

Illinois Police Officers' Pension Investment Fund

Board of Trustees Meeting Minutes

Friday, April 12, 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 B, 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
- 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 Bums Orlove & Hernandez, LLP
- Bukola Bello, Vision MAI (Zoom)
- Scott Whalen, Verus
- Tim McEnery, Verus
- 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 9:00 A.M.

Roll Call

2.1- Roll Call: Discussion and Potential Action:

A roll call was conducted. Eight (8) Trustees were present. One (1) Trustee was absent. A quorum was established with the required number of six Trustees present in the meeting room.

Board of Trustees:

Present:

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

Absent:

- Michael Inman (Arrived at 9:06 AM)

All individuals present are reflected in the list of attendees.

Board of Trustees

3.1, 3.2, 3.3, and 3.4- Board of Trustees Meeting Minutes- Open Session Minutes March 8, 2024, Closed-Session Minutes February 9, 2024, Open Session Litigation Committee March 8, 2024, and Closed-Session Minutes March 8, 2024: Discussion and Potential Action:

Chairperson Suess suggested that all the minutes be approved at a single time, unless there were any questions or discussion by the Board of Trustees.

A motion was made by Trustee Hopkins and seconded by Trustee Bowers to approve the minutes of the March 8, 2024, Board of Trustees Meeting, to approve the closed session meeting of the Board of Trustees from February 9, 2024, to approve the Litigation Committee meeting open session minutes from March 8, 2024, and to approve the closed session minutes of the Litigation Committee from March 8, 2024.

Motion carried by roll call vote.

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

Nayes- None

Absent- Trustee Inman

3.5- Litigation Committee- Dissolve Committee: Discussion and Potential Action:

On March 26, 2021, The Board of Trustees established the Litigation Committee as a Special Committee of the Board to be responsible for establishing direction, monitoring legal proceedings, and approving legal issues that directly involve the Fund, members of the Board, and staff in litigation matters. The Fiduciary Counsel was designated as Legal Counsel to the Litigation Committee.

The litigation matter became a final decision in favor of the Fund and other Appellees with the decision filed by the Illinois Supreme Court on January 19, 2024. With the conclusion of the legal proceedings and with the business of the Litigation Committee completed in combination with this matter, it is recommended that the Board dissolve the Litigation Committee.

The motion will dissolve the Litigation Committee upon passage.

A motion was made by Trustee Poulos and seconded by Trustee Hopkins to dissolve the Litigation Committee as a Special Committee under Section 309 (Committees of the Board) of the IPOPIF Bylaws.

Motion carried by roll call vote.

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

Nayes- None

Absent:- Trustee Inman

3.6- Memorandum of Understanding with IDOI: Discussion and Potential Action:

Executive Director White presented to the Board of Trustees a memorandum of understanding drafted by the Illinois Department of Insurance (IDOI).

The Pension Code statute authorizing the consolidation of investment assets sets forth several functions for the Illinois Police Officers' Pension Investment Fund (IPOPIF) which are being transferred from the IDOI and others that will require the use of IDOI resources to complete. The IDOI requests that the roles and responsibilities be formalized by way of a Memorandum of Understanding (MOU).

The MOU considers these obligations and duties between the IDOI and the IPOPIF:

1. Conduct 'audits' (Agreed Upon Procedures) of the Article 3 participating police pension funds, per the statutory requirements. Please note that the Board of Trustees has considered these 'audits' in the past and recently approved the start of this process using an 'agreed upon procedures' method, which the IDOI is aware of.
2. Confirms that the Article 3 participating police pension funds will no longer be required to pay an annual compliance fee to the IDOI. The IPOPIF will pay an annual compliance fee of \$8K to the IDOI.
3. Confirms the completion of the annual actuarial valuation reports will be done by the IPOPIF. The IPOPIF has been completing these reports as mandated by the statute.
4. Confirms that the Article 3 participating police pension funds will continue to file their required annual statements with the IDOI through the existing database system and that the IPOPIF will have access to these reports via the system.
5. Confirms that the IDOI may complete the Certified Investment Asset List (CIAL) process for certain Article 3 participating police pension funds. The IPOPIF has been using the retained CPA firms for the CIAL process during the transition because the MOU was not completed. The IPOPIF will continue to use these CPA firms for the transfer scheduled for October 1, 2024.
6. Provides for revisions to the MOU.

Executive Director White answered all questions.

Trustee Inman joined the meeting at 9:06 AM.

A motion was made by Trustee Cole and seconded by Trustee Poulos to approve the Memorandum of Understanding with the Illinois Department of Insurance.

Motion carried by roll call vote.

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

Nayes- None

Absent- None

Abstain- Trustee Inman

3.7- Strategic Plan- Quarterly Review: Discussion and Potential Action:

Executive Director White conducted a strategic plan quarterly review with the Board of Trustees to discuss goals and objectives that were set forth by both the Board of Trustees and the IPOPIF Staff for 2024-2026.

The Strategic Plan includes IPOPIF's mission, vision, and core values of accountability, stewardship, excellence, trust, and respect. Executive Director White proceeded to provide the Board of Trustees with the projected first-quarter objectives and their current status as of today's date. With most objectives on track for completion, there is one that is at risk as noted by CIO Custer.

In the months to come, the goals and objectives in the Strategic Plan will continue to guide the work plans for IPOPIF Staff.

CIO Custer reviewed the status, issues, and action plans for investment objectives.

CFO Tuczak reviewed goals and objectives with the Board of Trustees including budget and financial reporting presentation, Agreed Upon Procedures for the Article 3 Funds, and evaluation of the newly assumed roles and responsibilities of the Finance team. CFO Tuczak discussed internal controls, implementation of new tools and processes to complete tasks of the Finance and Accounting team, and consideration of other stakeholder needs and the resources required to support these needs and other necessary services.

Executive Director White covered the effectiveness of the Board and Organization, good governance policy and procedures, implementation of the information technology roadmap to align technology with the best practices and team resources to achieve organizational goals, and effectively provide information to participating police pension funds, participants, beneficiaries, municipalities, and stakeholders.

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

No formal action was taken by the Board of Trustees.

3.8- Report on Transition of Assets: Discussion and Potential Action:

Executive Director White presented a report to the Board of Trustees outlining the details of the three-year transition of assets from January 1, 2020, through December 31, 2022.

The provided report includes many of the activities and achievements accomplished by IPOPIF as an entity, although the day-to-day work was undertaken by numerous individuals working diligently directly for the IPOPIF or indirectly through service providers under contract with the IPOPIF.

Executive Director White answered all questions.

No formal action was taken by the Board of Trustees.

Investments

4.1- US Treasury Allocation- Recommendation- Discussion and Potential Action:

CIO Custer briefed the Board of Trustees on the recommendation to initiate an investment in US Treasury bonds. The long-term asset allocation to US Treasury bonds (UST) is 3.0%. The recently completed asset allocation study recommended funding the UST allocation to the long-term target. State Street Global Advisors has agreed to include the UST strategy in the "Beta Partnership," which has a marginal fee of 0.5 basis points for IPOPIF. This would equate to \$15,000 annually for a \$300M investment. There would be no increase in IPOPIF fees since the same fee structure applies to IPOPIF's investment in the SSGA short-term bond strategy.

CIO Custer answered all questions.

A motion was made by Trustee Inman and seconded by Trustee Hopkins to approve an investment in the SSGA US Treasury Fund with a target allocation of 3% of the total fund to be funded from a 3% reduction in the allocation to short-term bonds, to approve related changes to the Investment Policy Statement, including the Interim Target Allocation in Appendix A2 and the Policy Benchmark in Appendix A3, and to approve an amendment to the SSGA Investment Management Agreement.

Motion carried by roll call vote.

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

Nayes- None

Absent- None

4.2- Emerging Markets Equity Portfolio Structure: Discussion and Potential Action:

CIO Custer provided an overview to the Board of Trustees regarding the Emerging Markets Equity (EME) Portfolio Structure and considerations regarding exposure to China equities.

Scott Whalen, Verus Advisory (Verus), presented detailed information to the Board about China exclusion, including: common divestiture rationale, historical performance, risks, potential impact, and implementation considerations.

Trustee Cole offered perspective regarding recent events pointing to decoupling of the US and China and historical parallels. He expressed his opinion that IPOPIF should take action to gradually exclude China from the EME portfolio.

CIO Custer and Mr. Whalen answered all questions.

Mr. Custer suggested that, based on the Board discussion, the Board should consider a motion directing the CIO to gradually transition the passively managed EME portfolio to EME ex China, to be completed by the end of 2024. Mr. Custer informed the Board that the investment team and Investment Consultant require additional time to evaluate the use of active management vis-à-vis an EME ex China mandate.

A motion was made by Trustee Cole and seconded by Trustee Hopkins directing the CIO to gradually transition the passively managed EME portfolio to EME ex China, to be completed by the end of 2024.

Motion carried by roll call vote.

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

Nayes- None

Absent- None

4.3- Investment Policy- Special Investment Principles: Discussion and Potential Action:

The Board has requested reexamining the discussion about investment and policy considerations 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.

CIO Custer highlighted work and agenda materials developed in early 2022 by Staff, Verus, and Fiduciary Counsel, which was presented to the Board at the April 2022 meeting, including a draft Statement of Principle. Mr. Custer suggested that a Board Committee or Liaison Team could be formed to work with Staff, Verus, and Counsel to develop Board recommendations. The Board may also want to consider defining and prioritizing this initiative as a strategic goal and related objectives.

Trustee Hopkins commented that the Statement of Principle in his opinion does not say enough and does not do enough and that IPOPIF should not be investing in companies that are getting police officers hurt and killed.

CIO Custer, Investment Consultant Whalen, and Fiduciary Counsel Muzzy answered all questions.

Chair Suess suggested that CIO Custer reach out to individual Trustees to get input on the Statement of Principle and to come back to the Board of Trustees at the June Board of Trustees meeting.

Trustee Holleb suggested that with the Governance Committee meeting in May, it would be best to bring it to the Committee first for revision and approval.

The Board of Trustees directed that the special investment principles be reviewed with the Governance Committee at the May meeting, with continued discussion by the Board of Trustees at the June meeting.

4.4- Investment Update: Discussion and Potential Action:

CIO Custer provided an Investment update covering performance, cash flow, asset allocation, searches, new manager funding, and rebalancing activity.

CIO Custer answered all questions.

Finance

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

Chief Financial Officer Tuczak briefed the Board of Trustees on the February 2024 Monthly Financial Statement. February Contributions were \$35,940,356 and February Withdrawals were \$44,737,637. There were 163 cash contributions and 180 cash withdrawals in February (a total of 343). State Street reported 888 unique Cash Management users on eCFM as of February 26, 2024. The Fund's Net Position (Restricted) reached its highest level reported on a monthly financial statement of \$10,157,064,537.

CFO Tuczak answered all questions.

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

Motion carried by roll call vote.

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

Nayes- None

Absent- None

5.2- Warrants #2024-10: Discussion and Potential Action:

CFO Tuczak briefed the Board of Trustees on Warrant #2024-10 and answered all questions.

A motion was made by Trustee Inman and seconded by Trustee Poulos to ratify Warrant #2024-10.

Motion carried by roll call vote.

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

Nayes- None

Absent- None

5.3- Finance and Accounting Update: Discussion and Potential Action:

CFO Tuczak provided an update on Finance and Accounting initiatives to the Board of Trustees.

Efforts to construct and initiate the Agreed Upon Procedures of the Article 3 Police Pension Funds are in process. Engagement letters with two of the three Independent CPA firms have been finalized. IPOPIF is currently awaiting information from the Illinois Department of Insurance (IDOI). A planning meeting with the Independent CPA firms and the IDOI will be scheduled pending finalization of all engagement letters.

Recruitment for the Senior Accountant/Auditor has begun. The job listing was posted on Indeed, IGFOA, and IPOPIF website. The volume of applicants is lower than anticipated. The budget for Fiscal Year 2025 is in development, and some changes are expected in the presentation of Investment Manager fees.

CFO Tuczak answered all questions.

Administration

7.1- Administration and Operations Report: Discussion and Potential Action:

Executive Director White provided the Board of Trustees with an Operations Update. This included the monthly investment reports through February 2024 that have been posted to the website for each of the Article 3 funds.

The March 2024 newsletter was published, posted to the website, and sent out to subscribed members and Authorized Agents.

Executive Director White will be speaking at the Melrose Park Police Pension Fund on April 15, 2024, as well as the IPFA Pension Seminar on May 3, 2024, and two upcoming Regional Stakeholder Meetings on May 8, 2024, in Galena, and July 10, 2024, in Rock Island.

There are upcoming Committee Meetings on Friday, May 17, 2024, and a tentative schedule for that day was provided to the Board of Trustees.

The next Board of Trustees Meeting is scheduled for June 14, 2024. The next Committee Meetings are scheduled for May 17, 2024.

Executive Director White also touched on the Statement of Economic Interest that each Trustee member is asked to complete to ensure IPOPIF is compliant with the Illinois Governmental Ethics Act. These must be completed by May 1, 2024.

Executive Director White 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.

Ms. Bello stated that it is getting to the end of this session. The Senate is in session today voting on bills and the House will go into session later today as well. There are approximately six weeks left for this session's bills to be voted on. Regarding the OMA there are two bills filed- one with the Senate (SB3927) and one with the House (HB5812) regarding both. The bills contain language that would allow both consolidated investment funds to meet remotely at Committee meetings if the Chair of the Board of Trustees determined that there is a threat to public health and safety.

Next week there will be a subject matter hearing on pensions, and it will include pension reforms. A report containing a summary will be provided to Staff upon its conclusion.

Governmental Liaison Bello answered all questions.

General Legal Counsel

General Legal Counsel Reimer had no report to provide.

Attorney Reimer noted that a closed session meeting log is being completed to ensure all minutes are completed and reviewed.

Fiduciary Legal Counsel

Fiduciary Counsel Muzzy had no report to provide.

Closed Session (if necessary)

No closed session meeting was held.

Public Comment

11.0- Public Comment:

An opportunity for public comment was provided at 11:08 A.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 Hopkins to adjourn.

Motion was carried by a roll call vote:

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

Nayes- None

Absent- None

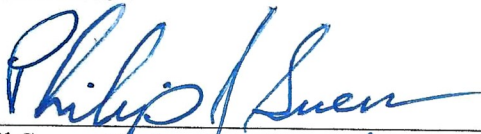
Meeting adjourned at 11:09 A.M.

Respectfully submitted by:

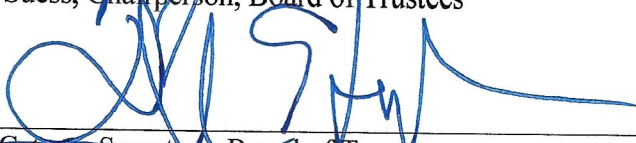


Kate Cobb, Administrative Analyst

Approved by:



Phil Sues, Chairperson, Board of Trustees



Lee Catavu, Secretary, Board of Trustees

**DANIEL HOPKINS,
INTERIM SECRETARY**

Date Approved by the Board of Trustees: June 14, 2024