

**ILLINOIS POLICE OFFICERS' PENSION INVESTMENT FUND
BOARD OF TRUSTEES REGULAR MEETING MINUTES****FRIDAY, JULY 9, 2021 AT 9:00 A.M.**

A regular meeting of the Board of Trustees of the Illinois Police Officers' Pension Investment Fund was held through the Zoom digital platform in accordance with Executive Order 2021-14 issued by Governor Pritzker and Public Act 101-0640. Members of the public were invited to participate remotely or in person pursuant to the meeting notice and agenda.

TRUSTEES PRESENT: Shawn Curry
Daniel Hopkins
Paul Swanlund
Elizabeth Holleb
Phil Suess
Brad Cole
Lee Catavu
Michael Inman
Mark Poulos (*Joined at 12:59 p.m.*)

TRUSTEES ABSENT: None

OTHERS PRESENT: Richard White, Interim Executive Director
Kent Custer, Chief Investment Officer
Rick Reimer, General Counsel, Reimer Dobrovolny & LaBardi, PC
Joe Burns, Fiduciary Counsel, Jacobs Burns Orlove & Hernandez, LLP
Stephanie Masson, CFO/Accountant, Lauterbach & Amen, LLP
Scott Whalen, General Investment Consultant, Verus Advisory, Inc.
Mark Brubaker, General Investment Consultant, Verus Advisory, Inc.
Paul Sachs, Project Architect, Adirondack Investment Advisors (*Joined at 12:21 p.m.*)
Allie Rysell, Plan Administrator, Foster & Foster, Inc.
Members of the Public

Kate McCabe, Senior Vice President, State Street (*Joined at 10:15 a.m.*)
Chris Coleman, Executive Vice President, State Street (*Joined at 10:15 a.m.*)
Kim Moynihan, Managing Director, State Street (*Joined at 10:15 a.m.*)
Melanie Pickett, Head of Asset Servicing for Public Entities & Not for Profit Institutions, Northern Trust (*Joined at 10:54 a.m.*)
Gary Guibert, Division Manager, Northern Trust (*Joined at 10:54 a.m.*)
Julie Gonsch, New Business Onboarding Specialist, Northern Trust (*Joined at 10:54 a.m.*)

CALL TO ORDER: Chairperson Curry called the meeting to order at 9:02 a.m.

ROLL CALL: As reflected above.

MEETING MINUTES: *Review/Approve – May 28, 2021 Board Meeting Minutes:* The Trustees reviewed the minutes from the May 28, 2021 Board meeting. A motion was made by Trustee Holleb and seconded by Trustee Inman to approve the minutes from the May 28, 2021 Board meeting. Motion carried by roll call vote.

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

Trustee Hopkins left the meeting at 9:04 a.m.

Review/Approve – June 11, 2021 Board Meeting Minutes: The Trustees reviewed the minutes from the June 11, 2021 Board meeting. A motion was made by Trustee Holleb and seconded by Trustee Curry to approve the minutes from the June 11, 2021 Board meeting. Motion carried by roll call vote.

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

Trustee Hopkins joined the meeting at 9:05 a.m.

INVESTMENTS: CIO Custer provided introductory remarks regarding the investment related agenda topics. Trustee Cole inquired when the Board should anticipate a discussion regarding the estimated rate of return. CIO Custer informed the Board that he anticipates that this item will be discussed in late August along with the investment philosophy and asset allocation.

Board Education – Investments, presented by Verus Advisory, Inc.: Mr. Whalen and Mr. Brubaker administered a one-hour trustee training education session with the Board of Trustees regarding Investment Strategy Development and Governance. All questions were answered by CIO Custer, Mr. Whalen, and Mr. Brubaker.

Mr. Whalen left the meeting at 10:04 a.m.

Investment Custodian Services – Introductory Remarks: CIO Custer reviewed a memorandum dated July 6, 2021 regarding the “Custodian Search Recommendation” with the Board. He reviewed the Executive Summary and Request for Proposal (RFP) Timeline with the Board. The Fund received responses to the RFP for Custodian Services from BNY Mellon, Northern Trust, and State Street. Staff reviewed all proposals and interviews were conducted with all three responding firms. CIO Custer stated that he was impressed by all of the responding firms, adding that each firm is highly capable of facilitating the asset transition and providing ongoing custody services. Staff selected State Street and Northern Trust for finalist interviews with the Board. CIO Custer reviewed the interview schedule with the Board and answered all questions from the Board.

Custodian Interview – State Street: Ms. McCabe, Mr. Coleman, and Ms. Moynihan reviewed their presentation with the Board. Ms. McCabe provided introductory remarks and provided background

information on the firm along with the State Street Team that will be working with the Fund. Ms. Moynihan and Mr. Coleman reviewed their proposed services, project approach, and timeline. All questions were answered by Ms. McCabe, Mr. Coleman, and Ms. Moynihan.

Ms. McCabe, Mr. Coleman, and Ms. Moynihan left the meeting at 11:12 a.m.

Custodian Interview – Northern Trust: Ms. Pickett, Mr. Guibert, and Ms. Gonsch reviewed their presentation with the Board. Ms. Pickett provided introductory remarks and provided background information on the firm along with the Northern Trust Team that will be working with the Fund. Mr. Guibert and Ms. Gonsch reviewed their proposed services, project approach, and timeline. All questions were answered by Ms. Pickett, Mr. Guibert, and Ms. Gonsch.

Ms. Pickett, Mr. Guibert, and Ms. Gonsch left the meeting at 12:07 p.m.

Discussion/Selection of Custodian, Approve the Selected Custodian as an IPOPIF Vendor, and Authorize the CIO and Fiduciary Legal Counsel to Complete Negotiations with the Selected Custodian and Execute the Contract Agreement: CIO Custer thanked the Board for their engagement in the finalist interviews with State Street and Northern Trust. He reemphasized that all three responding firms are highly qualified world-class organizations with substantial depth and capabilities to perform the required services for the Fund. He informed the Board that he previously worked with both State Street and Northern Trust and shared his experiences with the Board. CIO Custer reviewed the evaluation criteria, key differentiators, and fees with the Board. He noted that he was very impressed with State Street's client service and conversion teams and their deep understanding of the local funds. CIO Custer invited Mr. Brubaker and Executive Director White to share their comments with the Board.

Mr. Brubaker echoed CIO Custer's comments and noted that he was impressed with prep work from all three responding firms. He stated that he was impressed with State Street and Northern Trust's understanding of the unique nature of the conversion along with their client service teams. Mr. Brubaker acknowledged State Street's investigations and settlements and stated that he has noticed a positive cultural shift since Ron O'Hanley was brought on as CIO. Overall, he has a higher confidence level in State Street's team to handle the amount of work that is needed to handle the conversion.

Executive Director White agreed with CIO Custer and Mr. Brubaker's comments. He was very impressed with State Street's customer service team and their desire to partner with the IPOPIF to assist with the conversion. Executive Director White noted that State Street has already done a lot of work to familiarize themselves with the individual local funds. He reemphasized that all three responding firms are highly qualified to perform the necessary services for the IPOPIF, but he preferred State Street's project approach, and he was impressed with their leadership and client service team.

Mr. Sachs rejoined the meeting at 12:21 p.m.

CIO Custer thanked Mr. Brubaker and Executive Director White for their comments. He continued reviewing the evaluation criteria and summarized his findings regarding criminal and regulatory investigations and actions. He stated that included for the Board's review were copies of SEC press releases related to settlements with State Street. The issues and settlements were discussed with the Board.

CIO Custer reviewed the revised IPOPIF Custodian Fee Proposals Comparative Worksheet with the Board. He reviewed the breakdown of fees and discussed the Fund's reporting needs. Attorney Burns reviewed his recommendations with the Board regarding the proposed process for finalizing a contract agreement with the Fund's selected custodian. CIO Custer recommended the Board select State Street as the IPOPIF's Investment Custodian and to approve State Street as an IPOPIF Vendor. He also recommended that the Board authorize CIO Custer and Fiduciary Legal Counsel to complete negotiations with State Street and execute the contract agreement. All questions were answered by CIO Custer. A motion was made by Trustee Catavu and seconded by Swanlund to select State Street as the IPOPIF's Investment Custodian, to approve State Street as an IPOPIF Vendor, and to authorize the Chief Investment Officer and Fiduciary Legal Counsel to complete negotiations with State Street and execute the contract agreement. Motion carried by roll call vote.

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

CIO Custer informed the Board that staff anticipates that the contract agreement with State Street will be finalized by July 23, 2021. Trustee Cole requested that a copy of the executed contract agreement is provided to the Board.

Review//Approve – Search for Transition Coordination and Transition Management Services: CIO Custer reviewed a memorandum dated July 6, 2021 regarding the "Search for Transition Coordination and Transition Management Services" with the Board. CIO Custer and Verus recommended the Board approve the search for Transition Coordination and Transition Management Services. CIO Custer indicated that the RFP is in process and will be finalized in the very near future. Mr. Sachs reviewed the scope of services and contract period with the Board. Trustee Hopkins requested clarification regarding Mr. Sach's role as the Project Architect. Mr. Sachs provides overarching guidance, planning, and communications to the consolidation process, but he does not serve as the project manager for the transition. CIO Custer clarified that the Transition Coordinator would be an organization that is an expert in transitions and would serve as an advisory role. CIO Custer discussed the support issues along with the unique nature of this transition. He believes that an expert advisor on transitions would provide efficient and effective solutions to assist the team with navigating through the transition.

Trustee Poulos joined the meeting at 12:59 p.m.

Trustee Holleb voiced her concerns regarding the proposed roles and responsibilities of the transition manager and transition coordinator. She also referenced the transition consultant line item in the Budget. Executive Director White informed Trustee Holleb that these services would fall under the transition management line item in the Budget.

Mr. Brubaker emphasized the uniqueness of this transition and encouraged the Board to move forward with the RFP for both roles. He sees this RFP as an information-gathering exercise and determined the next steps once responses are received. Mr. Brubaker stated that the RFP was specifically written to include language indicating that the Board may not select a transition coordinator if the Board finds that these services are not needed. With no further discussion, A motion was made by Trustee Suess and seconded by Trustee Hopkins to approve the search for Transition Coordination and Transition Management Services. Motion carried by roll call vote.

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

Transition Status Report: CIO Custer provided an update to the Board regarding the RFP for Passive Investment Management services. He also provided an update on the development of an accounting structure, the adoption of rules, data collection, investment strategy timeline, project planning, and Investment Staff.

Investment Staffing Update: CIO Custer informed the Board that he selected a candidate for the Investment Officer position, and he anticipates him joining the team in early August. He added that he would like the flexibility to hire any additional Investment Officer if needed, which will be covered under the Budget amendment in Executive Director White's Report.

EXECUTIVE DIRECTOR'S REPORT: Executive Director White reviewed a memorandum dated July 9, 2021 regarding the "Executive Director's Report" with the Board. Executive Director White requested Board action on a budget amendment and the selection of the IPOPIF Office location and building.

Review/Adopt – Resolution 2021-05 Amending the Fiscal Year 2022 Budget: Executive Director White reviewed the amended Budget along with Resolution 2021-05. The proposed budget amendment includes the hiring of two investment officer positions instead of an investment officer and investment analyst. This adjustment would increase the Personnel Expenses Category in the Investment Operations Function by \$58,825. CIO Custer informed the Board that he anticipates that the second Investment Officer position could be hired in September. Trustee Cole reviewed the proposed Budget, which includes budgeted expenses in July and August for this position. He requested that this line item is adjusted to accurately reflect a start date in September or wait to make the adjustment when the position is filled. Chairperson Curry acknowledged Trustee Cole's comments and concerns and would like to ensure that CIO Custer has the discretion to proceed with hiring an additional Investment Officer if needed. The Board came to a consensus that CIO Custer has the discretion to fill the additional Investment Officer position, and the Budget will be amended once a hire date is established.

IPOPIF Office: Executive Director White reviewed a memorandum dated July 9, 2021 regarding the "IPOPIF Office Location" with the Board. Trustee Cole reminded the Board that due to a potential conflict of interest, he would be abstaining from discussion and voting on matters related to the selection of the IPOPIF office.

Executive Director White reviewed the IPOPIF Office Location Comparison Grid with the Board. The Comparison Grid included three building options in the City of Peoria and four building options in the City of Bloomington. He reviewed the components of each building in detail and recommended the Twin Towers Plaza in the City of Peoria as the IPOPIF Office.

Executive Director White noted that the proposed office space at the Twin Towers Plaza building is owned by the City of Peoria, and the requirement for the Board is to ensure the lease relationship with the landlord would not be a prohibited transaction. Executive Director White stated that staff and legal counsel took numerous steps to ensure the Board complies with the prudent person rule and prohibited

transaction requirement. Mr. Paul K. Knight, Certified General Real Estate Appraiser, conducted a market rate analysis for the Twin Towers Plaza in the City of Peoria and provided information on other competitive properties in Downtown Peoria and the City of Bloomington. Executive Director White summarized Mr. Knight's report with the Board. Mr. Knight's report indicated that the proposed rental rate, with modified gross terms, is within the indicated range provided by market data. Mr. Knight reported that there would be no significant advantage to the IPOPIF or landlord.

Committee Chairperson Poulos summarized the Governance Committee's discussion regarding the IPOPIF Office at the July 7, 2021 meeting. He noted that the Governance Committee voted unanimously to recommend the Twin Towers Plaza building in the City of Peoria to the full Board as the IPOPIF's Office. Executive Director White also noted that the Plan Administrator provided the draft meeting minutes from the Governance Committee's July 7, 2021 meeting to the Board for review.

Attorney Reimer reviewed the revised Letter of Intent with the Board and noted all significant changes. All questions were answered by Attorney Reimer.

Attorney Burns informed the Board that the Governance Committee reviewed all of the materials that Executive Director White shared. He agrees with the Governance Committee's conclusion that the Fund has prepared an appropriate documentary record to establish an independent appraisal of the property. Attorney Burns indicated that staff conducted research to determine appropriate square footage for the Fund's needs. Attorney Burns stated that staff's recommendation to decrease the office space to no more than 6,000 square feet is a prudent decision to ensure the space plan fits the IPOPIF's operational needs. He also noted that the Governance Committee discussed hiring a professional to monitor the construction project of the suite. This would be an additional element of the Board's due diligence to ensure there is management oversight of the construction. It is his legal opinion that leasing Twin Towers under the terms of the draft Letter of Intent to Lease would not be a prohibited transaction. Lastly, he added that the City may not agree to each proposed element of the lease and recommended the Board authorize the Executive Director and General Legal Counsel to negotiate the terms and conditions to ensure the lease is executed in a timely manner.

Chairperson Curry inquired if the Board had any questions for staff or legal counsel. Trustee Suess inquired if staff visited any other buildings in Peoria in addition to the Twin Towers Plaza. Executive Director White informed the Board that staff did not visit any other buildings in Peoria. Trustees Suess requested additional information on the anticipated length of the lease agreement. Executive Director White indicated that Letter of Intent includes a proposed lease agreement of five years. Trustees Suess stated that he does not think it is appropriate for the Board to enter into a lease agreement at the Twin Towers Plaza since the building is owned by the City of Peoria and Peoria is a participating fund. He recommended the Board consider leasing a building with a completely independent entity. He informed the Board that he would not be voting in favor of selecting the Twin Towers Plaza as the IPOPIF's office.

Trustee Holleb requested clarification on the cost for the buildout of the office at the proposed Twin Towers Plaza location. Attorney Reimer indicated that the City is covering up to \$10,000 of buildout expenses. He will work closely with Executive Director White to negotiate the terms and specifications of the buildout. Attorney Burns reiterated that a professional would monitor the construction project of the office to ensure the obligation of the landlord is properly handled. Trustee Holleb thanked Legal Counsel for the clarification but informed the Board that she agrees with Trustee Suess' comments.

She stated that she would not be voting in favor of selecting the Twin Towers Plaza as the IPOPIF's office. With no further discussion, A motion was made by Trustee Hopkins and seconded by Trustee Catavu to approve the Letter of Intent to Lease, as amended, between the Illinois Police Officers' Pension Investment Fund and the City of Peoria, to authorize the Executive Director and General Legal Counsel to enter into lease negotiations with the City of Peoria, to authorize the Executive Director to execute the lease agreement and other contracts necessary to complete the leasing agreement with the City of Peoria. Motion carried by roll call vote.

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


CLOSED SESSION: There was no need for closed session.

PUBLIC COMMENT: There were no comments from the public.

ADJOURNMENT: With no further business to discuss, a motion was made by Trustee Catavu and seconded by Trustee Poulos to adjourn the meeting at 2:15 p.m. Motion carried by roll call vote.


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


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: August 13, 2021

The next Board meeting of the Illinois Police Officers' Pension Investment Fund will be held on Friday, July 23, 2021 at 9:00 a.m. via the Zoom digital platform in accordance with Governor Pritzker's Executive Order in effect on the date and time of the meeting and Public Act 101-0640.