



## **Illinois Police Officers' Pension Investment Fund**

### **Audit & Budget Committee Meeting Minutes**

**Thursday, December 14, 2023, at 3:00 P.M.**

A regular meeting of the Audit & Budget Committee of the Illinois Police Officers' Pension Investment Fund was conducted at the Marriott Pere Marquette Hotel, Cotillion Room, 501 Main Street, Peoria, IL. 61602. Members of the public were invited to participate remotely or in person.

#### **Attendees:**

##### **Audit & Budget Committee Members:**

- Paul Swanlund
- Daniel Hopkins
- Elizabeth Holleb
- Phillip Suess

##### **IPOPIF Staff:**

- Richard White, Executive Director
- Kent Custer, Chief Investment Officer
- Regina Tuczak, Chief Financial Officer/ Assistant Executive Director
- Amy Zick, Senior Accountant
- Kate Cobb, Administrative Analyst
- Joe Miller, Information Technologist
- Barb Meyer, Investment Officer
- Dean Hagan, Investment Officer (Zoom)

##### **Others Present:**

- Vince Mancini, General Legal Counsel, Reimer, Dobrovlny & Labardi PC
- Taylor Muzzy, Fiduciary Legal Counsel, Jacobs Bums Orlove & Hernandez, LLP (Zoom)
- Brian LeFevre, Sikich, LLP

- Members of the Public (Zoom)

## **Agenda**

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

## **Call to Order (3:00 PM)**

The meeting was called to order at 3:00 PM by Chairperson Swanlund.

## **Roll Call**

A roll call was conducted. 4 Trustees were present. A quorum was established with the 3 required number of Trustees present.

Audit & Budget Committee:

- Paul Swanlund, Chairperson
- Daniel Hopkins
- Philip Suess
- Elizabeth Holleb

Audit & Budget Committee Members Absent:

- None

All individuals present are reflected in the list of attendees.

## **Minutes**

3.1- Audit & Budget Committee Meeting Minutes from September 14, 2023: Minutes from the September 14, 2023, Audit & Budget Committee meeting were presented for approval. Executive Director White and Chief Financial Officer Tuczak answered all questions.

A motion was made by Trustee Holleb and seconded by Trustee Suess to approve the September 14, 2023 Audit & Budget Committee meeting minutes as presented.

Motion carried out by roll call vote.

Ayes: Trustees Swanlund, Suess, Hopkins, Holleb

Nays: None

Abstain: None

Absent: None

## **Annual Comprehensive Financial Report (ACFR)**

### 4.1- Annual Comprehensive Financial Report FY 2023: Discussion and Potential Action:

CFO Tuczak briefed that the Fund's staff has completed the preparation of the Annual Comprehensive Financial Report (ACFR) for the Fiscal Year 2023. The Fund's financial statements reflect the transfer of \$5.725 billion in investment assets from Article 3 Funds in Fiscal Year 2023, and total assets of \$9.387 billion. For Fiscal Year 2023, the Fund's investment portfolio returned 8.9%, net of fees.

Brian LeFevre, Sikich LLP, led the Audit & Budget Committee on the draft report that was provided. Sikich LLP was performed the audit of the Fund's financial statements as of and for the year ended June 30, 2023, in accordance with Generally Accepted Auditing Standards. A final draft of the completed document was included in the materials provided to the Audit & Budget Committee.

Trustee Holleb noted that in the draft ACFR, the letter of transmittal includes a list of Board Members, and the first Participant Representative is shown as a vacant seat with the location being Peoria. As the vacant seat does not have a location, Trustee Holleb requested the location be removed. Mr. LeFevre agreed with Trustee Holleb's comment. Trustee Holleb also requested that the Article 3 Funds that have not transferred funds be removed from the Participating Police Pension Funds list in the Statistical Section of the ACFR. Mr. LeFevre suggested the title be changed from 'Participating Police Pension Funds' to 'Article 3 Police Pension Funds'. There was discussion amongst the Committee and a revised title will be made to read "Article 3 Police Pension Funds" and an asterisk symbol will be placed next to each fund that has not transferred assets as of June 30, 2023, with a notation that investment assets have not yet been received.

Mr. LeFevre, CFO Tuczak, CIO Custer, and Executive Director White answered all questions.

Trustee Suess commended CFO Tuczak and her team for the unmodified opinion and for completing the ACFR in a timely manner.

A motion was made by Trustee Hopkins and seconded by Trustee Suess to recommend to the Board of Trustees that the Annual Comprehensive Financial Report for the year ending June 30, 2023, be approved with minor revisions.

Motion was carried out by a roll call vote,

Ayes: Trustees Swanlund, Suess, Hopkins, Holleb

Nays: None

Abstain: None

Absent: None

## **Examination and Compliance Audits**

5.1- Examination and Compliance Audits: Discussion and Potential Action: CFO Tuczak briefed the Committee about the Request for Proposals for Independent Certified Public Accounting firms to conduct agreed upon procedures of Police Pension Funds established under Article 3 of the Illinois Pension Code, which was issued and posted to the Fund's website on Monday, October 16, 2023. Emails were also sent to sixteen (16) independent certified public accounting firms inviting their respective firms to respond to the posted RFP. CFO Tuczak discussed the method by which the 16 independent certified public accounting firms were selected for the email invitation.

The timeframe for the RFP was provided to the Audit & Budget Committee. One change was made from the original version which allowed two additional business days for the submission of written questions.

In response to the RFP, proposals were received from four quality firms. Fund staff are working to process and evaluate the proposals and interviews will be held with each firm, with the expectation that such interviews will occur the week of January 1, 2024. Finalists will then be invited to provide a presentation to the Board of Trustees at the January 19, 2024 Board meeting. CFO Tuczak voiced to the Committee that she would like to hire multiple firms to perform these agreed upon procedures, given the quantity of Article 3 funds, and desire to ensure efficiency and timely completion.

CFO Tuczak answered questions from the Committee regarding the number of firms to be hired and the capacity of the firms to complete the work.

## Required Annual Review

6.1-Financial and Operational Controls and Compliance Reporting Reviews: Discussion and Potential Action: Per the Audit and Budget Committee Policy (PP 2020-09), the Audit & Budget Committee is responsible for meeting with the Executive Director, Chief Investment Officer, and Chief Financial Officer, at least annually, to discuss the effectiveness of the internal financial and operational control policies and compliance with all financial and regulatory reporting requirements.

CFO Tuczak briefed the Audit & Budget Committee on the effectiveness of the internal financial and operational control policies. CFO Tuczak briefed the Committee on all the financial and operational procedures that have transitioned to the Finance and Accounting operations since January 1, 2023, along with a summary of the internal controls associated with each procedure. Procedures discussed include assumption of processing staff payroll utilizing *Run Powered by ADP*® online services disbursement of fund expenses using State Street Bank & Trust's Cash Management Platform (eCFM), budget preparation, and general ledger and financial statement preparation utilizing Accounting CS Software (Thomson Reuters). CFO Tuczak also noted that cash management of participant Funds was assumed from the Investments team effective July 1, 2023, and the management of eCFM submissions, as well as the verification of the documentation, was assumed on August 1, 2023, and October 1, 2023, respectively.

The Finance/Accounting team discussed the financial and regulatory reporting requirements of the Illinois Pension Code (40 ILCS 5/22B-125) pertaining to the submission of investment information to the Illinois Department of Insurance (IDOI). CFO Tuczak indicated that staff has worked with State Street Bank & Trust (State Street) to develop the reporting associated with these requirements, noting that the first submission will be made for the full fiscal year ending June 30, 2023. This submission is intended to satisfy the annual filing requirement and the quarterly filing requirements for each quarter included in the fiscal year. Effective July 1, 2023, quarterly data submissions will be prepared by State Street and sent to the IDOI.

The Committee discussed the need for participant funds to be able to set up recurring withdrawals through the State Street cash management platform. Trustee Holleb and Trustee Suess inquired if this request can be discussed with State Street at the next Board of Trustees meeting. CIO Custer agreed to discuss this matter with them at the Board meeting presentation.

Trustee Sues also requested to discuss with State Street the processes and procedures used by the financial team to process requests of the Participating funds (add, remove, change representatives), given the evolution of IPOPIF and the complexity of the process.

CFO Tuczak answered all questions.

### **Human Resources- Job Description: Senior Accountant/Auditor:**

#### 7.1- Job Description- Senior Accountant/Auditor: Discussion and Potential Action: CFO

Tuczak briefed the Audit & Budget Committee that the Finance and Accounting team has assumed significant additional responsibilities effective July 1, 2023. With these additional responsibilities and the pending Agreed Upon Procedures of the Article 3 Funds, an additional staff member is needed on the Finance & Accounting team.

CFO Tuczak recommended to the Audit & Budget Committee that the job description of the Senior Accountant be changed to include an audit focus and rename the position Senior Accountant/Auditor. The position will focus on communicating with Article 3 Funds regarding agreed on procedures, coordinating all engagements with the independent certified public accounting firms, reviewing all reports completed and submitted by the independent certified public accounting firms, and any needed communication with the IDOI. Salary information will be requested from Lauterbach & Amen, LLP and provided to the Board of Trustees. If approved by the Board, recruitment is scheduled to begin following the January 19, 2024, meeting.

A copy of the Responsibilities and Duties of the Senior Accountant/Auditor (PP 2023-02) was provided to the Audit & Budget Committee for reference.

Direction was given by the Audit & Budget Committee to revise the job description for the Senior Accountant position, with the revised title of Senior Accountant/Auditor, rather than create a separate job description. The description will apply to both staff members of the Finance and Accounting team and the responsibilities and roles of each can be internally defined. Pending completion of these revisions to PP 2023-02, the job description for the Senior Accountant/Auditor should then be brought to the Board of Trustees meeting on January 19, 2024.

### **Closed Session (If necessary)**

A closed session was not held.

### **Public Comment**

An opportunity for public comment was provided at 4:24 PM. No comments were heard, and no discussion was provided.

### **Adjournment**

A motion was made by Trustee Suess and seconded by Trustee Hopkins to adjourn the Audit & Budget Committee meeting.

Ayes: Trustees Swanlund, Suess, Hopkins, Holleb

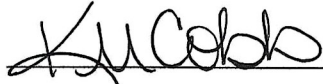
Nays: None

Abstain: None

Absent: None

Audit & Budget Meeting was adjourned at 4:42 P.M.

Respectfully submitted by:



Kate Cobb, Administrative Analyst

Approved by:



Paul Swanlund, Chairperson, Audit & Budget Committee

Date Approved by the Contract Committee: February 9, 2024