



Illinois Police Officers' Pension Investment Fund

Board of Trustees Meeting Minutes

Friday, March 8, 2024

A regular meeting of the Board of Trustees of the Illinois Police Officers' Pension Investment Fund was conducted at the Peoria Marriott Hotel, Pere Marquette, Marquette Salon A, Peoria, IL. 61602. Members of the public were invited to participate remotely or in person.

Board of Trustees:

- Philip Suess, Chairperson
- Paul Swanlund, Vice Chairperson
- Lee Catavu, Secretary
- Mark Poulos, Treasurer
- Scott Bowers
- Brad Cole
- Elizabeth Holleb
- Daniel Hopkins
- Michael Inman

Attendees:

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
- Samantha Lambert, Administrative Analyst
- Joe Miller, Information Technologist

- Steve Yoon, Investment Officer
- Barbara Meyer, Investment Officer

Others Present:

- Rick Reimer, General Legal Counsel, Reimer, Dobrovolny & Labardi PC
- Taylor Muzzy, Fiduciary Legal Counsel, Jacobs Burns Orlove & Hernandez, LLP
- Joe Burns, Fiduciary Legal Counsel, Jacobs Burns Orlove & Hernandez, LLP (Zoom)
- Bukola Bello, Vision MAI
- Scott Whalen, Verus
- Tim McEnery, Verus
- Samantha Grant, Verus (Zoom)
- Kim Shepherd, Shepherd Communications (Zoom)
- Members of the Public (Zoom)

Agenda

All members of the Board of Trustees, 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 on the door of the meeting room.

Call to Order

The meeting was called to order by Chairperson Suess at 9:37 A.M.

Roll Call

2.1- Roll Call: Discussion and Potential Action:

A roll call was conducted. Eight (8) Trustees were present. A quorum was established with the required number of Six Trustees present in the meeting room.

Board of Trustees:

Present:

- Philip Suess, Chairperson
- Lee Catavu, Secretary
- Mark Poulos, Treasurer
- Scott Bowers

- Brad Cole
- Elizabeth Holleb (joined at 9:38 A.M.)
- Daniel Hopkins
- Michael Inman

Absent:

- Trustee Swanlund

All individuals present are reflected in the list of attendees.

A motion was made by Trustee Inman and seconded by Trustee Poulos to allow Board of Trustee Holleb to participate in the March 8, 2024, meeting of the Board of Trustees by audio, video, or internet conferencing, per IPOPIF By-Laws.

Motion carried by roll call vote.

Ayes- Trustees Suess, Catavu, Poulos, Bowers, Hopkins, Inman, Holleb and Cole

Nayes- None

Absent- Trustee Swanlund

Trustee Holleb joined via Zoom at 9:38 A.M.

Investments

3.1- Verus Quarterly Report -4Q2024- Discussion and Potential Action:

Tim McEnery, Verus, briefed the Board of Trustees on the investment markets and IPOPIF performance for the fourth quarter of 2023.

Total assets grew from \$9.2B to just over \$10B through the end of the fourth quarter, responding to a strong market environment across most asset classes. The IPOPIF Investment Portfolio returned 8.8% for the quarter and was slightly below the Policy Index return of 9.0% largely resulting from a modest underweight to equity relative to policy in a strong equity environment.

Since its inception in April 2022, the IPOPIF Portfolio has returned 2.3% through the end of the fourth quarter, in line with the Policy Index and meaningfully ahead of the Broad-Based Index of 1.4%. As a primarily passively invested investment strategy, the IPOPIF Portfolio experienced minimal variation to its Policy Index in the 4th quarter. We would expect some tracking errors to be introduced as the Fund takes on more active management. Individual

investment strategies also performed in line with their strategy-specific benchmarks during the quarter. The IPOPIF investment team actively monitors current asset allocations vs. policy targets and conducts rebalancing trades as appropriate. As of 12/31/23, all asset classes were within the policy target.

Real GDP increased at a 2.9% pace from a year ago in the third quarter (4.9% quarter-over-quarter annualized rate). A string of positive economic news occurred throughout the fourth quarter. The economic outlook has improved along with this new information, though we continue to believe economic bumpiness is on the horizon—perhaps in mid-2024. However, U.S. markets appear to be fully pricing in the soft-landing narrative, which likely limits the upside if that were to come to fruition.

Emerging markets saw a positive end to 2023, rising 7.9% in the fourth quarter – helping to notch a 9.8% gain for the index over the 2023 calendar year. While rebounding from losses seen last year (-20.1% decline in 2022), emerging market equities underperformed both domestic and international developed equities for the second straight year.

A discussion was held about the formatting of the performance reporting and what information is reported on the investment report and what information is reported on the actuarial report.

Tim McEnery, Verus, answered all questions.

3.2- Emerging Market Debt Manager Search: Discussion and Potential Action:

Steve Yoon, Investment Officer, briefed the Board of Trustees on overview of the asset class, the structure, and details of the Active Emerging Market Debt Manager (EMD) search.

He described the current allocation structure and the staff recommendation for a 1.5% allocation (\$150 million) to active blended EMD strategy to take advantage of complexities and opportunities in the asset class, while maintaining passive exposure through interim and long-term allocation.

He noted that the Investment Consultant, Verus, prefers higher allocation to active blended EMD strategy.

The Request for Proposal (RFP) was provided to the Board of Trustees for reference and included a search timeline. Investment Officer Yoon noted that the RFP document include a complete Side Letter, rather than just the Side Letter Provisions. The RFP documents are scheduled to be posted to IPOPIF website on Monday, 3/11/24. The Manager interviews and selection are being targeted for the September Board of Trustees meeting.

Investment Officer Yoon answered all questions.

A motion was made by Trustee Hopkins and seconded by Trustee Poulos to approve a search for an active investment manager for emerging markets debt investments.

Motion carried by roll call vote.

Ayes- Trustees Suess, Catavu, Poulos, Bowers, Hopkins, Inman, Holleb, Cole

Nayes- None

Absent- Trustee Swanlund

3.3- Emerging Markets Equity Education: Discussion and Potential Action:

Tim McEnery, Verus, guided the Board of Trustees through education on Emerging Markets Equity. The IPOPIF Investment Staff and Verus are evaluating Emerging Market Equity (EME) as the next asset class for a search.

Asia represents a significant portion of the index, doubling its weight from 50%-80% over the last twenty years. This is mostly driven by China. The emerging markets index has also changed in terms of sector composition. Commodities-driven sectors like energy and materials have declined as other sectors such as consumer discretionary and information technology have increased.

Emerging countries have continued to open their financial markets to foreign investors, increasing their share of the global equity market. This has provided investors with new opportunities in differentiated high-growth markets. Emerging markets provide diversification to an overall portfolio as economic downturns in one country or region can be offset by growth in another. Recent U.S. equity outperformance, driven by relatively strong economic and corporate earnings growth, has resulted in significant valuation differences across equity markets.

The case for investing in emerging markets equity has been driven by emerging countries continuing to open their financial markets to foreign investors and the desire of foreign investors to access markets with faster economic growth and favorable demographics. Allowing skilled active managers, the flexibility to allocate to attractive markets without strict adherence to a benchmark can lead to the avoidance of idiosyncratic country risks inherent to naïve benchmark construction.

Tim McEnergy, Verus, answered all questions.

3.4- Asset Allocation Review: Discussion and Potential Action:

CIO Custer, and Scott Whalen, Verus, provided a review of the Strategic Asset Allocation to the Board of Trustees. With the Strategic Asset Allocation (SAA) being, by far, the greatest determinant of long-term investment performance and thus the most significant decision set for the investment program, Staff and Verus have dedicated significant time and resources to identifying and researching IPOPIF SAA issues and opportunities.

Two presentations were provided to the Board of Trustees. CIO Custer began with a discussion of key asset allocation issues and observations. Mr. Whalen then reviewed Verus' capital market assumptions, performance modeling for the IPOPIF portfolio, recommendations, and future considerations.

CIO Custer, and Scott Whalen, Verus, answered all questions.

Trustee Poulos asked about the status of previous Board discussions regarding investments in companies that are 'anti-police'. CIO Custer referenced a presentation to the Board of Trustees from April 2022 and noted that this item will be brought back to the Board of Trustees at a future meeting.

A motion was made by Trustee Hopkins and seconded by Trustee Poulos to move 1% from Emerging Markets Equity (7% to 6%) to International Developed Equity (18% to 19%) for Interim and Long-term allocation, move 3% long-term core plus bond allocation to core bonds, change Composite roll-up structure to eliminate "Inflation Protection" category in favor of "Real Assets" category, separate the 8% long-term allocation to Real Estate/Infrastructure into 5% Real Estate and 3% infrastructure, move TIPS to "Risk Mitigation" asset class category, approve revisions to the Investment Policy Statement

Appendix A1, Asset Class Descriptions, Appendix A2, Asset Allocation, and Appendix A3, Performance Benchmarks to incorporate asset allocation changes approved by the Board.

Motion carried by roll call vote.

Ayes- Trustee Suess, Catavu, Poulos, Bowers, Hopkins, Inman, Holleb

Nayes- Trustee Cole

Absent- Trustee Swanlund

3.5- Investment Consultant- Review of Performance: Discussion and Potential Action:

CIO Custer discussed the process of Board reviews of investment service providers on a periodic basis and reviewed key contributions from Investment Consultant, Verus. Scott Whalen, Verus, then presented to the Board of Trustees a review of the role of the consultant and key activities and contributions for IPOPIF.

IPOPIF conducted a Request for Proposal constructed formal search for an investment consultant during early 2021 and the Board selected Verus on April 23, 2021, subject to contract finalization. The final contract was executed on May 1, 2021, for a term of five years. Verus has played a key role in the development of the IPOPIF investment platform. Key contributions are: Custodian search and selection (2021), Transition Manager search and selection (2021), Passive manager search and selection (2021), Principal USPA real estate due diligence and selection (2021), Development of Investment Policy Statement and Asset Allocation in 2021 and subsequent reviews in 2023, and 2024, Evaluation of Fund structure for multiple entities with varying funded positions (2021), Evaluation of non-transferable assets during the transition process (2022). In addition, Verus has also played a key role in Measuring IPOPIF performance based on daily values and cash flows (2022 and 2023), providing information in support of the IPOPIF annual report. Verus also aided in partnering on searches for active investment managers, including International Small Cap, Bank Loans, and Emerging Market Debt. Verus worked closely with IPOPIF staff to develop a framework for resolving annuity investments still held by Article 3 pension funds, provided education on salient investment topics including asset allocation and multiple asset class primers, and provided project management expertise and infrastructure.

Scott Whalen, Verus, answered all questions.

Board of Trustees

Chairperson Suess requested that a recess be taken for lunch at 12:00 P.M.

The Board of Trustees Meeting resumed at 12:40 P.M.

A roll call was conducted with the following Board of Trustees:

Present:

- Philip Suess, Chairperson
- Lee Catavu, Secretary
- Mark Poulos, Treasurer
- Scott Bowers
- Brad Cole
- Elizabeth Holleb (Remote attendance)
- Daniel Hopkins
- Michael Inman

Absent:

- Paul Swanlund, Vice Chairperson

Investments (cont.)

3.6- Investment Update: Discussion and Potential Action:

CIO Custer briefed the Board of Trustees on Investments including performance, cash flow, allocation, manager structure and funding, 2024 transition planning, and the status of key investment initiatives.

Executive staff meetings and the preparation of documents and communications are underway for the FY24 Transition Planning. It is anticipated that the notification package will be ready and distributed in early March. Three (3) immediate goals for all Article 3 Fund Boards would be to appoint Authorized Agents, Adopt the local cash management policy, and Appoint Account Representatives for cash management.

Trustee Cole asked a question regarding withdrawal requests and the process, and whether IPOPIF asks about how much cash an Article 3 Fund has on hand. CFO Tuczak answered that the process does not include asking how much cash is on hand.

CIO Custer and Chief Financial Officer Tucak answered all questions.

Board of Trustees

5.1- Board of Trustees Meeting Minutes- February 9, 2024: Discussion and Potential Action:

Executive Director White presented to the Board of Trustees the minutes of the special meeting of Board of Trustees held on February 9, 2024

A motion was made by Trustee Catavu and seconded by Trustee Inman to approve the minutes of the February 9, 2024, Board of Trustees Meeting.

Motion carried by roll call vote.

Ayes- Trustee Suess, Catavu, Poulos, Bowers, Hopkins, Inman, Holleb, Cole

Nayes- None

Absent- Trustee Swanlund

5.2- Litigation Committee Minutes: Discussion and Potential Action:

Executive Director White presented to the Board of Trustees the minutes of the outstanding open and closed session minutes from the Litigation Committee meetings for review and to discuss the release. Executive Director White noted that the Litigation Committee approved the listed open and closed session minutes and recommended the Board of Trustees accept the minutes and approve for release.

A motion was made by Trustee Poulos and seconded by Trustee Hopkins to accept the Litigation Committee Meeting Minutes and Closed Session Minutes and approve for release.

Minutes to be released:

- 11/12/2021 Committee Meeting Minutes
- 5/28/2021 Closed Session Minutes
- 8/13/2021 Closed Session Minutes
- 10/29/2021 Closed Session Minutes
- 11/12/2021 Closed Session Minutes
- 1/14/2022 Closed Session Minutes
- 1/28/2022 Closed Session Minutes
- 2/10/2022 Closed Session Minutes
- 4/8/2022 Closed Session Minutes
- 5/26/2022 Closed Session Minutes

- 2/10/2023 Closed Session Minutes

Motion carried by roll call vote.

Ayes- Trustee Suess, Catavu, Poulos, Bowers, Hopkins, Inman, Holleb, Cole

Nayes- None

Absent- Trustee Swanlund

5.3- By-Laws- Revision: Discussion and Potential Action:

Executive Director White presented to the Board of Trustees revisions on the Fund's Bylaws. The Fund Bylaws are periodically reviewed to ensure that they remain consistent with the Board of Trustees' procedures, policies, and governing laws. These proposed revisions to the Bylaws are presented for the following reasons:

Section 305 (Treasurer) of the bylaws discusses the position of the Treasurer. The addition of a full-time financial and accounting team including the executive-level leadership provided by the Chief Financial Officer, as well as the expansion of roles and responsibilities being undertaken by the financial and accounting team has meant that those responsibilities that were previously provided by the Treasurer position during the transition period have been chiefly transferred to the finance and accounting team. With this, the responsibilities of the Treasurer have become fewer and fewer. Additionally, oversight of the financial reporting previously provided by the Treasurer position has been assumed by the Audit and Budget Committee. These revisions will update the financial and accounting responsibilities in accordance with Fund operations and governance practices.

Section 309 (Committees of the Board) of the bylaws discusses the committees of the Board. The Board of Trustees approved the expansion of the committees from three (3) members to four (4) members which is now reflected in this section, which states that each committee 'shall have at least three members' and defines the representation on these committees. The Board of Trustees has been conducting the committee membership in this manner and this revision includes these changes.

Section 209 (Remote Attendance) to include the eligibility of a Trustee to participate in a meeting remotely due to childcare needs of their family, in accordance with recently enacted legislation.

Executive Director White answered all questions.

A motion was made by Trustee Poulos and seconded by Trustee Hopkins to approve revisions to the Bylaws, dated March 8, 2024.

Motion carried by roll call vote.

Ayes- Trustee Suess, Catavu, Poulos, Bowers, Hopkins, Inman, Cole

Nayes- Trustee Holleb

Absent- Trustee Swanlund

Finance

7.1- Monthly Financial Statement- January 2024: Discussion and Potential Action:

Chief Financial Officer Tuczak briefed the Board of Trustees on the January 2024 Monthly Financial Statement. Participant fund activity was cash-negative for the month of January. January Contributions were \$34,875,480, and January Withdrawals were \$46,533,560. There were 118 cash contributions and 169 cash withdrawals in January (a total of 287). State Street reported 893 unique Cash Management users on eCFM as of February 7, 2024. CFO Tuczak also discussed the significant increase in cash contributions from participant funds and participant fund withdrawals, for the seven months ended January 31, 2024, versus the seven months ended January 31, 2023. When viewing these comparative numbers, cash contributions have nearly doubled, and participant fund withdrawals have increased by a multiple of ten. These changes suggest greater usage of the cash management system by the participant funds.

CFO Tuczak answered all questions.

A motion was made by Trustee Poulos and seconded by Trustee Bowers to approve the monthly financial statement for January 2024.

Motion carried by roll call vote.

Ayes- Trustee Suess, Catavu, Poulos, Bowers, Hopkins, Inman, Holleb, Cole

Nayes- None

Absent- Trustee Swanlund

7.2- Warrants #2024-09: Discussion and Potential Action:

CFO Tuczak briefed the Board of Trustees on Warrant #2024-09 and answered all questions.

A motion was made by Trustee Poulos and seconded by Trustee Inman to ratify Warrant #2024-09.

Motion carried by roll call vote.

Ayes- Trustee Suess, Catavu, Poulos, Bowers, Hopkins, Inman, Holleb, Cole

Nayes- None

Absent- Trustee Swanlund

7.3- Mid-Year Budget Review: Discussion and Potential Action:

CFO Tuczak presented the mid-year budget report, and all mid-year expenses, to the Board of Trustees for review.

An analysis of the Approved and Adopted Fiscal Year 2024 Budget was prepared and compared to expenditures as of February 1, 2024, (all expenses are through Warrant 24-08), and provided to the Audit and Budget Committee at its meeting on February 9th. The Committee provided feedback on the budget and recommended approval of the Fiscal Year 2024 budget revisions.

Based on these additional expenses and further budget analysis, some minor revisions were made to the Final Proposed Budget, which resulted in a net decrease of approximately \$1,000. Based on this analysis, a proposed Final Budget for Fiscal Year 2024 was prepared and distributed to the Board. Summary information was provided in table format for the Board of Trustees, which also included comments for changes greater than 10% and \$10,000 from the original adopted budget.

CFO Tuczak indicated the Final Proposed Budget for the categories of Board of Trustees and Meetings, Administrative Operations, and Investment Operations – Personnel, are expected to be lower than the Adopted Fiscal Year 2024 Budget. The only category with an expected increase is Investment Operations – Investment and Banking, which is expected to increase by approximately \$875,000 due to Investment Manager fees. Prior to accounting for Investment Manager fees, the Final Proposed Budget for Fiscal Year 2024 is \$3,997,681 as compared to the Adopted Budget of \$4,608,733. CFO Tuczak explained the increased Investment Manager fees is due to the recent hiring of active investment managers. Three of the new investment managers will deduct their fees directly from their respective commingled investment products, and the other two investment managers will directly bill the

Fund for their fees. The Final Proposed Budget for Fiscal Year 2024 reflects the expected direct billing arrangements.

A motion was made by Trustee Hopkins and seconded by Trustee Poulos to Adopt Resolution 2024-01: Amending the Budget for Fiscal Year 2024 to reflect the changes as presented.

Motion carried by roll call vote.

Ayes- Trustee Suess, Catavu, Bowers, Poulos, Hopkins, Inman, Holleb, Cole

Nayes- None

Absent- Trustee Swanlund

7.4 Finance and Accounting Update Report:

CFO Tuczak reviewed the Finance and Accounting Update Report with the Board of Trustees and reviewed the status of the engagement letters with the CPA firms for the Agreed Upon Procedures of the Article 3 police pension funds and the status of the recruitment of the Senior Accountant/Auditor.

Trustee Holleb commented about receiving questions about the IDOI Siren issued 2/8/2024, regarding the use of Money Market Mutual Funds by Article 3 Funds and asked whether IPOPIF will be issuing guidance and whether the amount of cash held by Article 3 Funds will be part of the Agreed Upon Procedures. CFO Tuczak said that she will discuss with the audit firms making that issue part of the Agreed Upon Procedures. There was a discussion about IPOPIF's authority to issue guidance.

CFO Tuczak answered all questions.

Governmental Liaison

6.1- Governmental Liaison Monthly Report: Discussion and Potential Action:

Government Liaison Bello provided a verbal report on the current legislative session to the Board of Trustees.

Governmental Liaison Bello went into detail regarding the idea of the IPOPIF sponsoring legislation to amend the Open Meetings Act (OMA) specific to allow the IPOPIF to conduct remote meetings in lieu of in-person attendance. Liaison Bello related conversations that

she has had with legislators and staff regarding the current bills to amend the OMA, and that a narrow approach specific to IPOPIF was a suggested option for consideration.

There was a discussion about other entities interested in amendments to OMA and whether the approach could be broadened to include both consolidated funds. Government Liaison Bello answered all questions.

A motion was made by Trustee Cole and seconded by Trustee Poulos to sponsor legislation to amend the Open Meetings Act solely for the IPOPIF, or with the IFPIF, to permit the Board of Trustees to conduct meetings without the in-person quorum requirement.

Motion carried by roll call vote.

Ayes- Trustee Suess, Catavu, Poulos, Bowers, Hopkins, Inman, Holleb, Cole

Nayes- None

Absent- Trustee Swanlund

Administration

8.1- Strategic Plan Review: Discussion and Potential Action:

Executive Director White reviewed the Strategic Plan Governance Goal with the Board of Trustees and specifically referenced a portion of the objective within the Governance Goal which is to review the operations of the Board of Trustees to enhance best practices for a governing body to promote the highest fiduciary standards needed for effective and efficient governance, oversight, and transparency.

A key output of this process is to undertake a review of the Board and Committee meeting location(s), to ensure quality, effectiveness, and professionalism of the Board and Committee meeting spaces, meeting technology requirements, meeting logistical requirements, and other components that are needed for effectively and efficiently conducting meetings.

Director White reviewed that the Board of Trustees have held eighteen meetings as in-person attendance meetings, including nine meetings in the Twin Towers training room and nine meetings in outside meeting venues and reviewed the advantages and disadvantages of each of these venues, as well as, an expense analysis of these meetings for review.

Executive Director White, Chief Financial Officer Tuczak, and Chief Investment Officer Custer answered all questions.

A motion was made by Trustee Inman and seconded by Trustee Cole to approve the use of hotel meeting room space to be used for Board of Trustees meetings, the use of the Twin Towers meeting room space to be used for Committee meetings, and to conduct Board of Trustees and Committee meetings in the City of Peoria, and to review, as necessary.

Motion carried by roll call vote.

Ayes- Trustee Suess, Catavu, Poulos, Bowers, Inman, Cole

Nayes- Trustees Holleb and Hopkins

Absent- Trustee Swanlund

8.2- Operations Update Report: Discussion and Potential Action:

Executive Director White provided the Board of Trustees with an Operations Update. This included the newly posted Article 3 Police Pension Funds monthly reports through December 2023 to the IPOPIF website.

A newsletter was published, posted to the website, and sent out to subscribed members and Authorized Agents on February 27, 2024.

The recent Regional Stakeholder Meeting that was held in Naperville on February 21, 2024, was received well with approximately 22 attendees. The next Board of Trustees Meetings is scheduled for April 12, 2024. The next Committee Meetings are scheduled for May 17, 2024.

General Legal Counsel

General Legal Counsel Reimer had no report for the Board of Trustees.

Fiduciary Legal Counsel

Fiduciary Legal Counsel Reimer had no report for the Board of Trustees

Closed Session (if necessary)

There was no need for a closed session.

Public Comment

11.0- Public Comment:

An opportunity for public comment was provided at 1:45 P.M. No comments were heard, and no discussion was provided.

Adjournment

12.0-Adjournment:

A motion was made by Trustee Inman and seconded by Trustee Bowers to adjourn.

Motion was carried by a roll call vote:

Ayes: Trustee Suess, Catavu, Poulos, Bowers, Hopkins, Inman, Holleb, Cole

Nayes- None

Absent- Trustee Swanlund

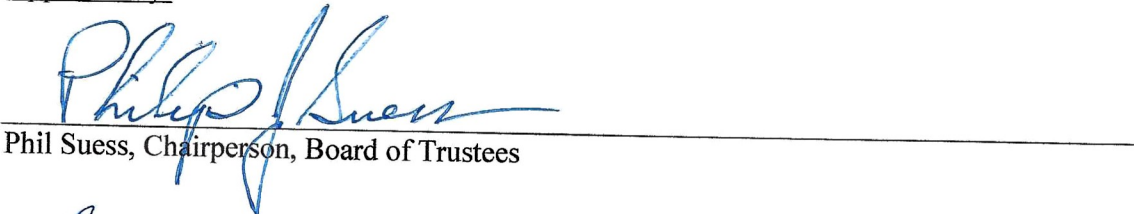
Meeting adjourned at 1:47 PM.

Respectfully submitted by:

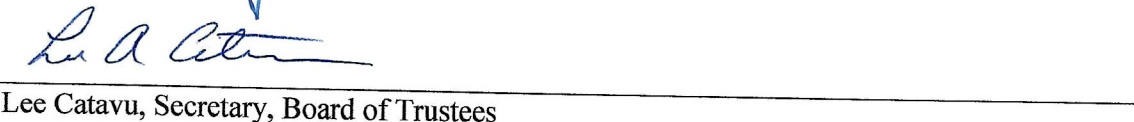


Kate Cobb, Administrative Analyst

Approved by:



Phil Suess, Chairperson, Board of Trustees



Lee Catavu, Secretary, Board of Trustees

Date Approved by the Board of Trustees: April 12, 2024