
    - Senior Accountant Amy Zick joined the team on June 1<sup>st</sup>.

- **LEGAL SERVICES**

- **General Legal Counsel**

- On-going legal services including Human Resources, Governance, Administration, Contracts, and Legislation.

- **Fiduciary Legal Counsel**

- On-going legal services including Investments, Election, and Litigation.

- **OFFICE MANAGEMENT**

- Office safety and building security
  - Work spaces, environment, equipment, and furniture
  - Information Technology – enhanced cyber security for email and Microsoft Office suite

# COMMUNICATIONS

- **ARTICLE 3 FUNDS**

- Monthly investment reports through **April** for each of the Article 3 funds have been posted to the Website and are now available for the Article 3 participating police pension funds, municipalities, other stakeholders and the general public to review.
- Reports continue to be available to Funds via on-line portal.

- **EXTERNAL COMMUNICATIONS**

- Numerous telephone and email communications with Funds regarding questions or exchange of information by staff.
- Stakeholder publications.

- **WEBSITE**

- New Report Added: IPOPIF Trust Fund Unit Details (Article 3 Fund Reports).
- Increased traffic: 1,769 sessions in May.

- **MEDIA**

- Financial media recent articles on the IPOPIF – investment strategy and litigation.

- **SPEAKING ENGAGEMENTS**

- Illinois Municipal Treasurers Association on June 26, 2023, in Effingham.
- Illinois Municipal League Conference on September 22, 2023 in Chicago.

- **FINANCE AND ACCOUNTING**

- Senior Accountant Amy Zick joined our team on June 1, 2023.
- General Ledger System software on-boarding and training has started.
- Cash management assistance and support underway
- Valuation and Cost Rule calculations continue in development

- **ACTUARIAL**

- Actuarial Valuation Reports: Approximately 250+ valuations reports have been completed by Foster & Foster and available on the Website.

- **AUDIT**

- Transition Audit update provided.
- Annual Comprehensive Financial Report – FY 2023 – preparation for this report in-progress

# REGIONAL STAKEHOLDER MEETING

**TUESDAY,  
JUNE 27, 2023  
1:00 PM – 5:00 PM**

Gateway Convention Center  
Mississippian Room  
One Gateway Drive  
Collinsville, IL 62234

- **Topics:**
  - Welcome & Introductions
  - IPOPIF Overview:
    - Board of Trustee(s)
    - Administration
    - Financial
    - Investment
  - Questions & Answers



## Special Meeting

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8:30 AM – 12:30 PM

### Agenda:

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Board Vision and  
Priorities

Interview Results

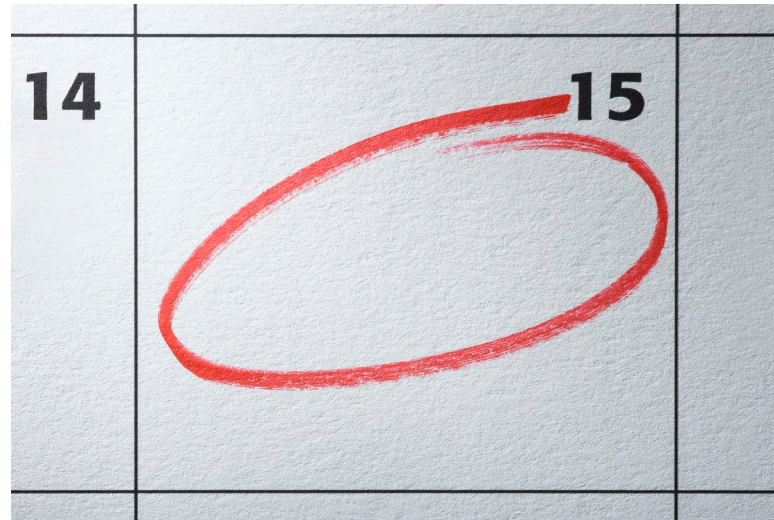
Goals and Objectives

Desired Results &  
Milestones

Action Planning  
Framework

**Location: Peoria Marriott Pere Marquette Hotel**

# BOARD AND COMMITTEE MEETINGS



## Committee Meetings:

Thursday

**September 14, 2023**

Afternoon Session

## Board of Trustees:

Friday,

**September 15 , 2023**

Morning Session

**Illinois  
Police  
Officers'  
Pension  
Investment  
Fund**

**Administration/Operations  
Update**

**Richard White,  
Executive Director**

**IPOPIF Board Meeting  
Friday, June 9, 2023**

**MEMORANDUM**

TO: BOARD OF TRUSTEES  
FROM: RICHARD WHITE, EXECUTIVE DIRECTOR  
RE: MEETING SCHEDULE INFORMATION  
DATE: JUNE 9, 2023

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The schedule for the upcoming Board of Trustee and Committee meetings are listed below.

The June 9, 2023 meeting will be conducted at the Twin Towers Building.

The July 21<sup>st</sup>, September 14<sup>th</sup> and September `15<sup>th</sup> meeting will be conducted at the Marriott Pere Marquette Hotel in Peoria.

**COMMITTEE AND BOARD MEETING SCHEDULE**

	<b>BOARD OF TRUSTEES</b>	<b>Call To Order:</b>
REGULAR MEETING	JUNE 9, 2023	10:00 AM
SPECIAL MEETING	JULY 21, 2023	8:30 AM
REGULAR MEETING	JULY 21, 2023	1:00 PM
REGULAR MEETING	SEPTEMBER 15, 2023	8:30 AM
	<b>COMMITTEES:</b>	<b>Call To Order:</b>
AUDIT AND BUDGET	SEPTEMBER 14, 2023	11:30 AM
CONTRACT	SEPTEMBER 14, 2023	1:00 PM
ELECTION	SEPTEMBER 14, 2023	1:45 PM
GOVERNANCE	SEPTEMBER 14, 2023	2:45 PM
LEGISLATIVE	SEPTEMBER 14, 2023	4:30 PM
LITIGATION	SEPTEMBER 14, 2023	To be determined