

**ILLINOIS POLICE OFFICERS' PENSION INVESTMENT FUND
BOARD OF TRUSTEES REGULAR MEETING MINUTES****FRIDAY, SEPTEMBER 9, 2022 AT 10:00 A.M.**

A regular meeting of the Board of Trustees of the Illinois Police Officers' Pension Investment Fund was held at the Twin Towers Plaza located at 456 Fulton Street, Suite 420, Peoria, Illinois 61602 and via the Zoom digital platform. The meeting was held in accordance with the Gubernatorial Disaster Proclamation issued on 08-19-22 by Governor Pritzker and Public Act 101-0640. Members of the public were invited to participate remotely or in person pursuant to the meeting notice and agenda.

TRUSTEES PRESENT: Shawn Curry
Paul Swanlund
Lee Catavu
Mark Poulos
Brad Cole
Daniel Hopkins (*via Zoom*)
Elizabeth Holleb (*via Zoom*)
Michael Inman (*via Zoom*)
Phil Suess (*via Zoom*)

TRUSTEES ABSENT: None

OTHERS PRESENT: Richard White, Executive Director
Kent Custer, Chief Investment Officer
Steve Yoon, Investment Officer
Barbara Meyer, Investment Officer
Shaun Ivey, Administrative Analyst
Rick Reimer, General Counsel, Reimer Dobrovolny & LaBardi PC
Taylor Muzzy, Fiduciary Counsel, Jacobs Burns Orlove & Hernandez, LLP
Joe Burns, Fiduciary Counsel, JBOH (*via Zoom*)
Marisel Hernandez, Conflict Counsel, JBOH (*via Zoom*)
Scott Whalen, General Investment Consultant, Verus Advisory, Inc.
A.J. Weber, Chief Financial Officer, Lauterbach & Amen, LLP
Megan Holford, Human Resources, Lauterbach & Amen, LLP (*via Zoom*)
Greg Kiesewetter, CIC, Cook Castle Associates, LLC
Courtney Murray, Asset Transition Project Manager, Ernst & Young, LLP
(*Via Zoom*)
Jason Franken, Actuarial Consultant, Foster & Foster, Inc.
Paul Baugher, Actuarial Consultant, Foster & Foster, Inc. (*via Zoom*)
Allie Rysell, Plan Administrator, Foster & Foster, Inc.
Members of the Public

CALL TO ORDER: Chairperson Curry called the meeting to order at 10:37 a.m.

ROLL CALL: As reflected above.

MOMENT OF SILENCE: A moment of silence was observed to commemorate the 21st Anniversary of the September 11, 2001 Tragedy.

INVESTMENTS: *Approve Actuarial Rate of Return:* CIO Custer provided introductory remarks regarding the actuarial rate of return discussion. Mr. Franken and Mr. Baugher provided background information on the discussions held at prior meetings, and referenced information and data provided by Foster & Foster, Verus, and Executive Staff. The Board of Trustees had a robust discussion regarding the adoption of the actuarial investment return assumption. All questions were answered by Mr. Franken, Mr. Baugher, and CIO Custer. A motion was made by Trustee Inman and seconded by Trustee Suess to set the actuarial assumed rate of return at 6.875%. Trustee Poulos discussed the proposed motion. He stated that he would prefer that the rate is set at 6.75% for a three-year period with a 6.875% phase in. The motion failed.

AYES: Trustees Inman, and Suess, and Cole

NAYS: Trustees Curry, Hopkins, Holleb, Swanlund, Catavu, and Poulos

ABSENT: None

Chairperson Curry inquired if the Board would like to revisit the discussion at the next meeting, or if any other Trustees would like to make a new motion. A motion was made by Trustee Swanlund and seconded by Trustee Catavu to set the actuarial rate of return at 6.8%. Motion carried by roll call vote.

AYES: Trustees Curry, Hopkins, Swanlund, Catavu, Poulos, and Inman

NAYS: Trustees Holleb, Suess, and Cole

ABSENT: None

Trustee Inman left the meeting at 11:35 a.m.

A brief discussion was held regarding the next steps and reporting timeline for actuarial valuations. Trustee Cole inquired if CIO Custer was aware of any local pension funds that are refusing to transfer assets and maintain a cash position only. CIO Custer stated that he is not aware of any local fund that intends on refusing to transfer assets. Mr. Franken stated that a rate could be adopted by the Board to address this matter should this situation arise. Based on his data, he recommended a rate between 1.9-2% for cash. All questions were answered by CIO Custer and Mr. Franken.

Trustee Hopkins left the meeting at 11:39 a.m.

MEETING MINUTES: *Approve May 26, 2022 Litigation Committee Meeting Minutes:* The Litigation Committee reviewed the draft minutes of the May 26, 2022 meeting. A motion was made by Trustee Swanlund and seconded by Trustee Poulos to approve the May 26, 2022 Litigation Committee meeting minutes. Motion carried by roll call vote.

AYES: Trustees Curry, Swanlund, Holleb, Poulos, Suess, and Cole

NAYS: None

ABSENT: Trustees Inman and Hopkins

Approve September 1, 2022 Election Committee Meeting Minutes: The Election Committee reviewed the draft minutes of the September 1, 2022 meeting. A motion was made by Trustee Curry and

seconded by Trustee Poulos to approve the September 1, 2022 Election Committee meeting minutes. Motion carried by roll call vote.

AYES: Trustees Curry and Poulos
NAYS: None
ABSENT: Trustee Inman

Chairperson Curry noted that the Board Meeting Minutes were tabled for review at the next meeting.

TREASURER'S REPORT: Treasurer Holleb provided a memorandum dated August 26, 2022 regarding the "Treasurer's Report – IPOPIF Board Meeting, September 9, 2022" to the Board for review in advance of the meeting.

Approve June and July 2022 Monthly Financial Reports: The preliminary Monthly Financial Reports for the months of June and July 2022 were provided to the Board to review in advance of the meeting. A motion was made by Trustee Holleb and seconded by Trustee Swanlund to approve the preliminary June 2022 and July 2022 financial reports. Motion carried by roll call vote.

AYES: Trustees Curry, Swanlund, Holleb, Catavu, Poulos, Suess, and Cole
NAYS: None
ABSENT: Trustees Hopkins and Inman

Summary of Payments – Ratify Warrant #44 and #45: The Board reviewed Warrant #44 and #45 with invoices totaling \$482,399.11. A motion was made by Trustee Holleb and seconded by Trustee Catavu to ratify Warrant #44 and #45. Motion carried by roll call vote.

AYES: Trustees Curry, Swanlund, Holleb, Catavu, Poulos, and Suess
NAYS: Trustee Cole
ABSENT: Trustees Hopkins and Inman

ADMINISTRATION AND OPERATIONS: *2022 Board of Trustee Election – Status Update on the Candidate Nomination Process and Challenge Period:* Executive Director White reviewed a memorandum dated September 9, 2022 regarding the "2022 Board of Trustee Election – Status Update" with the Board. He provided background information on the election process for the nomination of candidates. Nominations were received for the following four trustee positions that are expiring December 31, 2022:

- One (1) nomination received from Philip J. Suess for the expiring Municipal Trustee Position (Incumbent: Philip J. Suess).
- Two (2) nominations received from Lee Catavu and Paul Swanlund for the two expiring Participant Trustee Positions (Incumbents: Lee Catavu and Paul Swanlund).
- One (1) nomination received from Daniel Hopkins for the expiring Beneficiary Trustee Position (Incumbent: Daniel Hopkins).

All four nominees submitted the required paperwork before the August 12, 2022, deadline which was reviewed by Executive Director White to verify completeness. Executive Director White and Attorney Hernandez did not receive any requests from individuals to examine the filed petitions or challenge the nomination process. The nomination of candidate process period closed on August 24, 2022, with all four nominees qualified for the trustee election. Further discussion will be held at the October 14, 2022 meeting.

Human Resources – Approve Revised Job Descriptions and Salary Ranges for Administrative Analyst and Executive Assistant: Executive Director White reviewed a memorandum dated September 9, 2022 regarding “Human Resources” and provided background information on the two positions. The proposed revisions to the job titles and an updated salary compensation study were reviewed with the Board. Executive Director White recommended that the Board approve the revised Administrative Analyst job description and annual salary range of \$65,000 to \$85,000, and the revised Executive Assistant job description and annual salary range of \$38,000 to \$50,000. All questions were answered by Executive Director White. A motion was made by Trustee Catavu and seconded by Trustee Poulos to approve the revised job descriptions and annual salary ranges. Motion carried by roll call vote.

AYES: Trustees Curry, Swanlund, Holleb, Catavu, Poulos, Suess, and Cole

NAYS: None

ABSENT: Trustees Hopkins and Inman

Ms. Holford provided a brief overview of the open enrollment period for medical benefits for employees. All IPOPIF employees will receive the materials next month along with a copy of the employee handbook to review and sign.

Approve Purchase of Additional Office Furniture Items: Executive Director White reviewed a memorandum dated September 9, 2022 regarding “Office Storage Items – Approval of Purchase Order” with the Board. He stated that the furniture order was delivered to the office the week of August 15, 2022. After the furniture was installed, staff revisited the office space plan. A furniture quote dated August 25, 2022 was reviewed with the Board detailing a proposed purchase order totaling \$27,072.75. to purchase additional filing cabinets and panel separators would complete the space. Executive Director White reviewed the details of the requested purchase order and answered all questions. A motion was made by Trustee Holleb and seconded by Trustee Catavu to approve the additional purchase of office furniture items. Motion carried by roll call vote.

AYES: Trustees Curry, Swanlund, Holleb, Catavu, Poulos, and Suess

NAYS: Trustee Cole

ABSENT: Trustees Hopkins and Inman

Financial – Discussion of Internal and External Auditing Controls: Executive Director White reviewed a memorandum dated September 9, 2022 regarding “Cyber Security Discussion” with the Board. He noted that a supplemental document was prepared by Fiduciary Counsel and provided to the Board to review in advance of the meeting. Attorney Muzzy provided an overview of the contractual cybersecurity provisions that were included in contract agreements negotiated by Fiduciary Counsel. Mr. Kiesewetter distributed copies of his cyber security presentation to the Board. His recommendations for criminal elements/e-crime coverage and service provider/vendor coverages were discussed with the Board. Several procedures to mitigate cyber risk were reviewed, along with the liability coverage checklist. The Board discussed the Fund’s internal controls and procedures with Staff. All questions were answered by Attorney Muzzy, Mr. Kiesewetter, Executive Director White, and CIO Custer. No action was requested at this time.

Administration and Operations Updates: Executive Director White discussed various administrative and operations updates with the Board. He indicated that the IPOPIF’s September Newsletter was distributed to subscribers. He provided an overview of the training that Trustees Catavu and Swanlund

received at the SACRS 2022 Public Pension Investment Management Program that was held in July. A Report of Attendance was prepared and submitted by each Trustees, and copies were provided in the agenda packet for the Board to review. He informed the Board that the preparation of a Trustee Travel and Training Policy is underway. An update on the communication plan and IPOPIF "App" was discussed with the Board. All questions were answered by Executive Director White.

BOARD RECESS: The board took a recess at 12:50 p.m. and resumed at 1:31 p.m.

TRANSITION: *Review IPOPIF Operating Model:* CIO Custer reviewed a memorandum dated September 1, 2022 regarding the "IPOPIF Operating Model" with the Board. He reviewed the Target Operating Model presentation prepared by Ernst and Young (EY). The IPOPIF's mission, vision, and investment strategy was discussed. CIO Custer reviewed the asset classes that will be invested in over the short-term (through June 30, 2023) and long-term (beginning July 1, 2023). Several illustrations were reviewed with the Board that summarized the IPOPIF's functional responsibilities and structure of the organization. A model illustrating the interim stage through June 30, 2023, was reviewed along with a model illustrating the final state beginning July 1, 2023. The Board discussed the operating models and shared their feedback with staff and EY. All questions were answered by CIO Custer, Ms. Murray, and Executive Director White. CIO Custer thanked the Board for their feedback and suggestions on the IPOPIF's Operating Model presentation. No action was requested at this time.

Approve Expanded Scope of Work for Ernst & Young, LLP: CIO Custer reviewed a memorandum dated September 1, 2022 regarding "EY Expanded Scope of Work" with the Board. CIO Custer recommended Board approval of the engagement and believes that the expanded scope of work would be beneficial and would create a more robust organization in the process. He provided background information on EY's statement of work and the proposed expansion. Additional activities would include technology and operating model future state build out, ACFR preparation support, a process build-out and controls analysis, and a risk and controls self-assessment. The fee for all proposed activities totaled \$291,603. Ms. Murray presented EY's GANTT and Work Product Samples. The Board discussed the proposed expanded scope of work and associated fees with CIO Custer. Several Trustees expressed their concerns regarding the cost since the Board recently approved expanded work with EY at the June 10, 2022 meeting. Trustee recommended that the Board goes out for bid due to the cost associated and to be consistent with the IPOPIF's policies and procedures. CIO Custer stated that he is sensitive to several concerns that were raised regarding the fees. He recommended that the Board table action until he can return to the Board with additional information. No action was taken.

Approve Amendment to the Valuation and Cost Rule: CIO Custer reviewed a memorandum dated September 1, 2022 regarding the "Amendment of the Valuation and Cost Rule" with the Board. He provided background information on the original version of the Valuation and Cost Rule and subsequent amendments. The proposed amendments to Section A.11, Section A.8, Section A.5, and Section B.3.c were reviewed with the Board.

Trustee Suess left the meeting at 2:43 p.m.

All questions were answered by Attorney Muzzy, CFO Weber, and CIO Custer. A motion was made by Trustee Catavu and seconded by Trustee Swanlund to approve the amendments to the Valuation and Cost Rule. Motion carried by roll call vote.

AYES: Trustees Curry, Swanlund, Holleb, Catavu, Poulos, and Cole
 NAYS: None
 ABSENT: Trustees Hopkins, Inman, and Suess

Approve Amendment to the Cash Management Policy: CIO Custer provided introductory remarks regarding the proposed amendments to the Cash Management Policy. Investment Officer Yoon reviewed a memorandum dated August 31, 2022 regarding the “Recommendation to Approve the Cash Management Policy Amendment” with the Board. The Summary of Changes were discussed in detail. All questions were answered by Mr. Yoon. A motion was made by Trustee Poulos and seconded by Trustee Catavu to approve the amended Cash management Policy (PP-2022-01). Motion carried by roll call vote.

AYES: Trustees Curry, Swanlund, Holleb, Catavu, Poulos, and Cole
 NAYS: None
 ABSENT: Trustees Hopkins, Inman, and Suess

Transition Status Report: CIO Custer provided a brief update on the status of the transfer of local pension fund investment assets. The most recent tranche occurred on September 1st, and the IPOPIF is still receiving assets for this tranche. The Transfer Schedule for the months of September, October, and November were reviewed with the Board. All questions were answered by CIO Custer.

INVESTMENTS (CONTINUED): *Investment Update:* CIO Custer reviewed the following Preliminary Performance Estimates with the Board:

Overall ¹	March	April	May	June	July
State Street	0.6%	-4.5%	0.8%	-5.0%	3.6%
Verus	0.5%	-5.0%	0.2%	-5.1%	
Policy Benchmark ²	0.5%	-4.9%	0.0%	-5.8%	4.3%
Broad Benchmark ³	0.6%	-7.2%	0.1%	-7.1%	5.7%
Investment Pool	March	April	May	June	July
State Street		-5.2%	0.3%	-5.8%	4.6%
Verus		-5.1%	0.2%	-5.8%	
Policy Benchmark ²	0.5%	-4.9%	0.0%	-5.8%	4.3%
Broad Benchmark ³	0.6%	-7.2%	0.1%	-7.1%	5.7%

1 - Overall includes the Investment Pool plus assets in transition

2- Policy Benchmark is the weighted average of asset class benchmarks

3 - Broad Benchmark is 70% global stocks and 30% global bonds

The Board was informed that the March and April 2022 “Monthly Flash” reports were posted on the IPOPIF website. The reports for May and June 2022 are being completed and will be posted once finalized. The asset allocation as of September 7, 2022 was as follows: 49.4% Growth, 15.9% Income, 9.5% Inflation Protection, and 25.3% Risk Mitigation. CIO Custer informed the Board that Barb Meyer was hired as an Investment Officer and started on July 20, 2022. He provided background information on Ms. Meyer and introduced her to the Board.

Review Quarterly Investment Report – Verus, 2Q 2022: Mr. Whalen provided opening remarks regarding the preparation of the initial investment performance review for the IPOPIF. The Investment

Report for the period ending June 30, 2022 was presented to the Board. Mr. Whalen reviewed the Portfolio Reconciliation, Asset Allocation History, Asset Allocation vs. Policy report, Executive Summary, Investment Fund Fee Analysis, and Peer Universe Comparison. As of June 30, 2022, the net return was (9.7%) since March 2022 inception. As of June 30, 2022, the market value of the portfolio was \$2,746,308,452 gross of fees. All questions were answered by Mr. Whalen.

LEGAL COUNSEL: *General Legal Counsel's Report:* Attorney Reimer provided a brief status update on the Memorandum of Understanding with the Illinois Department of Insurance. A meeting will be held with Executive Director White and the IDOI to discuss this matter further. An update will be provided at the next meeting.

Fiduciary Legal Counsel's Report: There was nothing new to report.

CLOSED SESSION: Closed session was not needed.

PUBLIC COMMENT: There were no comments from the public.


ADJOURNMENT: With no further business to discuss, a motion was made by Trustee Sues and seconded by Trustee Catavu to adjourn the meeting at 3:23 p.m. Motion carried by roll call vote.

AYES: Trustees Curry, Swanlund, Holleb, Catavu, Poulos, and Cole

NAYS: None


ABSENT: Trustees Hopkins, Inman, and Sues

Respectfully submitted by:




Allie Rysell, Plan Administrator
Foster & Foster, Inc.

Approved by:



Shawn Curry, Board Chairperson



Paul Swanlund, Board Secretary

Date Approved by the Board of Trustees: December 9, 2022

The next Board meeting of the Illinois Police Officers' Pension Investment Fund will be held on October 14, 2022 in accordance with Governor Pritzker's Executive Order in effect on the date and time of the meeting and Public Act 101-0640.