



# Illinois Police Officers' Pension Investment Fund

September Newsletter

## ILLINOIS POLICE OFFICERS' PENSION INVESTMENT FUND AWARDED THE CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

The Illinois Police Officers' Pension Investment Fund (IPOPIF) was awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada (GFOA) for IPOPIF's annual comprehensive financial report (ACFR) for the fiscal year ended June 30, 2023.

IPOPIF Executive Director Richard White stated, "We are honored to have received this award recognizing the tremendous effort put in by our Chief Financial Officer Regina Tuczak and Amy Zick, our senior accountant. We are proud that Regina's leadership and vision in applying for the award and her and Amy's hard work, attention to detail, and commitment to excellence in preparation of the ACFR is being acknowledged with this prestigious award," he added.

According to the GFOA, "The report has been judged by an impartial panel to meet the high standards of the program, which includes demonstrating a constructive "spirit of full disclosure" to clearly communicate its financial story and motivate potential users and user groups to read the report. The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management."

GFOA established the Certificate of Achievement for Excellence in Financial Reporting Program in 1945 to encourage and assist state and local governments to go beyond the minimum requirements of generally accepted accounting principles to prepare annual comprehensive financial reports that evidence the spirit of transparency and full disclosure and then to recognize individual governments that succeed in achieving that goal.

### INVESTMENT UPDATES

#### Performance

The IPOPIF investment portfolio gained 2.0% in August, bringing 2024 gains to 10.1%. REITs (Real Estate Investment Trust) were the top gainer, up 6.4% in August. The Fund now stands at \$11.1 billion with total gains of \$2.1 billion since the March 2022 inception.

#### Searches

Since the end of the 2022 transition, IPOPIF has been adding active investment management to promote diversification and bolster returns. Three international small cap managers and two bank loan managers were added earlier this year, and progress continues on multiple fronts.

- **Emerging Market Debt Search**

Emerging markets debt (EMD) is an asset class that provides attractive yield and diversified income comparable to high yield and bank loans. The asset class provides high income potential from a wide range of developing countries/regions with less correlation to equities and US bonds. The Board approved investment in the Capital Group Emerging Market Debt fund at the September 13, Board meeting. In addition to the Capital Group, the Board interviewed finalist candidates, MetLife and Payden and Rygel at the meeting. The 1.5% allocation will equate to approximately \$190 million following the final Article 3 transition discussed below.

- **Emerging Market Equity Search**

The Emerging Market Equity (EME) ex China manager search was initiated on June 14, 2024, and is proceeding on plan. Proposals were due by August 16, 2024, and are currently being evaluated by staff and IPOPIF's investment consultant, Verus. Finalist interviews and selection are targeted for the October 18, 2024, Board meeting.

- **Private Credit**

The Board of Trustees approved a search for an active investment manager to build a diversified private credit (PC) portfolio at its meeting on July 19, 2024, and the search is now underway. Final proposals are due by October 11, 2024. Board interviews and selection are targeted for the December 13, 2024, Board meeting.

- **Private Markets Consultant Search**

Also at the September meeting, the Board approved a search for a dedicated private markets consultant to assist IPOPIF with the construction of its private markets' portfolio. The IPOPIF Investment Policy Statement allocates 20% to private market assets including 7% to private equity, 5% each to private credit and real estate, and 3% to infrastructure.

Deputy Chief Investment Officer Greg Turk, who joined IPOPIF in June 2024 and has extensive private markets experience, will lead the IPOPIF private markets implementation. Turk commented that, "Private market investments can enhance portfolio returns and diversification, but also bring additional investment and operational challenges. A partnership with a strong consultant can help IPOPIF develop an optimum structure with access to top tier investments, while controlling costs."

## **Final Article 3 Transition**

18 funds are on track for transfer on October 1, 2024. The preliminary transfer list includes 2,100-line items valued at approximately \$1.5 billion, which would increase the IPOPIF fund to \$12.6 billion. Chief Investment Officer Kent Custer noted during the September Board meeting the investment staff has received excellent support and engagement from incoming funds. There are a few funds with special situations that IPOPIF and the Illinois Department of Insurance are evaluating to identify a path forward.

## **Statement of Principle**

At the September meeting, the IPOPIF Board of Trustees approved a Statement of Principle relating to investment in or contracting with businesses that have supported activities that are contrary to the interests of IPOPIF, such as anti-police or anti-pension initiatives or organizations.

As adopted, Statement of Principle reads as follows:

“The Board of Trustees affirms as a matter of Fund policy that IPOPIF’s investments should recognize and respect the positive impact that municipal law enforcement officers have in their communities. The Board recognizes that some publicly traded corporations and private owners or managers of investment vehicles may support organizations that engage in policy making activity that could undermine law enforcement officers’ ability to protect and serve their communities safely, such as ‘defunding the police,’ or that could diminish public pension sustainability or retirement security. The Board intends to develop criteria as part of its Investment Policy Statement that will, within the bounds of financial and fiduciary prudence, strive to ensure that IPOPIF’s investments fully support this Statement of Principle.”

Among the related investment objectives and actions for consideration with the adoption of the Statement of Principle are:

- Revision of the Investment Policy Statement, Investment Services Procurement Policy, and Template RFP to reference or incorporate the Statement of Principle. The revised Investment Services Procurement Policy was passed at the September board meeting.
- Evaluation of and recommendation of proxy voting policies, services, and processes to reflect IPOPIF principles. Through this objective, IPOPIF can have an independent voice with most corporations through our stock ownership, either directly or through commingled funds. This is likely to be a substantial undertaking for investment staff.
- Development of a list of entities that engage in activities that could undermine law enforcement officers’ ability to protect and serve their communities safely.

## **Trustee Election**

As provided for in the statute establishing IPOPIF, the Board of Trustees administers the election for the permanent Board of Trustees. The Board, in accordance with the pension code and Fund policy, at the June 14, 2024, meeting opened the election process. The first step in the trustee election process was the nomination of candidates which opened on June 17, 2024, and closed on July 31, 2024. All nomination petitions complied with the pension code and were verified by the executive director in accordance with the Election Policy.

After the qualification of candidates, the Election Policy provided for a period where the candidate petitions are available for review and a period where the candidate nomination(s) could be challenged. There were no requests to review the candidate petitions and no challenges to the nomination process were received by the deadline of August 8, 2024.

Section 22B-116(d)(2) provides that “[i]f only one candidate for each position is properly nominated in petitions received, that candidate shall be deemed the winner and no election under this Section shall be required.”

Because the nomination process qualified the minimum number of candidates for each trustee seat, at the September meeting the Board declared the election of candidates completed and certified the election of the following trustees for the term of January 2025 through December 2028:

- Municipal Member Trustee (two open seats)
  - Michael J. Inman, Mayor of the City of Macomb (Incumbent)
  - Debra Nawrocki, Chief Financial Officer, City of Elgin
- Beneficiary Member Trustee (one open seat)
  - Mark Poulos, Retired Lieutenant, City of Rock Island (Incumbent)
- Active Member Trustee (one open seat)
  - Scott Bowers, Police Officer, City of Peoria (Incumbent)
- Trustee Seat number 9 is the seat appointed by the Illinois Governor as recommended by the Illinois Municipal League and with the advice and consent of the Senate. The appointment is for a two-year term of office and will run from January 2025 through December 2026.

As noted in previous newsletters, IPOPIF elected trustees serve four-year terms of office with the election on a two-year staggered election cycle. The newly elected Board of Trustees will have an Oath of Office administered and will be seated at the January 17, 2025, meeting (tentative date) and will serve through December 2028.

### **Annual Valuation Reports for Article 3 Local Police Pension Funds**

IPOPIF prepares the annual actuarial valuation report for each Article 3 police pension fund that participates in the consolidated fund. Upon completion of the report, the IPOPIF posts the report on the website [here](#) and advises the Authorized Agents of the specific Article 3 police pension fund, via email, on the completion and release of the actuarial valuation report.

IPOPIF staff recently sent a letter to municipalities inviting them to send them the name and email addresses of an official that would like to be notified when the actuarial valuation report is issued to their respective Article 3 fund. If you are a municipal official and would like a copy of the report, please send an email to [info@ipopif.org](mailto:info@ipopif.org) with the subject line “Actuarial Valuation Report” and include the email address to which you wish it to be sent.

## **HELPS Bulletin – Important Tax Information for Retirees**

The Illinois Public Pension Fund Association (IPPFA) recently issued a HELPS Bulletin informing the retirees about the HELPS tax credit. The bulletin read:

“Please be sure your retired law enforcement and fire/EMS members are aware that they may reduce their taxable earnings by up to \$3,000 for medical insurance premiums paid during a calendar year. This is allowable under the Healthcare Enhancement for Local Public Safety Retirees Act, or the “HELPS” Retiree Act.

“Previously, there was a requirement that the premium had to be deducted from the retiree’s pension check in order to qualify for HELPS credit. That is no longer the case following the adoption of the federal Secure 2.0 retirement law. Qualified premiums paid directly for health, accident or long-term care insurance qualifies for the credit in 2023 and beyond.

“The \$3,000 reduction does not appear on the annual 1099R form that is sent out by the pension fund. The retiree must claim the reduction on his or her personal 1040 tax form on Line 5B or similar adjustment. Instructions on claiming the reduction are included in IRS Publication 575 (page 7 with an update on page 2). As this is not a simple matter, pensioners may want to consult with their tax preparer to properly claim the reduction.

“Note that married couples where both the parties are retired police/fire/EMS may take a reduction in income of up to \$6,000.”

## **Congratulations!**

The Board and staff of IPOPIF congratulate Tim McEnery, managing director and senior consultant at our investment consulting firm, Verus, for being selected by Crain’s Chicago Business as a [“Notable Leader in Accounting, Consulting and Law”](#) earlier this month. Tim is an integral part of our team, and we are pleased to see him honored for his work.

## **On the Road**

Join IPOPIF leadership in Rockford on October 23, 2024, at their sixth Regional Stakeholder Meeting. Scheduled for 1-5 pm at the Hilton Garden Inn, 7675 Walton Street, attendees will hear presentations from IPOPIF Executive Director Richard White, Chief Investment Officer Kent Custer, and Chief Financial Officer Regina Tuczak. Learn more about the mission and values of IPOPIF, as well as its investment policy, investment performance, Article 3 police pension fund reporting and cash management.

Members and beneficiaries of the local Article 3 police pension funds in the Rockford area are invited to attend as are city officials from the surrounding communities. To reserve a seat, please email Samantha Lambert at [slambert@ipopif.org](mailto:slambert@ipopif.org).

## **IPOPIF Blotter**

Do you have photos you'd like to see posted on the IPOPIF [Blue Line Mugshot](#) page? We are always on the lookout for photos from members of our 357 Article 3 pension plans that are a part of IPOPIF to add. Please send photos in jpeg format to [info@ipopif.org](mailto:info@ipopif.org).

Monthly investment reports through August 2024 for each of the Article 3 funds are posted to the IPOPIF website [here](#). IPOPIF monthly investment reports are available [here](#).

As the consolidated asset pool that exists for the exclusive purpose of protecting and investing the assets of the pension funds covering police officers serving and protecting all downstate and suburban Illinois municipalities, we want our participants and their beneficiaries to know that they should always feel free to reach out to us at [info@ipopif.org](mailto:info@ipopif.org).

As noted in previous newsletters and above, key investment information is posted to the IPOPIF website and is reviewed and discussed at the IPOPIF Board meetings which are open to the public and available via Zoom. Check for meeting dates and times [here](#). The link to the Zoom call is included in the [meeting agendas](#) which also are posted on our website. The next regular Board of Trustees meeting is set for Friday, October 18, 2024.

## **Links to Key Resources**

- [Monthly statement overview](#)
- [Monthly financial reports](#)
- [Monthly and quarterly investment reports](#)
- [Meeting Calendar](#)