

# Board of Trustees - Regular Meeting - January 19, 2024



Notice is hereby given that the Board of Trustees of the Illinois Police Officers' Pension Investment Fund will conduct a regular meeting on Friday, January 19, 2024, at 9:00 AM at the Marriott Pere Marquette Hotel, Marquette Salon B, 501 Main Street, Peoria, IL. 61602

This meeting will be live-streamed on the Zoom video-conferencing platform. By entering the meeting participants agree to be audio and video recorded.

Topic: Board of Trustees Meeting

Time: January 19, 2024, 9:00 AM - 4:00 PM Central Time (US and Canada)

Join Zoom Meeting via Video:

Video: [www.zoom.us](http://www.zoom.us)

Meeting ID: 875 6151 4075

Passcode: 014528

Join Zoom Meeting via Dial-In:

Dial In: 1 (312) 626-6799

Meeting ID: 875 6151 4075

Passcode: 014528

January 19, 2024 09:00 AM Central Time (US and Canada)

<b>Agenda Topic</b>	<b>Page</b>
1. Call to Order (9:00 AM)	
2. Roll Call	3
2.1 <a href="#">Roll Call: Discussion and Potential Action</a>	3
3. Minutes	5
3.1 <a href="#">Board of Trustees Meeting Minutes - December 15, 2023: Discussion and Potential Action</a>	5
4. Board of Trustees	22
4.1 <a href="#">Committee Assignments - 2024: Discussion and Potential Action</a>	22
5. Investments	24
5.1 <a href="#">Bank Loans Manager Interviews and Selection: Discussion and Potential Action</a>	24

5.2	<a href="#"><u>Investment Update: Discussion and Potential Action</u></a>	68
5.3	<a href="#"><u>Investment Policy Review: Discussion and Potential Action</u></a>	77
5.4	<a href="#"><u>Emerging Markets Debt Review: Discussion and Potential Action</u></a>	104
5.5	<a href="#"><u>Transition of Assets Planning: Discussion and Potential Action</u></a>	119
6.	Lunch Break (Approximately 12:30 PM)	
7.	Finance	120
7.1	<a href="#"><u>Agreed Upon Procedures of Article 3 Funds by Independent CPA Firms Interviews and Selections: Discussion and Potential Action</u></a>	120
7.2	<a href="#"><u>Monthly Financial Statement - November 2023: Discussion and Potential Action</u></a>	163
7.3	<a href="#"><u>Warrant # 2024-07: Discussion and Potential Action</u></a>	171
7.4	<a href="#"><u>Vendor Review: Discussion and Potential Action</u></a>	175
8.	Operations	182
8.1	<a href="#"><u>Job Description: Senior Accountant/Auditor: Discussion and Potential Action</u></a>	182
8.2	<a href="#"><u>Strategic Plan: Discussion and Potential Action</u></a>	189
8.3	<a href="#"><u>Operations Update Report: Discussion and Potential Action</u></a>	204
9.	General Legal Counsel	209
9.1	<a href="#"><u>Board of Trustees Meeting Closed Session Minutes: Discussion and Potential Action</u></a>	209
9.2	<a href="#"><u>Performance Review: Discussion and Potential Action</u></a>	210
10.	Fiduciary Legal Counsel	
11.	Closed Session (if necessary)	
12.	Public Comment	
13.	Adjournment	



IPOPIF

ILLINOIS POLICE OFFICERS' PENSION INVESTMENT FUND

MEMORANDUM

TO: IPOPIF BOARD OF TRUSTEES

FROM: RICHARD WHITE, EXECUTIVE DIRECTOR

RE: AGENDA ITEM: ROLL CALL

DATE: JANUARY 19, 2024

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**RECOMMENDATION:** Motion to allow Board of Trustees Cole and Inman to participate in the January 19, 2024, meeting of the Board of Trustees by audio, video, or internet conferencing.

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Section 209 of the IPOPIF By Laws provides that *“Upon a majority vote of Trustees present at a meeting, a Trustee who is not physically present may participate in a meeting by audio, video, or internet conferencing, provided the Trustee is prevented from physically attending due to: (1) personal illness or disability; (2) employment purposes or Fund business; or (3) a family or other emergency. A Trustee who wishes to attend by telephone, video or internet conferencing must notify the Board Secretary and the Executive Director at least 24 hours prior to the meeting, unless advance notice is impractical. A Trustee who is allowed to participate by telephone, video or internet conferencing shall not be considered present for purposes of a quorum but shall be considered in attendance for all other purposes and allowed to vote on matters brought before the Board.”*

Additionally, 5 ILCS 120/7 was amended to include “unexpected childcare obligations” as an acceptable exception to the physical attendance rule.

The logo for the Illinois Police Officers' Pension Investment Fund (IPOPIF) is a diamond shape with a light gray background and a dark gray border. The letters "IPOPIF" are written in a bold, dark blue, sans-serif font across the center of the diamond.

**IPOPIF**

## ILLINOIS POLICE OFFICERS' PENSION INVESTMENT FUND

In accordance with Board rules and the Open Meetings Act, the Board of Trustees will discuss and take necessary action to allow remote participation if members of the Board will not be physically present for the meeting, as indicated below:

- Trustee Michael Inman is attending the US Conference of Mayors annual meeting, in accordance with his responsibilities as Mayor, City of Macomb.
- Trustee Brad Cole will be attending a portion of the meeting in-person and will be participating remotely while attending another business meeting, in accordance with his responsibilities as IML Executive Director.

A quorum of six members of the Board is still required to be present in the Board meeting room to comply with the Open Meetings Act.





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

### **Board of Trustees Meeting Minutes**

**Friday, December 15, 2023, at 9:00 A.M.**

A regular meeting of the Board of Trustees 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:**

##### **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

##### **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
- Barb Meyer, Investment Officer
- Dean Hagan, Investment Officer

**Others Present:**

- Vince Mancini, General Legal Counsel, Reimer, Dobrovlny & Labardi PC
- Taylor Muzzy, Fiduciary Legal Counsel, Jacobs Bums Orlove & Hernandez, LLP
- Scott Whalen, Verus
- Tim McEnergy, Verus
- Samantha Grant, Verus (Zoom)
- Brian LeFevre, Sikich, LLP
- A.J. Weber, Lauterbach & Amen, LLP (Zoom)
- Kim Shepherd, Shepherd Communications (Zoom)
- Kim Moynihan, State Street Bank and Trust
- William Collins, State Street Bank and Trust
- 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 (9:00 AM)**

The meeting was called to order by Chairperson Suess at 9:00 A.M.

**Roll Call**

2.0- Roll Call:

A roll call was conducted. 8 Trustees were present, and 1 vacant. A quorum was established with the 6 required number of Trustees present.

Board of Trustees Present:

- Philip Suess, Chairperson
- Paul Swanlund, Vice Chairperson
- Lee Catavu, Secretary
- Mark Poulos, Treasurer
- Brad Cole
- Michael Inman

- Elizabeth Holleb
- Daniel Hopkins
- Scott Bowers (Joined at 9:07 AM)

All individuals present are reflected in the list of attendees.

## **Board of Trustees**

### 3.1- Special Trustee Election- Certification of Election Results: Discussion and Potential Action:

Executive Director White briefed the Board of Trustees about the recent election that took place to fill the vacant active member trustee seat. The Active Member Trustee Seat currently has a term of January 2021 through December 2024, and a vacancy was created with the resignation of the elected trustee effective on May 1, 2023. Election ballots and candidate statements were mailed via U.S.P.S. to eligible electors on October 3, 2023, and had to be received by the elector services vendor by October 31, 2023, to be tallied.

All Article 3 Participating Police Pension Funds were contacted and invited to participate in the election. They were asked to submit the names of their active fund members, of which one non-transferred fund and one litigant fund did. Fifty-seven (57) funds that had transferred assets did not respond to the multiple requests. The final count of active members totaled 10,905 that were submitted to participate in the election. This represents 86% of the eligible voters of the Article 3 funds.

The election results were that 2,019 valid ballots were counted. The election internal controls used by the election vendor were audited by Ryan, Hodgins & Associates, CPAs, and no issues were discovered. The final vote tally for the Special Trustee Election was: 1,488 ballots cast in favor of Scott W. Bowers which totals 73.7%, and 531 ballots cast in favor of Steve Witnik which totals 26.3%.

A motion was made by Trustee Poulos and seconded by Trustee Inman to declare the special election for the Board of Trustee Participant Seat #6 completed and certify the election of the following candidate for the Board of Trustees Scott W. Bowers.

Motion carried by roll call vote.

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

Nayes- None

Absent- None

Vacant- 1

3.2- Special Trustee Election- Seating of Newly Elected Board Member: Discussion and Potential Action:

General Legal Counsel Mancini administered the Oath of Office to Scott W. Bowers. In taking this oath, Trustee Bowers takes his seat among the Board of Trustees as Trustee #6.

Trustee Bowers joined the meeting at 9:07 AM.

3.3- Special Trustee Election: Appointment to Committees: Discussion and Potential Action:

Executive Director White briefed the Board of Trustees on the 2024 IPOPIF Board of Trustees Committee Assignments. These assignments cover the Audit & Budget Committee, Contract Committee, Election Committee, Governance Committee, Legislative Committee, and Litigation Committee. These assignments include Trustee Bowers on the Election Committee, Governance Committee, and Litigation Committee, as well.

Chairperson Suess requested that this item be postponed to the next meeting as the members of the Election Committee are up for reelection. He requested that the Committee lists be revised and if any member of the Board of Trustees has an interest in a particular Committee to speak to the Chairperson.

3.4- Board of Trustee Education: Discussion and Potential Action:

Executive Director White briefed the Board of Trustees on the proposed travel of Trustee Hopkins to a National Association of Police Organizations (NAPO) 2024 Pension and Benefits Seminar that will be held on January 28-30, 2024, at the Caesars Palace in Las Vegas, Nevada. This training and education would incur related expenses, and Trustee Hopkins is seeking approval to attend. This training is deemed to meet the Trustee educational and training requirements, per the policy, and complies with the policy rule that a seminar should contain an average of five (5) hours of substantive education content per day.

An estimated cost schedule was submitted to the Board of Trustees for their consideration. Trustee Hopkins estimates the cost of this training to be \$2,295. The adopted Fiscal Year 2024 includes funding for this expense.

Trustee Holleb stated that per the Education and Travel Policy, the NAPO Conference is pre-approved for Trustees to attend and there is no need for action on this item. Chairperson Suess concurred with Trustee Holleb and stated that this is in line with existing policy and no action needs to be taken for this seminar.

## **Finance**

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

Chief Financial Officer (CFO) Tuczak briefed the Board of Trustees on the completion of the Annual Comprehensive Financial Report (ACFR). The ACFR, which includes the financial statements as of and for the years ended June 30, 2023, and 2022, was prepared by Fund staff. A draft of the ACFR was provided to the Board in their agenda packet materials.

CFO Tuczak also explained that the Audit & Budget Committee reviewed the ACFR on December 14, 2023, and recommended that the report be approved by the Board of Trustees, as amended.

CFO Tuczak provided a summary of the key financial information within the report, including new financial disclosures pertaining to fiscal year 2023.

Sikich LLP (Sikich) was engaged to perform the audit of the Fund's financial statements as of and for the year ended June 30, 2023. Sikich prepared a document that communicates various related matters to those charged with governance. A final draft of those materials was provided to the Board in their agenda packet materials as well.

Brian LeFevre, Sikich LLP, presented to the Board a summary of the significant matters within the final draft of the ACFR for the years ended June 30, 2023, and 2022. Mr. LeFevre discussed the independent auditor's report, indicating that an unmodified opinion is given, which is the highest level of opinion that the Fund can receive.

Mr. LeFevre also discussed the Government Accounting Standards Board (GASB) as the standards used by Sikich for the financial statements and the auditing standards issued by the American Institute of Certified Public Accountants used by Sikich for the audit work. He provided an overview of the management discussion and analysis, the financial statements, notes to financial statements, required supplementary information, a detailed schedule of administrative expenses, the investment section, and all other accompanying information. Mr. LeFevre answered all questions.

CFO Tuczak was asked by Trustee Holleb to summarize the changes that were discussed at the Audit & Budget Committee meeting yesterday. CFO Tuczak explained all of the concerns/revisions/questions from the previous Audit & Budget Committee meeting.

Executive Director White, CFO Tuczak, and Mr. Lefevre answered all questions.

CFO Tuczak noted that the ACFR report will be finalized and submitted per the Statute after the approval by the Board of Trustees at this meeting. Trustee Cole requested that the ACFR be posted on the IPOPIF website and a link to the ACFR be distributed in the IPOPIF newsletter.

A motion was made by Trustee Inman and seconded by Trustee Hopkins to approve the Annual Comprehensive Financial Report as of and for the year ending June 30, 2023.

Trustee Inman offered compliments to the IPOPIF staff and to Sikich regarding the format and content of the report.

Trustee Suess noted that the Fund received an unmodified opinion which was appreciated.

Motion carried by roll call vote.

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

Nayes- None

Absent- None

4.2 and 4.3- Monthly Financial Statements- September and October 2023: Discussion and Potential Action:

Chief Financial Officer (CFO) Tuczak briefed the Board of Trustees on the September 2023 and October 2023 Monthly Financial Statements. Participant fund activity was cash positive for the month of September and cash negative for the month of October. Participant fund contributions exceeded withdrawals by approximately \$23M in September, and participant fund withdrawals exceeded contributions by approximately \$5M in October. Three hundred (300) cash transactions were completed in September, and Three hundred eleven (311) cash transactions were completed in October.

CFO Tuczak answered all questions.

A motion was made by Trustee Holleb and seconded by Trustee Poulos to approve the monthly financial statements for September 2023, and October 2023.

Motion carried by roll call vote.

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

Nayes- None

Absent- None

4.4 and 4.5- Warrant #2024-05 and Warrant #2024-06: Discussion and Potential Action:

CFO Tuczak briefed the Board of Trustees on Warrants #2024-05 and #2024-06 and answered all questions. Trustee Holleb requested that, rather than large reimbursements to staff, large expenses be paid directly to the vendor or with an IPOPIF credit card. Executive Director White said that IPOPIF staff is looking into it.

A motion was made by Trustee Hopkins and seconded by Trustee Poulos to ratify Warrants #2024-05 and #2024-06.

Motion carried by roll call vote.

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

Nayes- None

Absent- None

## Minutes

### 5.1- Board of Trustee Minutes- October 13, 2023: Discussion and Potential Action:

Executive Director White presented to the Board of Trustees the minutes of the regular Board of Trustees meeting held on October 13, 2023.

Trustee Cole requested that policies that we have recently approved at the most recent meetings be presented to the Board of Trustees in a final draft physical form at the next meeting.

A motion was made by Trustee Holleb and seconded by Trustee Inman to approve the minutes of the open session portion of the September 15, 2023, Board of Trustees Meeting

Motion carried by roll call vote.

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

Nayes- None

Absent- None

### 5.2 Audit and Budget Committee Minutes – September 14, 2023:

A motion was made by Trustee Inman and seconded by Trustee Hopkins to accept the Audit & Budget Committee Minutes from September 14, 2023, as presented.

Motion carried by roll call vote.

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

Nayes- None

Absent- None

## Investments

### 8.2- Investment Update: Discussion and Potential Action:

CIO Custer provided an investment update to the Board of Trustees. He relayed that growth is up on Rhumblin US large, Rhumblin US small, SSGA Non-US Developed, and SSGA Non-US Developed small cap. All of the passive investments are performing in line with the respective benchmarks, as expected. The Principal US Property Account has fallen slightly behind the benchmark for all trailing periods. IPOPIF Staff believes this is primarily related to a conservative valuation approach. CIO Custer briefed the performance summary of the IPOPIF pool/ policy benchmark/broad benchmark from 2022, Fiscal Year 2023, the third



quarter of 2022, and April 2022 through September of 2023 respectively and comparatively. Trustee Cole requested that the assumed rate of return (6.8%) be listed in a more clear and identifiable position on the report, versus where it currently is. CIO Custer covered the key initiatives, specifically the emerging market debt manager search, private market planning, and emerging market equity search.

CIO Custer introduced Dean Hagan, CFA, who joined IPOPIF as an Investment Officer in late October. Dean will be responsible for private equity as well as general investment support.

Verus has researched and provided perspective on key issues related to the evaluation of the Asset Allocation: higher interest rates, public/private equity valuation, growth vs value, small vs large cap, and emerging market equity China concentration.

Regarding the Bank Loan Manager Search, staff and Verus have completed interviews with semifinalists. IPOPIF staff is on track for 1/19/24 Board interviews and selection. Staff anticipates that there will be four managers invited to interviews for two mandates: core and opportunistic, including best-qualified emerging/MWDBE and veteran-owned firms.

CIO Custer is planning to communicate with Article 3 funds regarding nontransferable assets. He noted that excess cash and proceeds from maturing CDs can be transferred to IPOPIF for investment. He also noted that Verus has developed a framework for evaluating annuity contracts.

CIO Custer answered all questions.

### 8.3- Verus Quarterly Report: Discussion and Potential Action:

Investment Consultant Scott Whalen (Verus) presented to the Board of Trustees a quarterly report for the period ending September 30, 2023.

The Plan's total assets fell slightly from \$9.4 billion to \$9.2 billion over the quarter, as investment losses in a challenging market environment exceeded positive cash flow and investment income. The IPOPIF Portfolio ranked in the top quartile (12th percentile) for the quarter compared to a representative universe of public pension funds with assets greater than \$1B. Similar to the strong relative-to-peer performance in previous quarters, the favorable ranking in the most-recent quarter was driven by the Plan's relatively higher allocation to public markets equity and the absence of alternatives, particularly private

equity, compared to peers. The investment team actively monitors current asset allocations versus policy targets and conducts rebalancing trades as appropriate. As of September 30, 2023, nearly all asset classes were within the policy target ranges with a few minor exceptions, resulting from the fund's ongoing transition to the approved strategic asset allocation. Investment Consultant Whalen reviewed with the Board of Trustees the portfolio characteristics related to the actual versus the policy versus the broad based for total plan risk, equity beta, effective duration, credit spread ratio, estimated portfolio income yield, and estimated portfolio income.

Investment Consultant Whalen and CIO Custer answered all questions.

#### 8.4- Transition Assets Planning:

CIO Custer reviewed the background of the transition of assets process with the Board of Trustees and noted that the IPOPIF transition period ended on December 31, 2022. On February 10, 2023, the IPOPIF Board took action to create a process to transfer those assets from Participating Police Pension Funds that did not transfer during the initial Transition Period. The Transition Manager Agreement was extended through December 31, 2023, at no additional cost. Four funds transferred assets valued at \$35 million on 5/1/2023 and one fund transferred assets valued at \$13 million on 8/1/2023. No additional funds have expressed an interest in transferring assets to IPOPIF at this time.

There are fifteen (15) outstanding litigant funds with their estimated total value of assets at \$1.2 billion pending a legal challenge to the consolidation statute and nine (9) other funds that did not transfer assets and are valued at approximately \$63M.

CIO Custer noted that the transition of assets will be a complex issue even though the transition of assets was done before. He recommended that the transition be done as a single tranche at a date to be determined. IPOPIF staff recommends providing transition services for future transfers to alleviate the market risk associated with liquidation and reinvestment and is in the process of negotiating an agreement to extend the Transition Manager Agreement beyond December 31, 2023. There may be additional Transition Manager fees for future transitions. Additionally, review and revisions to various policies may be necessary, as well.

The Board discussed the importance of planning and the ramifications of establishing a transfer date and communicating this to the late-transferring funds.

CIO Custer answered all questions.

Chairperson Suess called a 10-minute recess before continuing to the International Small Cap Manager Interviews.

The Board of Trustees took a recess at 10:30 AM and reconvened at 10:48 AM.

6.1- International Small Cap Manager Interviews and Selection: Discussion and Potential Action:

CIO Custer, Scott Whalen, Verus, briefed the Board of Trustees on the seven (7) presenting firms that are being considered for the IPOPIF growth, core, and value elements of the IPOPIF International Small Cap portfolio. The funding would come from the complete liquidation of the MSCI World Ex USA Small Cap Index Strategy that is currently managed by SSGA. With the recommended structure of the Small Cap portfolio, there would be one core investment manager firm and two satellite investment manager firms. The recommended products are all commingled funds. IPOPIF Fiduciary Counsel has successfully negotiated revisions to the IPOPIF template Side Letter Provisions for Commingled Products requested by each of the recommended managers. The IPOPIF Fiduciary Counsel viewed the negotiated revisions as reasonable and consistent with the template and RFP's Minimum Qualifications.

Semifinalist candidate interviews were conducted by staff and Verus from October 4, 2023, to October 6, 2023. The members of the interview team were Barb Meyer, Steve Yoon, and Colleen Flannery from Verus Research. Each interview was allotted 75 minutes using a prepared agenda during the interview process.

In response to a question from Chair Suess, CIO Custer discussed key items that the Board of Trustees should be looking out for regarding each candidate such as organizational strength, a clear investment process, and performance attributes. Each of the 7 firms presenting to the Board of Trustees is being allotted 20 minutes for presentations and questions.

At 10:56 A.M. Scott Brymer, CFA, and Andrew Miller of Acadian presented to the Board of Trustees and answered all questions.

At 11:18 A.M. Jonathan White, CFA, Isabelle Perrault, David DiSilva, and Farzin Khan of Wellington Management presented to the Board of Trustees and answered all questions.

At 11:38 A.M. Paul Black, Matt MacArthur, and Greg Ise of WCM Investment Management presented to the Board of Trustees and answered all questions.

At 12:03 P.M. Daniel Burr and Lee Diamandakis of Driehaus Capital Management presented to the Board of Trustees and answered all questions.

At 12:24 P.M. A. Rama Krishna, CFA, and Justin Moulder of ARGA Investment Management, LP presented to the Board of Trustees and answered all questions.

### **Lunch Break**

Chairperson Suess called a recess at 12:46 P.M. of the Board of Trustees meeting, and reconvened general open session of the Board of Trustees at 1:22 P.M.

### **Investments- Continued**

#### 6.1- International Small Cap Manager Interviews and Selection: Discussion and Potential Action (Continued):

At 1:25 P.M. Josef Lakonishok and Michael Wagner of LSV Asset Management presented to the Board of Trustees and answered all questions.

At 1:47 P.M. Machel Allen and Patricia Hunter of Metis Global Partners presented to the Board of Trustees and answered all questions.

CIO Custer briefed the Board of Trustees with a recommendation for three investment manager firms: Acadian as the core manager with an allocation of 2.50% of the total IPOPIF investment portfolio (50% of the International small cap target allocation), ARGAs as a value focused satellite manager with an allocation of 1.25% of the total IPOPIF investment portfolio (25% of the International small cap target allocation), and Driehaus as a growth focused satellite manager with an allocation of 1.25% of the total IPOPIF investment portfolio (25% of the International small cap target allocation). CIO Custer answered all questions.

A motion was made by Trustee Hopkins and seconded by Trustee Swanlund to approve the Acadian All Country World ex-US Small Cap strategy with an allocation of 2.50% of the total IPOPIF investment portfolio (50% of the international small cap target allocation) and approve an exception to the ten percent (10%) strategy concentration limit (IPS section V.C.3) for Acadian.

Motion carried by roll call vote.

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

Nayes- None

Absent- None

The Board discussed concerns regarding IPOPIF concentration in the ARGA fund as well as regional concentration in Japan.

The Board discussed LSV as an alternative to ARGA for the value role. Mr. Custer noted that on a comparative basis, ARGA performance and correlation was viewed more favorably than LSV. While reiterating the staff recommendation for ARGA, Mr. Custer said he would support the selection of LSV as an alternative, given the Board's concerns regarding the concentration issue. Scott Whalen of Verus concurred. In response to a question from Trustee Holleb, Mr. Custer acknowledged that LSV's fees were higher, but this was not an overriding concern.

A motion was made by Trustee Hopkins and seconded by Trustee Catavu to approve the LSV International Small Cap Value Equity strategy with an allocation of 1.25% of the total IPOPIF investment portfolio (25% of the international small cap target allocation).

Motion carried by roll call vote.

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

Nayes- Trustee Cole

Absent- None

A motion was made by Trustee Holleb and seconded by Trustee Inman to approve the Driehaus International Small Cap Growth strategy with an allocation of 1.25% of the total IPOPIF investment portfolio (25% of the international small cap target allocation).

Motion failed by roll call vote.

Ayes- Trustees Suess, Inman, Holleb, Cole

Nayes- Trustees Swanlund, Catavu, Poulos, Bowers, Hopkins

Absent- None

Trustee Catavu asked staff about the investment firm WCM structure, process, and performance including comments in the staff memo referencing performance variability and drawdown. Mr. Custer noted that WCM was a very strong manager, which was highly rated by Verus. He discussed the performance volatility and significant drawdown in 2022. Mr. Custer reiterated the staff recommendation for Driehaus, but indicated he would support the selection of WCM if the Board was comfortable with the performance volatility and rebalancing contributions during periods of relative underperformance.

A motion was made by Trustee Catavu and seconded by Trustee Hopkins to approve the WCM International Small Cap Growth strategy with an allocation of 1.25% of the total IPOPIF investment portfolio (25% of the international small cap target allocation).

Motion carried by roll call vote.

Ayes- Trustees Suess, Swanlund, Catavu, Poulos, Bowers, Hopkins

Nayes- Trustees Inman, Holleb, Cole

Absent- None

#### 8.1-Investments Custodian Review: Discussion and Potential Action:

CIO Custer briefed the Board of Trustees on this being part of the periodic review of investment service providers. Kim Moynihan, New Business Architect, US Asset Owner Sales, and Bill Collins, Relationship Manager, US Asset Owner Division, State Street Bank and Trust (SSBT) provided a presentation for the Board of Trustees.

SSBT played an integral role in the transfer and transition of investment assets from 333 Article 3 participating police pension funds during 2022, extending into 2023. SSBT performed well overall with respect to asset transfer, transition, and reconciliation. This was an extremely large and complex process. There was extensive communication required between all parties and a large amount of work required to plan, prepare, and execute the transition in a real-time environment.

Article 3 fund reporting has been consistently solid. This enhances transparency and equitable treatment of all participating funds. Accounting reporting has been complicated by the large number of transition transactions. This added a significant amount of time for report development, review, and reconciliation.

There have been accounting and processing errors, all of which have been corrected, and State Street acknowledged its accountability to IPOPIF. State Street Bank and Trust representatives answered all questions.

## **Governmental Liaison**

### 9.1- Governmental Liaison Report:

The Board of Trustees did not discuss the Governmental Liaison Report. A written monthly report from Government Liaison Bukola Bello was received and was provided to the Board of Trustees in the agenda packet materials.

## **Operations**

### 10.1- Strategic Plan: Discussion and Potential Action:

Chairperson Suess requested that this item be postponed to the January 19, 2024, meeting.

### 10.2- Retainer Agreement- Jacobs, Burns, Orlove & Hernandez, LLP: Discussion and Potential Action:

Executive Director White briefed the Board of Trustees on the newly updated Attorney Retainer Agreement that was sent regarding an increase in the hourly rate. The rate has increased from \$295/ per hour to \$305/ per hour. There is no other substantive change to the retainer agreement at this time.

Trustee Hopkins stated that he will request that an RFP to be generated in January of 2024 to obtain new Fiduciary counsel. This is the third year in a row that JBOSH has increased rates with IPOPIF.

Executive Director White answered all questions.

A motion was made by Trustee Cole and seconded by Trustee Inman to approve the Attorney Retainer Agreement with Jacobs, Burns, Orlove & Hernandez, LLP (JBOH) and authorize the Executive Director to execute the agreement.

Motion carried by roll call vote.

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

Nayes- None

Absent- None

10.3- Operations Update Report: Discussion and Potential Action:

Executive Director White provided the Board of Trustees with an Operations Update. This included the newly posted Actuarial Valuations Reports that were posted to the IPOPIF website. One hundred seventy-five (175) were completed and posted in November and thirty (30) were completed and posted in early December. All Authorized Agents were notified of the posted reports.

Monthly reports for the Article 3 Funds have been posted for November on the IPOPIF website.

The next Board of Trustees meeting is scheduled for January 19, 2024, and will take place at the Marriott Pere Marquette. The next Committee Meetings are scheduled for February 9, 2024, and will be held in the Twin Towers conference room. The next scheduled Regional Stakeholder Meeting is scheduled to be held in Naperville on February 21, 2024.

**General Legal Counsel**

11.0 General Legal Counsel:

General Legal Counsel Mancini noted that he did not have a report for the Board of Trustees.



## **Fiduciary Legal Counsel**

### 10.0- Fiduciary Legal Counsel:

Fiduciary Counsel Muzzy noted that the Supreme Court heard oral arguments on the litigation on November 21, 2023, with a decision anticipated in the near future.

## **Public Comment**

### 12.0 Public Comment:

An opportunity for public comment was provided at 3:33 P.M. No comments were heard, and no discussion was provided.

## **Adjournment**

### 13.0- Adjournment:

A motion was made by Trustee Inman and seconded by Trustee Hopkins to adjourn the Board of Trustees Meeting.

Motion carried by roll call vote.

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

Nays- None

Absent- None

The Board of Trustees meeting adjourned at 3:35 P.M.

Respectfully submitted by:

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Kate Cobb, Administrative Analyst

Approved by:

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Phil Suess, Chairperson, Board of Trustees

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Lee Catavu, Secretary, Board of Trustees

Date Approved by the Board of Trustees: January 19, 2024

ILLINOIS POLICE OFFICERS' PENSION INVESTMENT FUND

IPOPIF

**IPOPIF BOARD OF TRUSTEES  
COMMITTEE ASSIGNMENTS**

**Effective: January 19, 2024**

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**Recommended action: Approve IPOPIF Committee assignments through January 2025.**

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**AUDIT AND BUDGET COMMITTEE**

Members: Trustees Holleb, Hopkins, Suess, and Swanlund

Chairperson: Trustee Swanlund

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**CONTRACT COMMITTEE**

Members: Trustees Bowers, Holleb, Inman and Poulos

Chairperson: Trustee Holleb

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**ELECTION COMMITTEE**

Members: Trustees Catavu, Cole, Hopkins, and Suess,

Chairperson: Trustee Hopkins

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**GOVERNANCE COMMITTEE**

Members: Trustees Bowers, Inman, Poulos, and Suess

Chairperson: Trustee Suess

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**LEGISLATIVE COMMITTEE**

Members: Trustees Catavu, Cole, Holleb, and Swanlund

Chairperson: Trustee Catavu

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**LITIGATION COMMITTEE**

Members: Trustees Cole, Bowers, Holleb, Hopkins, Inman, Poulos, Suess, Swanlund

Chairperson: Trustee Suess

IPOPIF

## ILLINOIS POLICE OFFICERS' PENSION INVESTMENT FUND

## Committee Membership

	Audit & Budget	Contract	Election	Governance	Legislative
<b>TRUSTEES</b>					
Bowers		Bowers		Bowers	
Catavu			Catavu		Catavu
Cole			Cole		Cole
Holleb	Holleb	Holleb			Holleb
Hopkins	Hopkins		Hopkins		
Inman		Inman		Inman	
Poulos		Poulos		Poulos	
Suess	Suess		Suess	Suess	
Swanlund	Swanlund				Swanlund
Trustee: Active or Beneficiary	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>
Trustee: Municipal	<b>2</b>	<b>2</b>	<b>1</b>	<b>2</b>	<b>1</b>
Trustee: Appointed			<b>1</b>		<b>1</b>

*“Each Committee shall have three (3) or more Trustees. Each committee shall have at least one (1) member appointed from the active or beneficiary Trustees, one (1) Trustee appointed from the municipal Trustees, and one (1) Trustee appointed by the Chairperson.”*

## **Bank Loan Investment Manager Interviews and Selection January 19, 2024**

Following a robust search process, IPOPIF investment staff and consultant are recommending two bank loan managers for selection by the IPOPIF Board of Trustees. The Board will interview four managers.

## ILLINOIS POLICE OFFICERS' PENSION INVESTMENT FUND

IPOPIF

**MEMORANDUM**

DATE: January 2, 2024  
 TO: DRAFT  
 FROM: IPOPIF Investment Staff  
 SUBJECT: Bank Loan Manager Search Recommendation

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**Recommendation**

IPOIF Staff and IPOPIF investment consultant, Verus, (together "Team") recommend that the Board of Trustees approve the following investment managers and structure for the bank loan portfolio. The Team recommends an allocation of 2.0% of the total portfolio to the Aristotle Bank Loan Fund. In addition, the Team recommends an allocation of 1.0% of the total portfolio to the Ares Institutional Loan Fund. Funding for new bank loan strategies would come from the current allocation to high-yield debt which has a current allocation of 10% and a long-term allocation of 3%.

**Summary**

The Team has been conducting a search for bank loan manager(s) following Board approval in September 2023. Out of 128 strategies in the eVestment bank loan universe, the Team identified twelve (12) highest caliber candidates to be invited to submit a proposal. There were twenty-six (26) proposals received; eleven (11) from the twelve (12) managers invited and fifteen (15) unsolicited proposals. Based upon thorough review of the proposals, seven (7) managers were invited to the Semifinalist interviews with staff and Verus. The Team is proposing their highest conviction manager(s), Aristotle, and Ares, in a core-satellite structure.

**Search Process*****Schedule***

<b>Deadline</b>	<b>Milestone</b>
9/18/23	RFP posted
9/29/23	Investment firms update data through 6/30/2023 in eVestment
10/6/23	Screening Phase 1 – Request additional information not available in eVestment from high caliber candidates
10/13/23	Deadline for high caliber candidates to provide additional information not available in eVestment (by 5 pm central)
10/20/23	Screening Phase 2 – Highest caliber candidates are invited to submit proposals
10/25/23	Deadline for written questions (by 5 pm central)
10/31/23	Final response to questions posted on IPOPIF website
11/10/23	Proposal Due by 5 pm central
11/28-30/23	Semifinalist interviews with Verus and IPOPIF staff
1/19/24	Board review, finalist interviews, and approval

### ***Publicity***

IPOPIF issued a press release on September 18<sup>th</sup> announcing the search, which was picked up by multiple industry news outlets. Further, staff has communicated with the Association of Asian American Investment Managers (AAAIM), the New America Alliance (NAA), and the National Association of Securities Professionals (NASP) to promote participation by MWDBE-owned firms.

### ***Questions and Answers (Q&A)***

Staff promptly answered questions as received and posted this information to the RFP section of the IPOPIF website. <https://www.ipopif.org/rfp/>

### ***eVestment Database***

In accordance with the RFP, Staff downloaded the Bank Loans universe data as of June 30, 2023, at 5 PM CT on September 29, 2023. The RFP detailed the eVestment database screening criteria that was used to create the evaluation universe:

- Asset Class: Fixed Income
- Investment Focus: Leveraged / Bank Loans
- Geographic Focus: United States

The bank loans universe consisted of 97 managers with 128 strategies, which is consistent with the pre-RFP evaluation of the bank loans universe. One manager/strategy (Sycamore Tree) was identified as an Emerging Investment Manager as defined in Section 1-109.1(4) of the Illinois Pension Code; a qualified Investment Adviser that manages an investment portfolio of at least \$10,000,000 but less than \$10,000,000,000 and is a MWDBE.

### ***Phase I Evaluation and High Caliber Candidates***

The following parameters were considered as part of the screening process in Phase I:

- Initial eVestment data screening
  - Data provided, strategy assets under management (AUM) - narrowed the list down to 51 managers with 62 strategies.
  - Preferred Strategy AUM threshold set at \$1 billion to include large (72%) set of candidates.
    - The average strategy AUM was \$7.9 billion and median AUM was \$1.5 billion.
    - Larger strategies have the advantage of scale when pursuing new issuance, while smaller strategies are nimbler and can take advantage of middle market deals that are too small for the larger players and where inefficiencies may provide investor advantage. Strategies that are too small may be relegated to only playing in the secondary market and may also suffer from liquidity constraints when trying to sell positions, particularly in challenging market environments.
    - A minimum strategy AUM preference of \$1 billion was selected as a reasonable threshold below which the competing factors of scale, flexibility, and liquidity are more difficult to balance.

- Second eVestment data screening
  - Staff and consultant conducted qualitative/quantitative evaluation to eliminate lower conviction strategies, which resulted in 44 managers with 50 strategies.
    - Reviewed Sharpe Ratio (return vs. volatility), Downside Capture, Maximum Drawdown, Standard Deviation, along with 5-year excess return above bottom quartile (capturing top 75%) of the universe
    - Eliminated consistent bottom performers over 3, 5, and 10 years, duplicate strategies, limited track record, niche, or narrow mandate focus, etc.

***Phase II Evaluation and Identification of Highest Caliber Candidates***

Following the Phase I assessment, the high caliber candidates were requested to submit RFP *Exhibit 6 – Additional Information Not Available in eVestment* for further evaluation by Friday, October 6, 2023.

Exhibit 6 requested information necessary to further develop our understanding of the strategies such as credit quality distribution, facility (loan) size distribution, and other data and financial metrics important to bank loans strategies. The deadline for high caliber candidates to provide additional information not available in eVestment was due by 5 pm CT on October 13, 2023.

The Team conducted multiple quantitative and qualitative reviews to discuss the Exhibit 6 information and consider the relative merits of the candidates.

- Vehicle availability – managers with only separately managed account (SMA) were not preferred.
- Managers that are not credit/bank loan focused were not preferred.
- Large and overdiversified managers were not preferred.
- Absolute and relative performance statistics.
- Portfolio characteristics, such as risk statistics, default, and recovery rates.
- Investment philosophy, process, and portfolio construction.
- Firm, product size, and track record.
- Organizational stability.

<continued on the next page>

This was a rigorous process that ultimately resulted in a consensus list of the 12 highest caliber candidates that were invited to submit a proposal. The list included the highest conviction names for both staff and Verus.

<b>Firm Name</b>	<b>Product Name</b>	<b>Role</b>
Ares Management LLC	Ares Institutional Loan Fund	Opportunistic
Aristotle Pacific Capital, LLC	PAM Bank Loan Fund LP	Core
Audax Management Company (NY), LLC	Audax Senior Loan Strategy	Opportunistic
Brigade Capital Management, LP	Brigade Bank Loan Strategy	Opportunistic
Kohlberg Kravis Roberts & Co.	Bank Loans	Core
Nuveen, a TIAA Company	Senior Loan - Commingled Fund	Core
Oaktree Capital Management, LP	Oaktree U.S. Senior Loans	Core
Octagon Credit Investors, LLC	Octagon Senior Secured Credit Fund	Core
PGIM Fixed Income	PGIM Fixed Income US Senior Secured Loans Unconstrained	Opportunistic
PineBridge Investments	PineBridge US Senior Secured Loans Strategy	Core
Shenkman Capital Management, Inc.	Shenkman Capital Bank Loan Strategy	Core
Sycamore Tree Capital Partners	Sycamore Tree Floating Rate Loan Strategy	Core

### ***Proposals Received***

- Of the twelve (12) firms invited, eleven (11) firms participated, while one (1) firm declined citing challenges meeting IPOPIF's provisions within Exhibit 3 "Certifications, Representations, and Acknowledgements" of the RFP documents.
- In accordance with the RFP, which permits managers that meet minimum qualifications to submit a proposal, an additional 15 unsolicited proposals were received.
  - Upon reevaluation of Phase I and Phase II for the 15 unsolicited proposals, four additional proposals were added to the comprehensive review of the proposals.
- One (1) Emerging<sup>1</sup> manager and one (1) Veteran-owned<sup>2</sup> manager submitted proposals.
- There were no other Emerging/MWDBE<sup>3</sup> firms in the bank loan universe.
- Appendix 1 lists all the proposals received.

<sup>1</sup> "Emerging Investment Adviser" or "Emerging Investment Manager," as defined in Section 1-109.1(4) of the Illinois Pension Code, means a qualified Investment Adviser that manages an investment portfolio of at least \$10,000,000 but less than \$10,000,000,000 and is a MWDBE.

<sup>2</sup> "Qualified veteran-owned small business" or "VOSB", as defined in 30 ILCS 500/45-57, means a small business (i) that is at least 51% owned by one or more qualified veterans living in Illinois or, in the case of a corporation, at least 51% of the stock of which is owned by one or more qualified veterans living in Illinois; (ii) that has its home office in Illinois; and (iii) for which items (i) and (ii) are factually verified annually by the Commission on Equity and Inclusion.

<sup>3</sup> "MWDBE" means a Minority-Owned Business, Women-Owned Business, or Business Owned by Person with a Disability, as those terms are defined in the Business Enterprise for Minorities, Women, and Persons with Disabilities Act, 30 ILCS 575/2, as amended.



**Proposal Evaluation**

Fifteen (15) out of the twenty-six (26) proposals received on November 10, 2023, were thoroughly reviewed, and scored based on the following seven (7) major categories outlined in the RFP questionnaire:

Organization	Professional Staff	Investment Process	Trading
Performance	Compliance	Cybersecurity	

Following the completion of independent scoring of each proposal, the Team met on November 16, 2023, to discuss our findings. In addition to the proposal scores, the structure of IPOPIF's bank loan portfolio was taken into consideration.

Based on the evaluation process, the Team identified the seven (7) highest caliber firms to proceed to semifinalist round for interviews.

Appendix 2 lists managers eliminated and rationale.

IPOPIF contacted all solicited managers who submitted proposals to notify them of the outcome of the evaluation process.

**Semifinalist Candidates**

The following managers were invited to Semifinalist interviews:

Firm Name	Product Name	Role
Ares Management LLC	Ares Institutional Loan Fund	Opportunistic
Aristotle Pacific Capital, LLC	PAM Bank Loan Fund LP	Core
Nuveen, a TIAA Company	Senior Loan - Commingled Fund	Core
Oaktree Capital Management, LP	Oaktree U.S. Senior Loans	Core
Onex Corporation	Onex Senior Credit Strategy	Opportunistic
Shenkman Capital Management, Inc.*	Shenkman Capital Bank Loan Strategy	Core
Sycamore Tree Capital Partners**	Sycamore Tree Floating Rate Loan Strategy	Core

\*Veteran-owned

\*\*Emerging manager

**Semifinalist Interview Process**

Interviews of Semifinal candidates were conducted between November 28 – November 30, 2023. The interview team consisted of Steve Yoon and Dean Hagan from IPOPIF and Samantha Grant and Philip Schmidt from Verus. The interview process was interactive and conversational through the allotted 75 minutes schedule.

The semifinalist interview agenda:

<b>Agenda</b>	<b>Time</b>
- Introductions	5 minutes
- Organizational review	10 minutes
▪ Organizational structure	
▪ Investment Team	
- Key differentiators	30 minutes
▪ Philosophy	
▪ Process	
▪ Portfolio construction	▪ Workout procedure
▪ Deal sourcing	▪ Risk management
▪ Other	
- Performance and positioning	15 minutes
- Q&A	15 minutes

### ***Evaluation Summary***

- The interview process was effective in supplementing team knowledge and building conviction in our recommendation.
- Appendix 3 provides evaluation comments for all the Semifinalist candidates.
- Appendix 4.a. summarizes the Semifinalist candidates, including product AUM, investment style, and fees.
- Aristotle Pacific Capital, LLC (Aristotle) was the consensus top selection of the Team.
- Ares Management LLC (Ares) was the top complementary selection of the Team for Aristotle and emerged as a strong second stand-alone option for IPOPIF.
- Each of the Semifinalist candidates, Nuveen, Oaktree, Onex, Shenkman, and Sycamore Tree, interviewed well and presented differentiating attributes. However, these firms were not viewed as strongly as Aristotle and Ares and are not recommended for allocation.
- Shenkman Capital Management will be invited to present to the Board as a finalist as the most qualified veteran-owned small business manager as outlined in Section D.8.(c) of IPOPIF Procurement of Investment Service Policy (PP-2021-07). However, the Team is not recommending Shenkman Capital Management for selection.
- Sycamore Tree Capital Partners will be invited to present to the Board as a finalist as the most qualified Emerging manager, as required by the Pension Code. However, the Team is not recommending Sycamore Tree Capital Partners for selection.

### **Portfolio Structure**

- The asset class is not available in passive management.
- The 3% allocation to bank loans equates to \$300 million at a total fund size of \$10 billion.
- Staff recommends the selection of two investment managers with complementary approaches that provide diversification within the asset class.
- Due to investment complexities such as bankruptcy workout process, liquidity, and trade settlement, commingled funds are the preferred vehicle type for bank loans.

Bank Loan Recommendation			Target Weight	
Firm	Product	Role	Total	Bank Loan
Aristotle	PAM Bank Loan Fund	Core	2.0%	66.7%
Ares	Ares Institutional Loan Fund	Opportunistic	1.0%	33.3%

### **Fees**

The proposed management fees ranged from 30 to 45 basis points (bps) with an average of 36 bps for the commingled fund vehicle based on the proposed fee schedules from the semifinalists.

Semifinalists proposed fee schedule as follows:

Original Proposed Bank Loan Management Fee							
Firm	Ares	Aristotle	Nuveen	Oaktree	Onex	Shenkman	Sycamore
Fee (bps)	35	30	33	45	34	40	35

IPOPIF requested best-and-final fees proposals from managers that are recommended to the Board. The recommended managers proposed best-and-final fees are among the most competitive from the semifinalists:

Final Bank Loan Management Fee			Initial Account Value*	Annual Fee	
Firm	Product	Role		rate (bps)	\$**
Aristotle	PAM Bank Loan Fund LP	Core	\$200M	30.0	\$600K
Ares	Ares Institutional Loan Fund	Opportunistic	\$100M	25.0	\$250K
Total				28.3	\$850K

\*Estimated initial account value in \$ millions based on recommended % allocation and \$10 billion total fund value.

\*\*Annual fee in \$ thousands based on estimated initial account value.

### **Conclusion**

Based on the evaluation of the bank loan universe and subsequent semifinalists evaluation process, the Team has the highest conviction in Aristotle and Ares as its recommended managers for the IPOPIF bank loan portfolio. Aristotle and Ares both exhibited consistent strong performance and investment process. The two strategies displayed similar performance history, however, their method of achieving success differs significantly providing the potential for performance diversification.

Differentiation:

- Aristotle runs concentrated portfolios, typically 80-150 issuers, while Ares tends to run more diversified portfolios of 200-225 issuers.
- Overlap by issuer was very low at ~20% between Aristotle Bank Loan Fund and Ares Institutional Loan Fund.
- Aristotle focuses on larger and more liquid issuers, generally greater than \$1 billion in facility size, while Ares tends to overweight exposure to the \$500mm-\$1bn size tranches as exhibited in Appendix 4.c.

- Aristotle focuses on more liquid and higher quality with a skew towards BB credit rating on average, whereas Ares is broadly diversified across the credit spectrum as exhibited in Appendix 4.c.
- Aristotle runs a narrower focused platform that invests in Bank Loans, High Yield, Investment Grade bonds and Structured Products. Ares operates a larger, more diversified business which includes Private Equity, Private Credit and Broader Credit platform. These unique business focuses will provide differentiated information flow which leads to different opportunities for the portfolio.
- Both managers individually have done well during the default cycle, where Aristotle provided the highest Alpha and strong information ratio during 2013-2016 default cycle and Ares providing highest return and information ratio relative to peers during 2018-2021 default cycle as demonstrated in Appendix 4.b. Addition performance details are provided in Verus Search Book.

Based on the conversations with managers in the Bank Loan universe, the focus of bank loan strategy should be downside protection and “win by not losing”. Both managers have exhibited complementary investment styles focusing on identifying great businesses to invest in through their strong credit underwriting process, information flow, and relationship, along with focus risk management.

Lastly, proforma modeling of the proposed bank loan portfolio has consistently ranked in the top quartile relative to its peer universe and outperforming the CSLI benchmark in the 1-, 3-, 5-, and 7-year trailing periods. Additionally, it has outperformed the CSLI benchmark with lower volatility measured in standard deviation as exhibited in Appendix 4.d. Past performance is not indicative of future results.

***List of Appendices***

Appendix 1 – Proposals Received

Appendix 2 – High Caliber Managers Eliminated Following Proposal Evaluation

Appendix 3 – Bank Loan Semifinalist Candidates Summary

Appendix 4 – Investment Metrics

- a. Summary Table of Semifinalists
- b. Investment Metrics during default cycle (12/2013-12/2016 & 12/2018-12/2021)
- c. Credit Quality Distribution & Loan Size Distribution
- d. Proforma Historical view of the proposed implementation of  $\frac{2}{3}$  Aristotle and  $\frac{1}{3}$  Ares.

***Additional Attachments***

- Verus Search Book and Memo
- Finals Presentation Books

**Appendix 1 - Proposals Received**

<b>Firm Name</b>	<b>Product Name</b>	<b>Style</b>
Anchorage Capital Group, L.L.C.	Anchorage Representative U.S. Bank Loan Strategy	Opportunistic
Ares Management LLC	Ares ILF	Opportunistic
Aristotle Pacific Capital, LLC	PAM Bank Loan Fund	Core
ArrowMark Partners	ArrowMark Leveraged Loan Strategy	Core
Audax Management Company (NY), LLC	Audax Senior Loan Strategy	Opportunistic
Bain Capital Credit, LP	Bain Capital Liquid Senior Loan Strategy	Opportunistic
Beach Point Capital Management LP	Beach Point High Yield (Loans & Bonds)	Opportunistic
Brigade Capital Management, LP	Brigade Bank Loan Strategy	Opportunistic
CFIP		Core
CQS (UK) LLP	CQS US Loans Strategy	Opportunistic
Credit Suisse Asset Management	CIG – Senior Secured Floating Rate Bank Loan Strategy	Core
First Eagle Alternative Credit, LLC	Bank Loan Select Composite	Core
Kohlberg Kravis Robert & Co	Bank Loans	Core
Morgan Stanley Investment Management	Floating-Rate Loan (formerly Eaton Vance)	Core
Nuveen, a TIAA Company	Senior Loan – Commingled Fund	Core
Onex Corporation	Onex Senior Credit Strategy	Opportunistic
PGIM Fixed Income	PGIM Fixed Income US Senior Secured Loans Unconstrained	Core
PineBridge Investments	PineBridge US Senior Secured Loans Strategy	Core
Polen Capital Management, LLC	Polen Bank Loan	Core
Shenkman Capital Management, Inc.*	Shenkman Capital Bank Loan Strategy	Core
Sycamore Tree Capital Partners**	Sycamore Tree Floating Rate Loan Strategy	Core
T. Rowe Price	Floating Rate Bank Loan Strategy	Core
The Carlyle Group	US Leveraged Loans	Core
Wellington Management Company LLP	Bank Loans	Core

\*Veteran-owned

\*\*Emerging manager

**Appendix 2 – High Caliber Managers Eliminated Following Proposal Evaluation**

<b>Firm Name</b>	<b>Elimination Rationale</b>
Audax Management Company (NY), LLC	Boutique Manager with differentiated product and solid proposal. Audax provides differentiated sourcing opportunities, however loans held in their portfolio are highly illiquid. The product resembles a private credit structure.
Beach Point Capital Management LP	Beach Point was below the preferred AUM threshold, \$600 million in product AUM. The product is opportunistic in nature, investing in off-benchmark loans. Concern over volatile return stream with sizable outperformance and underperformance.
Brigade Capital Management, LP	Niche product that could potentially be a good complementary opportunistic option. However, the depth of the proposal was not comprehensive.
CQS (UK) LLP	CQS is a boutique asset manager with a high conviction bank loan portfolio. CQS has strong process, philosophy, and performance. However, on 11/15/2023, there was an announcement that Manulife will acquire CQS which creates organizational concerns.
Kohlberg Kravis Robert & Co	Kohlberg Kravis Robert & Co (KKR) is a large private market focused firm. KKR brings a lot to the table through their big footprint with insight from other parts of the private market silos. The Bank Loan product is used primarily within their broader Multi Asset Credit strategy as one of its sleeves, which creates concerns over asset flow and dedication to management of this strategy.
PGIM Fixed Income	PGIM is a large multi-strategy asset manager. Their fixed income shop has a solid reputation and great resources. There is no current client directly invested in this Bank Loan strategy and is used primarily within their broader Multi Sector Credit Strategy. PGIM articulated their process and philosophy well, highlighting their sourcing opportunities and risk management. However, performance lagged within the peer group.
PineBridge Investments	PineBridge is a good credit shop. Mindful of credit risk and playing in large loan space. However, depth of the proposal was considered light and raised more questions in few areas: organizational ownership, investment team departures and additions, investment process, differentiating factors.

### Appendix 3 – Bank Loan Semifinalist Candidates Summary

#### Aristotle Pacific Capital, LLC

- Aristotle is a multi-strategy investment manager with \$26 billion AUM between Equities and Credit strategies. Aristotle recently completed its acquisition of Pacific Asset Management LLC (PAM) in early 2023 and expanded its credit capabilities.
- Comfort established and no concerns over Aristotle merger – senior members of PAM have contractual lockups and there is synergy between the two organizations.
- Aristotle is a core bank loan manager with small allocation to high yield mainly utilized for liquidity purposes.
- Aristotle runs a concentrated portfolio of 80-120 issuers.
  - Very selective loan underwriting process.
  - Liquidity tilt towards higher quality names with BB, BBB+ names representing 30% of the portfolio.
  - May tactically dip into lower quality loans based on their credit analysis of sound business. With strong risk sensitivity and controls Aristotle is able to pick high conviction names in those sectors.
  - Focuses on larger and more liquid issuers, generally greater than \$1 billion in facility size with \$300+ million EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization).
  - Focused on minimizing defaults and downside protection by investing in high conviction companies with great sustainable businesses – only 3 defaults since inception where par value was recovered on 2 of the 3 defaults, and 1 recovered 50% of par value.
- The Two PMs, who has [have] been together since 2007, exhibited deep understanding of the bank loans market and cohesiveness.
- Verus top manager and rated IQ1 – highest rating.
- **Conclusion:** Aristotle is the Team's top core allocation option. Aristotle presented exceptional knowledge of the broadly syndicated loan market which translated into the strategy's consistent strong performance and characteristics. The strategy will also take advantages of opportunities in lower credit quality loans to generate alpha in the portfolio.

### Ares Management LLC

- Ares is a large public firm with \$269 billion AUM between liquid credit and alternative assets - Private Equity (PE), Private Credit (PC), and Real Estate (RE). The US Loans strategy has \$30 billion in AUM.
- A dedicated alternative shop that fully captures the advantages of other strategies on the Ares platform to identify sourcing opportunities and information share for its liquid credit portfolio.
- Ares' proprietary due diligence and differentiated sourcing through "Ares Angle" that leverages relationships across the Ares platform (Private Equity & Private Credit).
  - New Opportunities – Ares Angle Deals - opportunities obtained via direct lending team before the loan is launched through the broader syndication process. Through its relationship with sponsors, Ares is able to obtain the loans at an additional discount (Original Issuer Discount – OID) which directly benefits the investors. Additionally, due to Ares' overall size and bank loans platform, Ares has very strong relationships with sell-side banks, which helps Ares get "early looks" ahead of broader syndications and first calls when secondary opportunities arise.
  - Information Flow – Liquid credit team can obtain additional market intelligence from other parts of the organization i.e., demand imbalances, liquidity, dealer inventory, and potential market dislocations.
- They have off-benchmark assets including high yield, European loans, and deals from some middle market firms sourced from their other platforms.
- Ares also adds value through consistent repositioning of their exposure and active management of the portfolio.
- Ares focuses on risk through their Marginal Contribution to Risk (MCR) process using their proprietary QR<sup>2</sup> team. Liquid credit team has a dedicated 6-person from QR<sup>2</sup> team.
- Ares runs a diversified portfolio of 200-225 issuers.
  - Tactical overweight to \$500 million - \$1 billion size tranches
  - Overweight to Healthcare, Gaming/Leisure, and Information Technology (IT)
- Jason Duko, Bank-loan Co-PM departed in 2020 and joined his prior firm. However, comfort was established and no concerns over Co-PM departure as Samantha Milner has been managing the bank loans portfolio. Departed Co-PM did not manage the portfolio on a day-to-day basis. Steve Yoon's interactions on bank loans for Ares has consistently been with Samantha Milner, PM, since his interaction with Ares while at Chicago Municipal.
- **Conclusion:** Ares is the Team's top opportunistic allocation option. Ares exhibited consistent performance and knowledge of the bank loan market along with their strong risk management capabilities. Ares emerged as second option as a solid stand-alone bank loan strategy. Ares's differentiated loan sourcing technique would provide a great complement to Aristotle's bank loan fund which focuses primarily on large broadly syndicated loans.



### **Nuveen, a TIAA Company**

- Nuveen is a large investment manager with \$1.1 trillion AUM across many asset classes and geographies, a wholly owned subsidiary of TIAA.
- Nuveen's Bank Loan strategy is managed by Scott Caraher who has been with the firm since 2002 and managing the portfolio since 2008. He manages a style pure bank loan portfolio without allocation to other credit exposures.
- The strategy is conservative in nature by sourcing loans that are first lien broadly syndicated, large deal size (above \$1 billion) from sound companies, focusing on higher quality (single B and above) and a more liquid part of the market. The strategy does not stray from this philosophy.
- The strategy employs a DRuM process where each loan is updated on a daily basis through a "Daily Re-Underwriting Manager" system that provides a daily view and level of conviction on every asset held in the portfolio. Coupled with selective loan underwriting process and disciplined credit analysis allows the strategy to perform consistently and provide downside protection.
- Coupled with selective loan underwriting process and disciplined credit analysis allows the strategy to perform consistently and provide downside protection.
  - Focusing on higher quality (single B and above) and more liquid part of the market
  - The strategy is conservative in nature by sourcing loans that are first lien broadly syndicated, large deal size (above \$1 billion) from sound companies.
  - Very diversified with 300+ issuers.
  - Meaningful overweight to Consumer Discretionary, Industrials.
  - Nuveen is on the higher end of the default rate (1%) and lower end of the recovery rate (63%) relative to other semifinalists.
- Nuveen also manages TIAA's, the parent company, syndicated portfolio, which exhibits commitment to the strategy and team is well resourced.
- **Conclusion:** Nuveen is not one of the Team's recommended managers. Nuveen's exhibited solid process and knowledge of the broadly syndicated bank loan market. However, the performance lagged our core recommended manager, Aristotle, whose strategies are similar, through different market cycles.

### **Oaktree Capital Management, L.P.**

- Oaktree is a global alternative investment manager with \$183 billion AUM across different geographies.
- Oaktree is a strong credit manager. Prior to forming Oaktree in 1995, Howard Marks, founder, has been investing in credit going back to his days at TCW, from 1984-1995. PMs are very good at credit selection and preservation of capital.
- Oaktree exhibited a sound investment process for the bank loan strategy and differentiated sourcing process through the dedicated Private Equity Sponsor Team that builds relationship with third-party Private Equity Sponsors.
- A very conservative/valuation approach that does not chase market exuberance. Consequently, there will be times of underperformance as the PMs will keep their powder dry if the market is against them.
  - Very diversified portfolio with 400+ loans in the portfolio.
  - Oaktree is on the higher end of the default rate (1%) and lowest recovery rate (56%) relative to other semifinalists.
- Oaktree's bank loan platform is only \$500 million – this information was not properly communicated through eVestment, which would have eliminated Oaktree in Phase 1 of the screening process.
- Did not establish conviction from the meeting that Bank Loan is a primary focus within the \$9 billion US Senior Loans team which includes Collateralized Loan Obligations (CLO) \$6.6 billion and Multi-Strategy \$1.9 billion.
- Comfort established and no concerns over acquisition by Brookfield which is contractually scheduled to be completed by 2026. Oaktree's product set is a great complementary to Brookfield's Private Equity and Real Estate focused line-up.
- **Conclusion:** Oaktree is not one of the Team's recommended managers. The Team's concern was that while Oaktree is a strong credit manager; their focus/commitment on a \$500 million AUM standalone bank strategy might be dwarfed by the other liquid credit strategies (or other US Senior Loan strategies) with greater assets. In addition, their performance lagged the other semifinalist competition.

### **Onex Corporation**

- Onex is an alternative investment manager with \$50 billion AUM, split evenly between Credit and Private Equity.
- Ronnie Jaber (Head of Credit) and Clint Corneaux (PM) both joined Onex from their previous firms in 2020 as the Co-CEO/PM retired with approximately 9 months of overlap.
- Onex performing credit team leverages its private market platforms within Onex (PE/PC) to find opportunities in sourcing.
  - Has somewhat of a concentrated portfolio with 145 issuers
  - Most weight to \$500 million and below issuer exposure among candidates.
- Past performance is attractive and does provide differentiated return streams, however, the Team did not feel comfortable with the new liquid credit management team. The strategy also utilizes leverage which enhances the return profile while potentially adding more risk.
- The recent performance since the management team change has been similar to their peers.
- There was inconsistency when asked about changes to the process and philosophy since the management team change took place.
- **Conclusion:** Onex is not one of the Team's recommended managers. Onex was one of the unsolicited managers that submitted their proposal. After our evaluation process of their proposal, they emerged as one of the semifinalists. However, the Evaluation Team had concerns with the bank loan team's turnover and continuity of their track record.

### **Shenkman Capital management, Inc.**

- Shenkman is a dedicated credit investment manager with \$29 billion AUM with a rich history and experience managing credit as a pure-credit oriented firm.
- The organization is very stable, and the proposal exhibited a thorough and thoughtful approach to investment process and philosophy.
  - Strong fundamental credit research and disciplined and selective underwriting process.
  - The proprietary Credit Quality Score called C.Scope Score system, which utilizes the company's quantitative and qualitative data to determine credit worthiness of the investment opportunity.
  - Deep centralized research team which benefits the entire investment team across its platform and sharing of information flow.
- Shenkman is a very conservative manager – this conservatism and risk adverse nature leads the portfolio to be defensively positioned more frequently than peers and would be expected to lag significantly on the upside.
- Shenkman's net-of-fee performance relative to the index has consistently underperformed the CSLI. We believe this is attributable to their defensive and conservative nature and lag during periods coming out of market stress. The strategy protected somewhat during the down loan market (2011 and 2015), however lagging performance in the recovery markets (2012 and 2016) led to disappointing full cycle performance vs. peers.
- Shenkman's upside capture exposes their conservative nature and trails its peers.
- Information Ratio during credit default cycle also trailed other peers.
- Shenkman is a qualified veteran-owned small business manager and is invited to present to the Board.
- **Conclusion:** Shenkman is not one of the Team's recommended managers. The team exhibited solid process and understanding of the bank loan market that is very much focused on downside protection. This focus on downside protection has resulted in performance that lags its peers and the index over the long term.

### **Sycamore Tree Capital Partners**

- The firm was founded in 2020 with a group of individuals that have worked together at Highland Capital Management, a multi-strategy investment manager, from 2007-2019.
- The proposal, and subsequent interview demonstrated synergy and quality of the team, process, and philosophy despite its short track record and size.
- Sycamore Tree's founders and portfolio managers have a long history of investing credit through multiple market cycles.
- Sycamore Tree currently has ~\$2 billion AUM. Firm launched closed ended opportunistic credit (which changed to open-ended strategy) in 2020, then Collateralized Loan Obligations (CLOs) and high-grade CLO in 2021, and finally the loan strategy in July 2022.
- Sycamore Tree has been steadily scaling its business over the past three years thereby improving its operations and process.
- The Fund is focused on the universe of broadly syndicated loans that are senior, secured, liquid and typically have tranche sizes of at least \$300 million.
  - Despite their size, the team can source deals through the relationship they've built over their long experience.
  - Differentiated by including top-down perspective – incorporating macro viewpoints into their investment process which allows them to have the ability to rotate in/out of cycles.
- Currently, the strategy, however, trailed in current market environment YTD as the strategy shifted to defensive positions in anticipation of volatility in the market.
- Sycamore Tree is a qualified Emerging manager and is invited to present to the Board.
- **Conclusion:** Sycamore Tree is not one of the Team's recommended managers. Sycamore Tree exhibited cohesiveness and synergy despite the firm's short track record. While they showcased strong process and sourcing ability through their long experience in the bank loan market, the team did not exhibit compelling differentiation relative to the recommended managers.

**Appendix 4 – Investment Metrics****a. Summary Table of Semifinalists**

Firm Name	City	State	Firm AUM <sup>a</sup>	Bank Loan Strategy AUM <sup>b</sup>	% of Total Strategy <sup>b</sup>	Role	Fee Schedule
Are	Los Angeles	California	\$ 378	\$ 6	2%	Opportunistic	25 <sup>c</sup>
Aristole	New York	New York	\$ 21	\$ 6	2%	Core	30 <sup>c</sup>
Nuveen	New York	New York	\$ 1,161	\$ 13	1%	Core	33
Oaktree	Los Angeles	California	\$ 179	\$ 0.5	20%	Core	45
Onex	Toronto	Ontario	\$ 50	\$ 16	1%	Opportunistic	34
Shenkman	New York	New York	\$ 30	\$ 6	2%	Core	30 <sup>d</sup>
Sycamore	Dallas	Texas	\$ 2	\$ 0.07	143%	Core	25 <sup>e</sup>

<sup>a</sup> In billions<sup>b</sup> IPOPIF Allocation % based on expected \$100 million in opportunistic strategies and \$200 million in core strategies<sup>c</sup> Best-and-final-fee proposal<sup>d</sup> Average fee based on Shenkman's best-and-final-fee proposal<sup>e</sup> Sycamore Tree proposed additional 10% net benchmark outperformance performance fee not shown in the chart above**b. Investment Metrics during default cycle (Dec. 2013 - Dec. 2016 & Dec. 2018 - Dec. 2021)****Default Cycle (Dec. 2013 - Dec. 2016)**

Firm Name	Returns	Alpha	Tracking Error	Information Ratio	Sharpe Ratio
Ares	4.15	0.39	1.09	0.35	1.47
Aristotle*	4.42	2.22	1.12	0.69	1.88
Nuveen	4.41	1.3	0.91	0.63	1.84
Oaktree	3.2	-1.25	0.83	-0.76	0.92
Onex	5.66	0.94	1.07	1.71	1.58
Shenkman	3.49	-0.09	0.68	-0.52	1.26

\*Aristotle – PAM Bank Loan Fund LP inception date was May 1, 2014

- Sycamore Tree is not included due to its limited track record. (Inception Date July 8, 2022)
- Aristotle's alpha is the highest compared to other semifinalists. Nuveen's and Onex's alpha was also strong during this default cycle and Ares exhibited a positive alpha.
- Oaktree and Shenkman's alpha and information ratio lagged the other semifinalists.

**Default Cycle (Dec. 2018 - Dec. 2021)**

Firm Name	Returns	Alpha	Tracking Error	Information Ratio	Sharpe Ratio
Ares	6.8	1.37	0.98	1.27	0.76
Aristotle	4.88	1.5	2.61	0.15	0.61
Nuveen	5.07	0.91	1.56	0.37	0.53
Oaktree	4.17	0.12	1.39	-0.23	0.43
Onex	5.83	0.96	1.27	1.05	0.50
Shenkman	4.69	0.46	1.15	0.17	0.47

- Sycamore Tree is not included due to its limited track record. (Inception Date July 8, 2022)
- Ares and Aristotle had the highest alpha and Ares had the highest information ratio. Nuveen and Onex had positive alpha and Onex exhibited second highest information ratio.
- Oaktree and Shenkman's alpha and information ratio lagged the other semifinalists.

**c. Credit Quality Distribution & Loan Size Distribution\***

Firm Name	Average 5 Year - Quarterly - Quality Distribution								Facility Size Distribution		
	BBB and Above	BB	B+	B	B-	Total B	CCC and Below	Non-Rated	1 billion +	500 million - 1 billion	0-500 million
Ares	1%	15%	12%	36%	26%	74%	9%	1%	56%	29%	15%
Aristotle	13%	17%	19%	42%	9%	68%	8%	2%	86%	9%	5%
Nuveen	7%	28%	24%	24%	8%	56%	7%	2%	70%	21%	8%
Oaktree	2%	18%	15%	32%	24%	71%	7%	1%	54%	28%	18%
Onex	1%	13%	11%	34%	31%	76%	6%	4%	45%	30%	26%
Shenkman	6%	25%	17%	30%	17%	64%	4%	2%	66%	26%	8%
Sycamore	3%	21%	13%	36%	27%	75%	1%	-	54%	38%	8%

\*As of 9/30/2023

- Ares focus on single B credit quality and take opportunities in the smaller loan sizes (below \$500 million)
- Aristotle has higher quality focused with BBB (13%) and BB (17%) and larger loan sizes (above \$1 billion)
- Aristotle, Nuveen, and Shenkman, have similar style with quality and larger loan size focus.

**d. Proforma Historical view of the proposed of 2/3 Aristotle and 1/3 Ares.**

- Peer Analysis, May 2014 through September 2023



Source: eVestment

- The modeling of proposed bank loan portfolio would have consistently performed in top quartile as shown in the chart above denoted by blue diamond.

**- Risk Analysis, May 2014 through September 2023**

**▪ Volatility (Standard Deviation)**

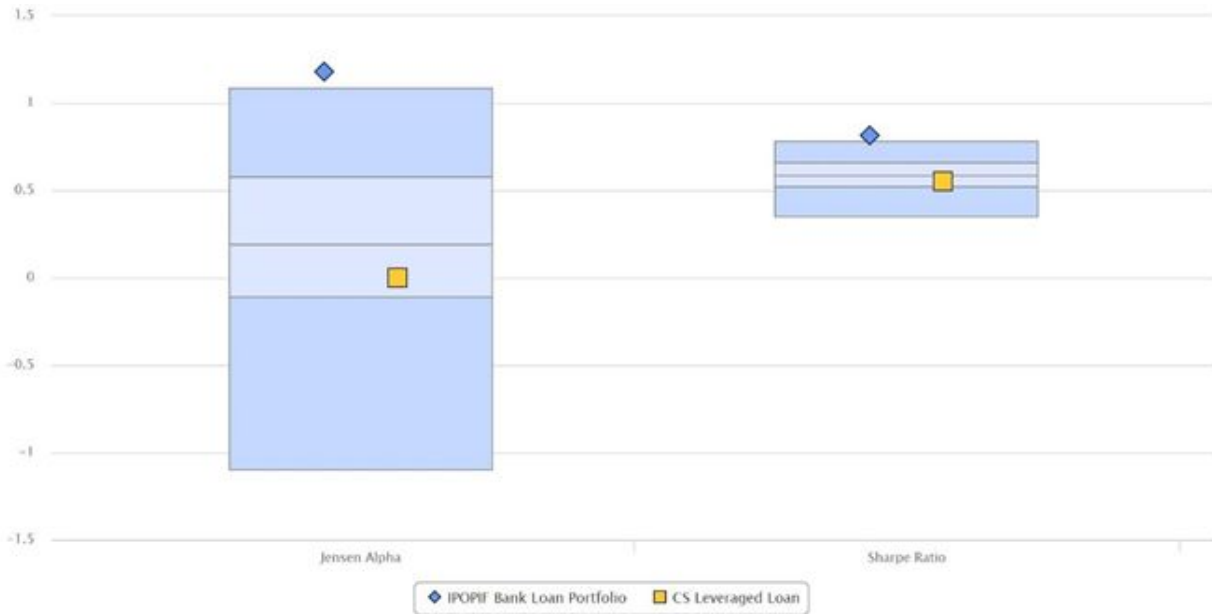


- The modeling of proposed bank loan portfolio has exhibited lower volatility measured in standard deviation relative to the peer universe and CS Leveraged Loans.
- The modeling of proposed bank loan portfolio would have generated 59 bps excess return with lower volatility since inception.

	Return	Standard Deviation
<b>IPOPIF</b>	4.83%	4.47%
<b>CSLI</b>	4.24%	5.53%

Source: eVestment

**▪ Alpha and Sharpe Ratio**



Source: eVestment

- The modeling of proposed bank loan portfolio would have exhibited higher Sharpe Ratio and Alpha relative to the peer universe.



ILLINOIS POLICE OFFICERS' PENSION INVESTMENT FUND



IPOPIF

**MEMORANDUM**

DATE: January 5, 2024  
TO: IPOPIF Board of Trustees  
FROM: IPOPIF Investment Staff  
SUBJECT: Bank Loan RFP – Finals Interview Schedule and Agenda for January 19, 2024

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Following is the interview schedule for Bank Loan manager final candidates and the recommended agenda suggested to the managers.

***Finals Interview Schedule***

<b>Manager</b>	<b>Time</b>
Ares Management LLC	9:15 – 9:45 AM CT
Aristotle Pacific Capital, LLC	9:45 – 10:15 AM CT
Shenkman Capital Management, Inc.	10:15 – 10:45 AM CT
Sycamore Tree Capital Partners	10:45 – 11:15 AM CT

***Finals interview recommended agenda***

Introductions: Presenters, People, and Organization – 5 minutes  
Investment Philosophy, Process, Performance – 15 minutes  
Q&A – 5 minutes



# Memorandum

**To:** Board of Trustees, Illinois Police Officers' Pension Investment Fund  
**Cc:** Investment Staff, Illinois Police Officers' Pension Investment Fund  
**From:** Samantha Grant, CFA, CAIA, Senior Consultant  
**Date:** January 19, 2024  
**RE:** U.S. Bank Loan Investment Recommendation

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## **Executive Summary**

*We will review the U.S. Bank Loan RFP process and the resulting recommendation.*

## **Search Process**

Over the past months, Verus worked alongside Staff to screen, interview, and, ultimately, recommend a manager(s) to fulfill IPOPIF's 3% (approximately \$300 million) bank loan allocation. The search process was lengthy and thorough. A key tool in the search process was the NASDAQ eVestment database, the premier investment manager database for institutional investors. Staff and Verus performed an initial screen of eVestment's US Floating-Rate Bank Loan Fixed Income universe ensure we captured the widest and most complete manager information available. The screen reviewed firm, strategy, and team information as well as returns and risk metrics. Staff then requested additional information pertinent to the Bank Loan asset class that was not available in eVestment from the "high caliber" search candidates. Next, Staff asked the "highest caliber" candidates to submit formal proposals. Please note that any interested investment manager could submit a formal proposal even if they were not in the "highest caliber" group. All proposals were evaluated equally.

## **Semi-Finalist Interviews**

After numerous calls between Verus and Staff, seven investment managers were selected for semi-finalist interviews. Both Staff and Verus conducted 1.5-hour interviews. The lead portfolio manager(s) along with other key individuals (i.e. co-portfolio managers, strategists, and/or client service representatives) participated in the interviews. Candidates were asked to review their organization, investment philosophy and process, performance, and positioning. Throughout the presentations, Staff and Verus asked numerous clarifying questions of each manager.

## **Background on the Recommended Managers**

Staff and Verus then met to review our top recommendations. Aristotle and Ares were the unanimous top candidates.

Aristotle conducts deep fundamental credit analysis on the largest issuers in the bank loan universe. The resulting portfolio is high conviction (i.e. concentration) yet conservative (due to the large issuer exposure which tends to outperform in times of market stress like 2015). Although Aristotle prefers larger/safer issuers, the strategy has demonstrated an ability to rotate into higher return issues when the economic growth is strong and risk-taking is rewarded (i.e. 2022). The strategy has outperformed its excess return target of 0.5%-1.0% over a full market cycle and ranks in the top quartile or better of peers over the 1-, 3-, 5-, and 10-year trailing periods while taking less risk relative to peers and capturing less of the downside.

Ares has one of the largest public and private credit platforms in the world and is one of the pre-eminent managers of levered credit. As a result, the firm can leverage the size of its credit platform to: 1) Receive larger allocations and preferred economics relative to other market participants, 2) Utilize its large research team to find the best relative value opportunities in large-, mid- and small issuers, and 3) Leverage their public and private markets teams for deeper macro insights and positioning. Ares approach has proved successful as the strategy has outperformed the CS Leveraged Loan index over the 1-, 3-, 5, and 10-year periods. The strategy has taken slightly less risk than the benchmark while generating a higher return and capturing less of the downside in negative market environments.

### **Recommendation**

We believe the Aristotle and Ares portfolios are complementary to each other. From a return perspective, Aristotle and Ares portfolios' have performed similarly over the long-term despite differing approaches to the bank loan space. From a risk perspective, Ares is expected to outperform in positive market environments and protect on the downside (although Ares does not perform as well as Aristotle in down markets). Specifically, Ares exposure to a larger number of issuers and higher exposure to mid- and smaller issuers contrasts and complements the Aristotle portfolio, which focuses primarily on larger, more liquid issuers. Verus believes that the allocation will benefit from a pure-play, consistent, downside-focused (but not risk adverse) manager like Aristotle while also gaining from a strategy like Ares, which has a greater opportunity set throughout the bank loan universe (i.e. smaller issuers, platform size, and macro insights) to increase alpha relative to Aristotle.

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*Past performance is no guarantee of future results. This document is provided for informational purposes only and is directed to institutional clients and eligible institutional counterparties only and is not intended for retail investors. Nothing herein constitutes investment, legal, accounting or tax investment vehicle or any trading strategy. This document may include or imply estimates, outlooks, projections and other "forward-looking statements." No assurance can be given that future results described or implied by any forward looking information will be achieved. Investing entails risks, including possible loss of principal. Verus – also known as Verus Advisory™.*



January 2024  
Bank Loans  
**Illinois Police Officers' Pension Investment Fund**

# Manager overview

# Manager comparison

	<b>Aristotle</b>	<b>Ares</b>	<b>Nuveen</b>	<b>Oaktree</b>	<b>Onex</b>	<b>Shenkman</b>	<b>Sycamore</b>
FIRM OWNERSHIP	100% employee owned	49.8% publicly held 44.5% employee owned 5.7% other	100% owned by TIAA	100% employee owned	Publicly traded (TSX: ONEX)	97% employee owned 3% Other	95% employee owned 5% other
FIRM NAME	Aristotle Pacific Capital, LLC	Ares Management LLC	Nuveen, a TIAA Company	Oaktree Capital Management, L.P.	Onex Corporation	Shenkman Capital Management, Inc.	Sycamore Tree Capital Partners
PRODUCT NAME	Corporate (Bank) Loan Strategy	Ares US Bank Loan Strategy	Senior Loan - Commingled Fund	Oaktree U.S. Senior Loans	Onex Senior Credit Strategy	Shenkman Capital Bank Loan Strategy	Sycamore Tree Floating Rate Loan Strategy
FIRM TOTAL AUM (\$MM)	\$21,916	\$394,942	\$1,127,854	\$183,169	\$49,500	\$29,392	\$1,908
STRATEGY AUM (\$MM)	\$6,763	\$30,058	\$13,527	\$469	\$1,016	\$4,652	\$70
INCEPTION DATE	Jan-07	Dec-08	Nov-11	Sep-08	Dec-07	Jan-98	Jul-22
PREFERRED BENCHMARK	CS Leveraged Loan	CS Leveraged Loan	Morningstar LSTA US Leveraged Loan	CS Leveraged Loan	CS Leveraged Loan	Morningstar LSTA US Leveraged Loan	Morningstar LSTA US Leveraged Loan
INVESTMENT APPROACH	Fundamental	Fundamental	Fundamental	Fundamental	Fundamental	Fundamental	Fundamental Quantitative
SCREENING APPROACH	Bottom-Up	Bottom-Up	Top-Down Bottom-Up	Bottom-Up	Bottom-Up	Bottom-Up	Top-Down Bottom-Up

# Investment vehicle & fee information

	VEHICLE TYPE	LIQUIDITY	FEE SCHEDULE
<b>Aristotle</b>	Commingled Fund	Monthly	0.40% - Under \$100,000,000 0.37% - \$100,000,000 to \$200,000,000 0.35% - Over \$200,000,000
<b>Ares</b>	Commingled Fund	Monthly	0.35% - All Assets
<b>Nuveen</b>	Commingled Fund	Monthly	0.33% - All Assets
<b>Oaktree</b>	Commingled Fund	Monthly	0.50% - Under \$100,000,000 0.40% - \$100,000,000 to \$199,000,000 0.30% - \$200,000,000 to \$299,000,000 0.25% - \$300,000,000 to \$399,000,000 0.20% - Over \$400,000,000
<b>Onex</b>	Commingled Fund	Monthly	0.34% - For \$100,000,000 0.31% - For \$200,000,000 0.28% - For \$300,000,000
<b>Shenkman</b>	Commingled Fund	Monthly	0.40% - All Assets
<b>Sycamore</b>	Commingled Fund	Monthly	0.35% - All Assets

Note: Fees shown are from the candidates RFP proposal submission.

Note: Operating expenses are capped and range from 0.05% to 0.20% across the candidates.

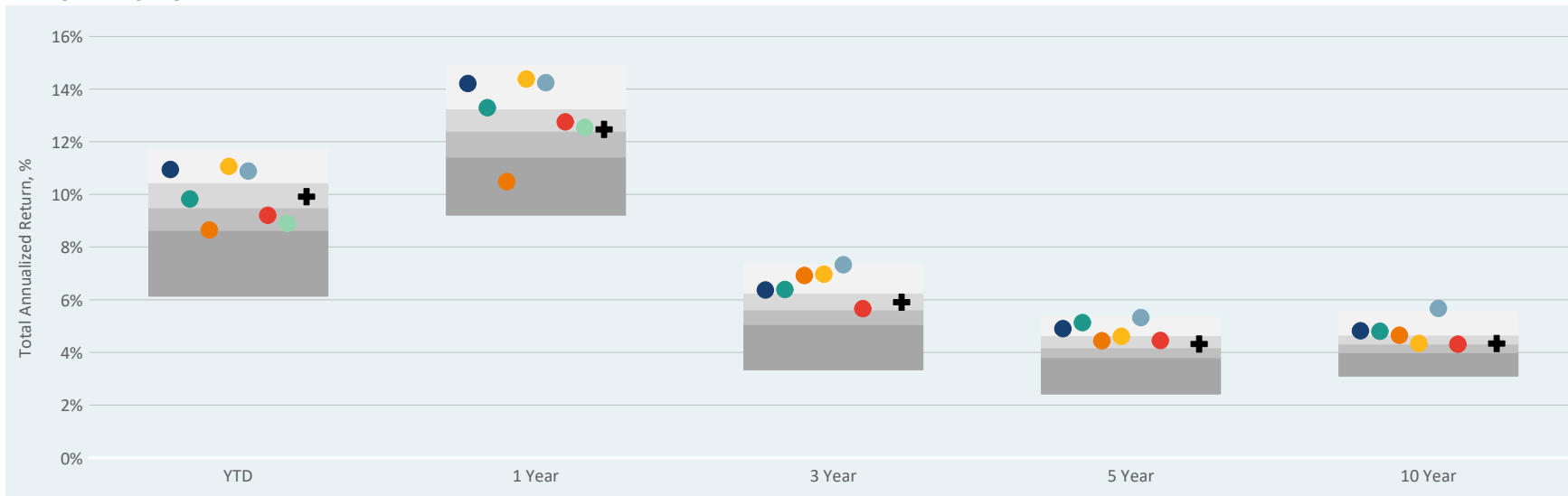
# Performance Analysis



# Performance comparison - as of September 2023

● Aristotle      ● Ares      ● Nuveen      ● Oaktree  
● Onex      ● Shenkman      ● Sycamore      + Credit Suisse Leveraged Loan

## PERFORMANCE TO DATE

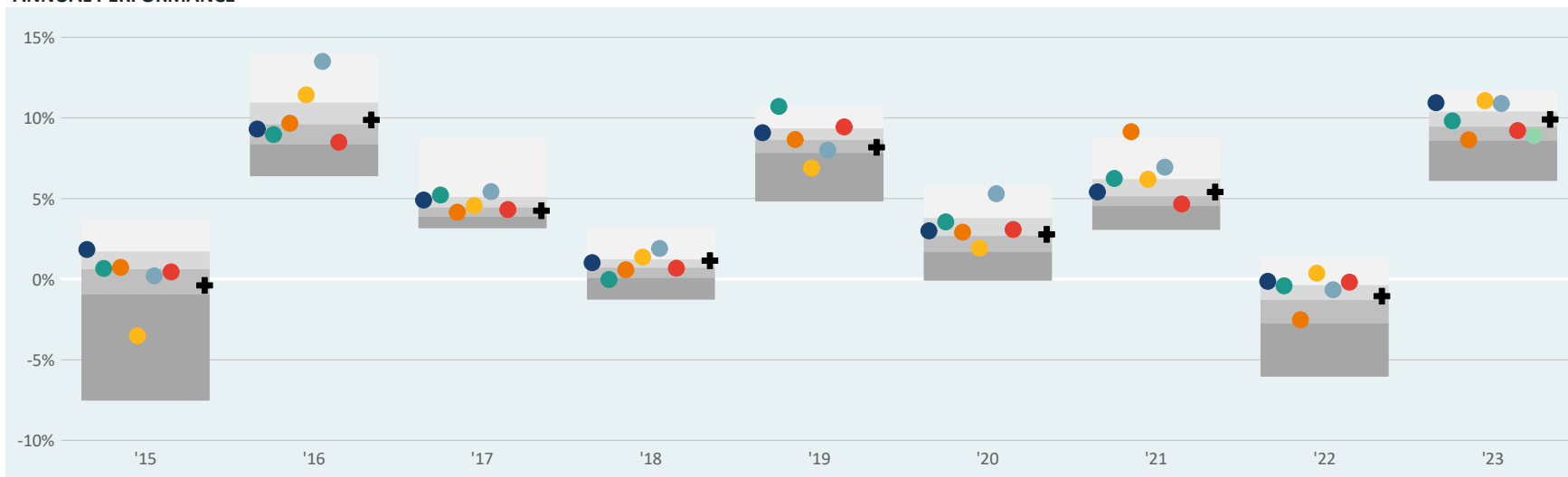


EXCESS ANNUALIZED RETURN TO DATE, %	YTD	1 Year	3 Year	5 Year	10 Year
Aristotle	1.0	1.7	0.5	0.6	0.5
Ares	-0.1	0.8	0.5	0.8	0.5
Nuveen	-1.3	-2.0	1.0	0.1	0.3
Oaktree	1.2	1.9	1.1	0.3	0.0
Onex	1.0	1.8	1.4	1.0	1.3
Shenkman	-0.7	0.3	-0.2	0.1	0.0
Sycamore	-1.0	0.1	---	---	---

# Calendar year performance

● Aristotle      ● Ares      ● Nuveen      ● Oaktree  
● Onex      ● Shenkman      ● Sycamore      + Credit Suisse Leveraged Loan

## ANNUAL PERFORMANCE



ANNUAL PERFORMANCE + RANKING	2015	2016	2017	2018	2019	2020	2021	2022	2023 (YTD)
Aristotle	1.9	9.3	4.9	1.0	9.1	3.0	5.4	-0.1	11.0
Rank	23	56	34	36	38	43	44	21	14
Ares	0.7	9.0	5.2	0.0	10.7	3.6	6.3	-0.4	9.8
Rank	48	62	23	80	4	28	24	29	40
Nuveen	0.7	9.7	4.2	0.6	8.7	2.9	9.2	-2.5	8.7
Rank	48	48	69	56	51	46	3	71	75
Oaktree	-3.5	11.4	4.6	1.4	6.9	1.9	6.2	0.4	11.1
Rank	90	20	46	21	88	70	27	14	10
Onex	0.2	13.5	5.4	1.9	8.0	5.3	7.0	-0.7	10.9
Rank	58	8	20	12	72	10	12	31	16
Shenkman	0.5	8.5	4.3	0.7	9.4	3.1	4.7	-0.2	9.2
Rank	56	72	62	52	22	40	72	22	60
Sycamore									8.9
Rank									69
Credit Suisse Leveraged Loan	-0.4	9.9	4.2	1.1	8.2	2.8	5.4	-1.1	9.9
Rank	72	42	65	30	67	49	44	45	38



Index: Credit Suisse Leveraged Loan USD    Returns: Gross of Fees  
 Data Source: eVestment    Universe: eA US Floating-Rate Bank Loan Fixed Income

**IPOPIF**  
 January 2024

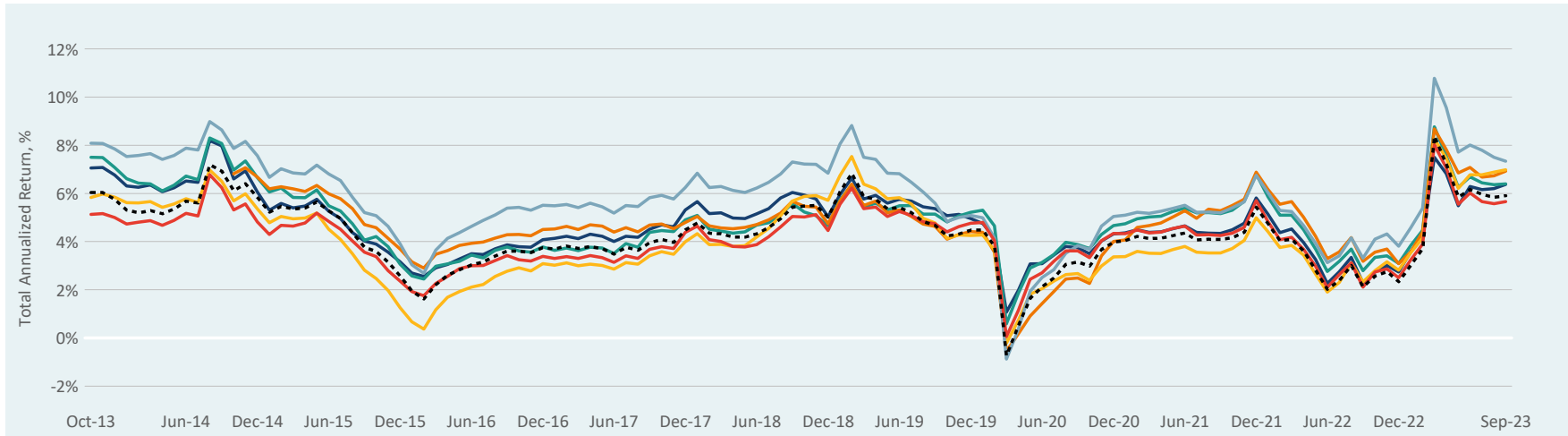
# Performance summary - as of September 2023

	Aristotle	Ares	Nuveen	Oaktree	Onex	Shenkman	Sycamore	Credit Suisse Leveraged Loan
<b>PERFORMANCE ANALYSIS - (5 Years)</b>								
Alpha %	1.1	0.9	0.3	0.6	0.7	0.3	---	0.0
Beta	0.8	0.9	0.9	0.9	1.1	0.9	---	1.0
R-squared %	94.9	98.6	95.5	98.6	99.1	98.4	---	100.0
Sharpe Ratio	0.5	0.5	0.4	0.4	0.4	0.4	---	0.4
Treynor Ratio	0.0	0.0	0.0	0.0	0.0	0.0	---	0.0
Tracking Error %	2.1	0.9	1.6	1.2	1.1	1.0	---	0.0
Annualized Std Dev %	5.9	6.9	7.0	6.5	8.1	6.8	---	7.3
Information Ratio	0.3	0.8	0.1	0.2	0.9	0.1	---	---
Max Drawdown %	-9.6	-12.3	-13.1	-11.8	-15.1	-12.3	---	-13.6
Calmar Ratio	0.5	0.4	0.3	0.4	0.4	0.4	---	0.3
Excess Ann. Return %	0.6	0.8	0.1	0.3	1.0	0.1	---	0.0
<b>PERFORMANCE TO DATE</b>								
1 Year	14.2	13.3	10.5	14.4	14.3	12.8	12.5	12.5
3 Year	6.4	6.4	6.9	7.0	7.3	5.7	---	5.9
5 Year	4.9	5.1	4.5	4.6	5.3	4.5	---	4.3
7 Year	5.2	5.2	4.8	5.0	5.8	4.7	---	4.6
10 Year	4.8	4.8	4.7	4.3	5.7	4.3	---	4.3
Common Inception (Aug-22)	11.2	10.8	8.1	11.9	11.6	9.7	10.5	10.0
<b>CALENDAR YEAR RETURNS</b>								
2022	-0.1	-0.4	-2.5	0.4	-0.7	-0.2	---	-1.1
2021	5.4	6.3	9.2	6.2	7.0	4.7	---	5.4
2020	3.0	3.6	2.9	1.9	5.3	3.1	---	2.8
2019	9.1	10.7	8.7	6.9	8.0	9.4	---	8.2
2018	1.0	0.0	0.6	1.4	1.9	0.7	---	1.1
2017	4.9	5.2	4.2	4.6	5.4	4.3	---	4.2
2016	9.3	9.0	9.7	11.4	13.5	8.5	---	9.9
2015	1.9	0.7	0.7	-3.5	0.2	0.5	---	-0.4
2014	1.3	1.9	3.3	1.9	3.3	1.4	---	2.1
2013	6.4	6.8	7.2	5.6	8.4	5.3	---	6.2

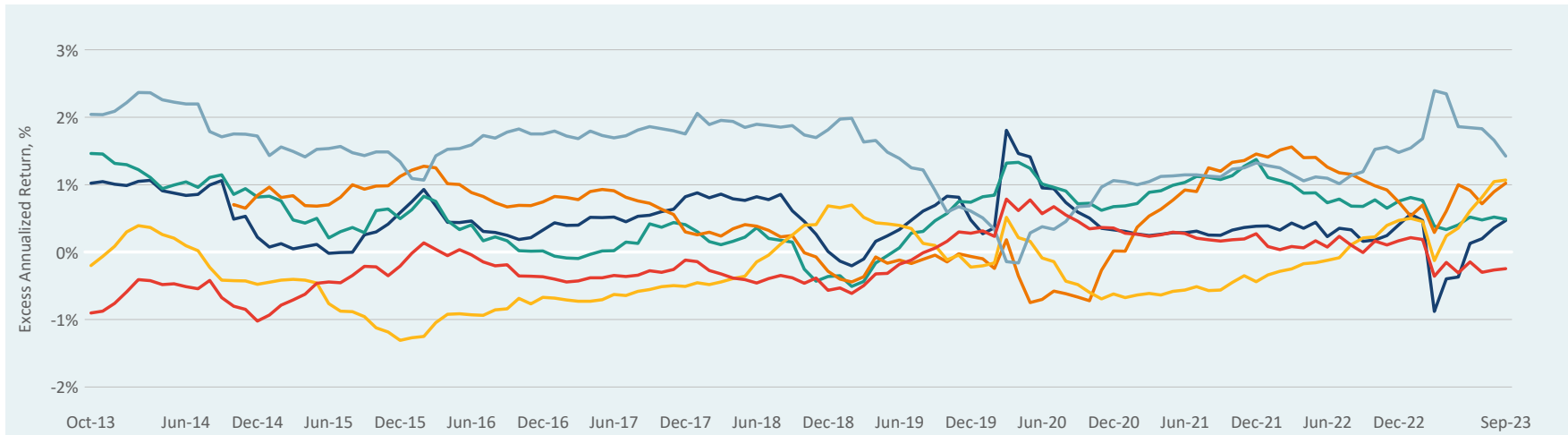
# Rolling performance

- Aristotle
- Ares
- Nuveen
- Oaktree
- Onex
- Shenkman
- Sycamore
- Credit Suisse Leveraged Loan

## TOTAL 36 MONTH ROLLING PERFORMANCE



## EXCESS 36 MONTH ROLLING PERFORMANCE



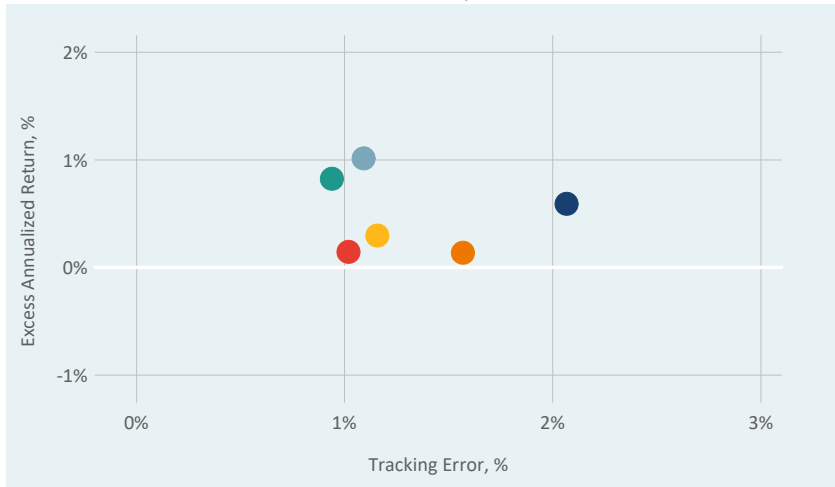
Index: Credit Suisse Leveraged Loan USD Returns: Gross of Fees  
 Data Source: eVestment Universe: eA US Floating-Rate Bank Loan Fixed Income

IPOPIF  
 January 2024

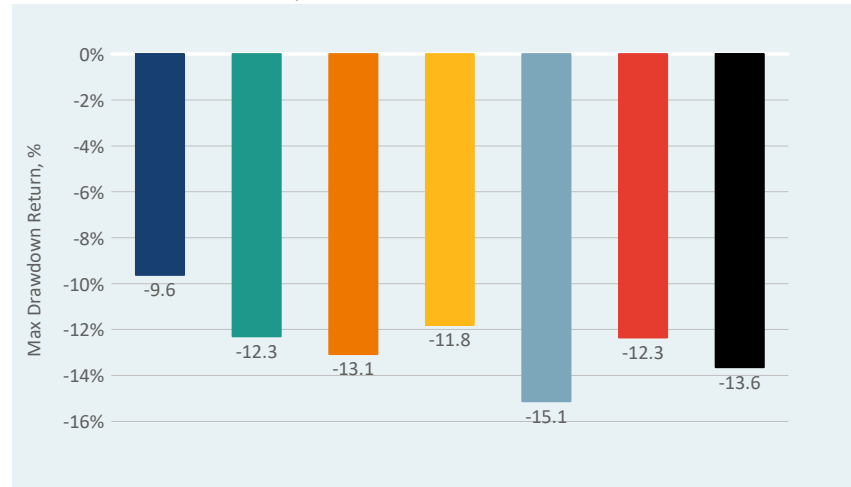
# Performance statistics

- Aristotle
- Ares
- Nuveen
- Oaktree
- Onex
- Shenkman
- Sycamore
- + Credit Suisse Leveraged Loan

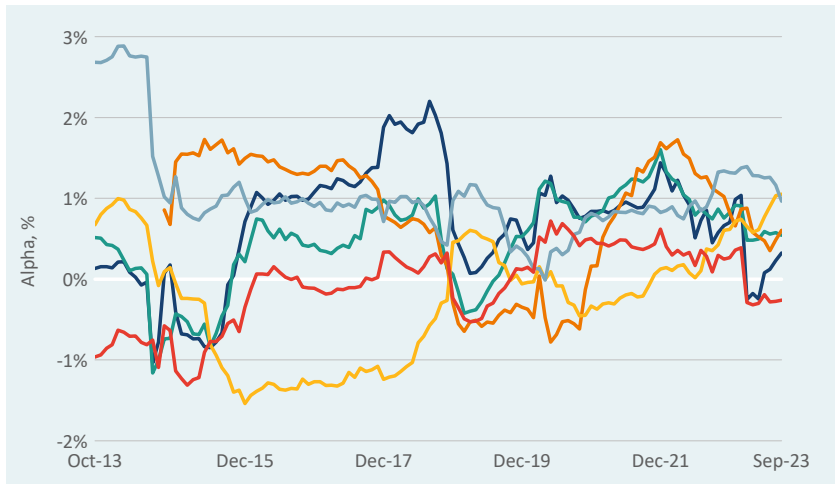
**EXCESS PERFORMANCE VS. TRACKING ERROR, OCT-18 TO SEP-23**



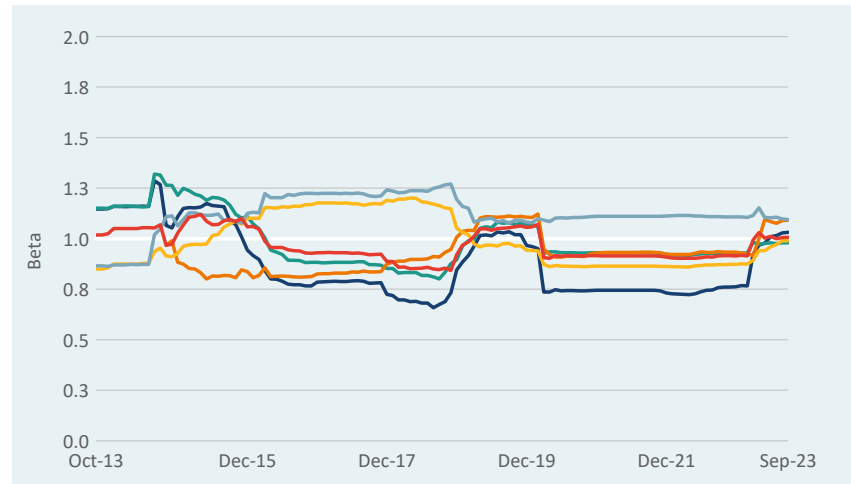
**MAX DRAWDOWN RETURN, OCT-18 TO SEP-23**



**36 MONTH ROLLING ALPHA**



**36 MONTH ROLLING BETA**

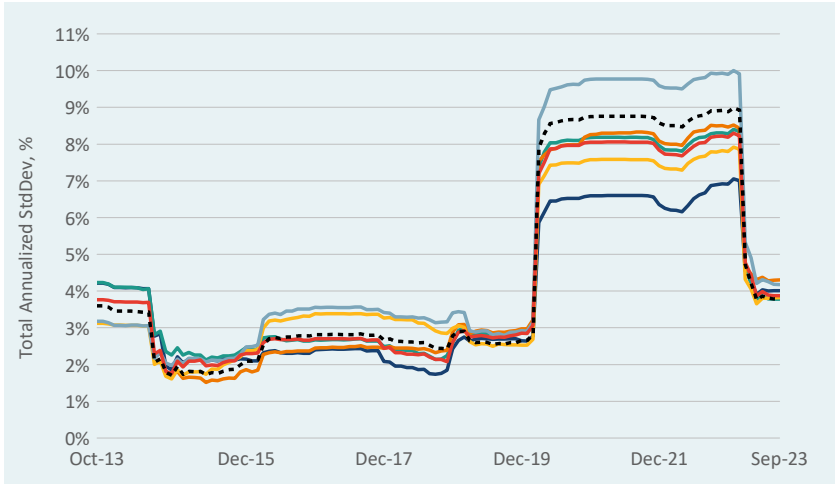


Index: Credit Suisse Leveraged Loan USD Returns: Gross of Fees  
 Data Source: eVestment Universe: eA US Floating-Rate Bank Loan Fixed Income

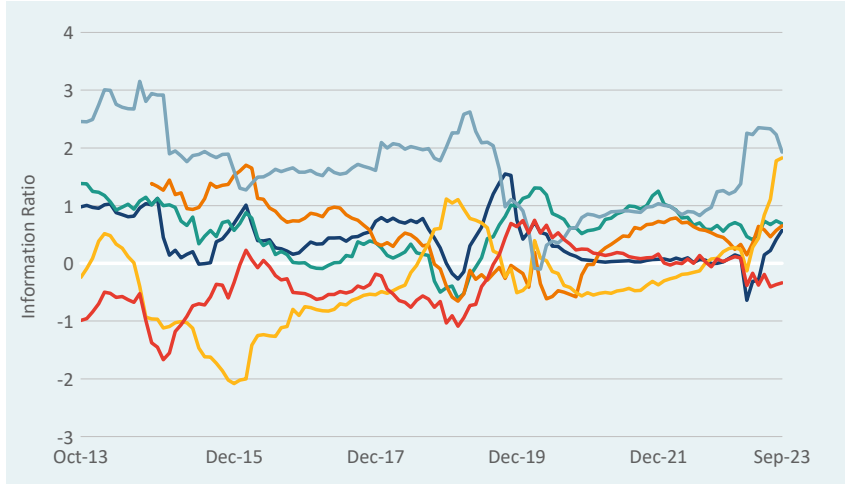
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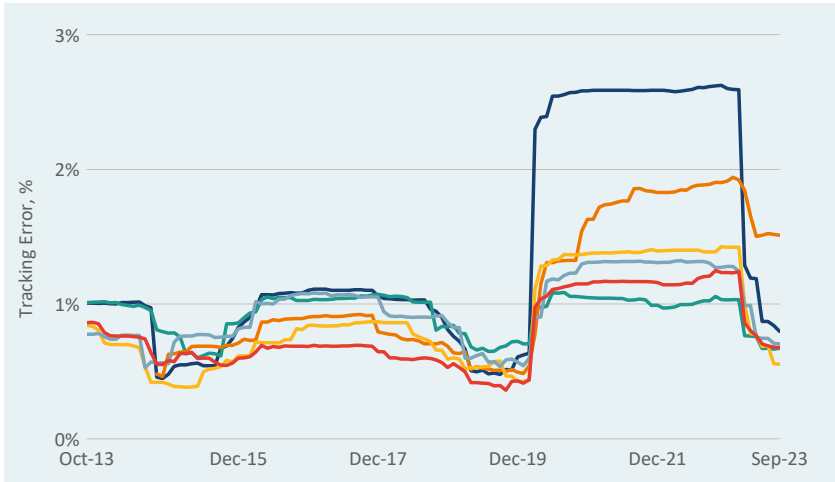
36 MONTH ROLLING RISK



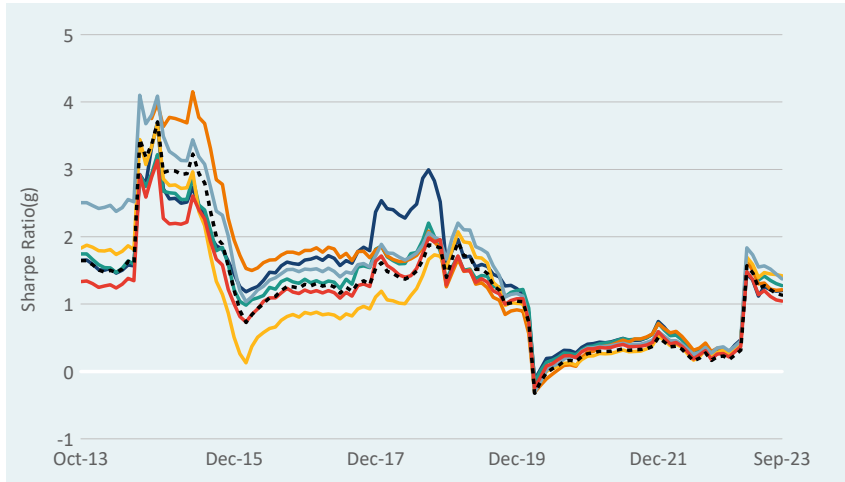
36 MONTH ROLLING INFORMATION RATIO



36 MONTH ROLLING TRACKING ERROR



36 MONTH ROLLING SHARPE RATIO



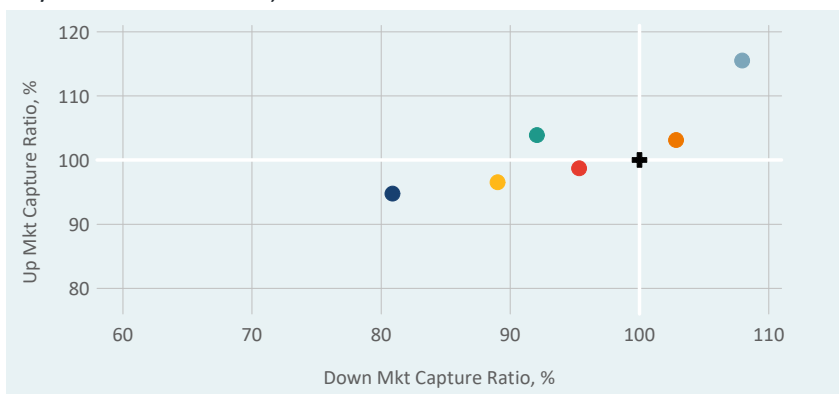
Index: Credit Suisse Leveraged Loan USD Returns: Gross of Fees  
 Data Source: eVestment Universe: eA US Floating-Rate Bank Loan Fixed Income

# Style Analysis and Portfolio Analytics

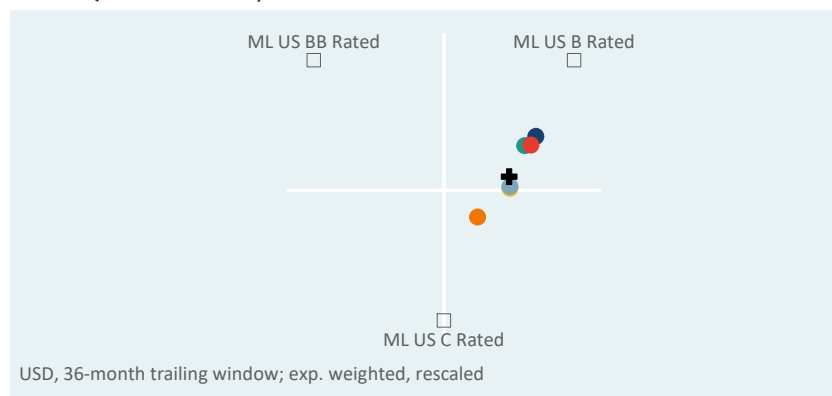
# Style and portfolio comparison

- Aristotle
- Ares
- Nuveen
- Oaktree
- Onex
- Shenkman
- + Credit Suisse Leveraged Loan

UP/DOWN MARKET CAPTURE, OCT-18 TO SEP-23



CREDIT QUALITY STYLE MAP, OCT-18 TO SEP-23



	Aristotle	Ares	Nuveen	Oaktree	Onex	Shenkman	Sycamore
ANNUAL TURNOVER	N/A	117.9%	42.1%	41.0%	0.6%	27.4%	N/A
YIELD TO MATURITY	9.2%	9.6%	8.9%	9.7%	9.3%	8.5%	10.8%
EFFECTIVE DURATION	0.3	0.3	0.0	0.1	0.4	0.5	0.1
AVERAGE QUALITY ISSUE	B	B	B	B	B	B	B
HIGH YIELD	4.6%	3.6%	0.1%	0.0%	9.4%	3.9%	0.0%



Index: Credit Suisse Leveraged Loan USD Returns: Gross of Fees  
 Data Source: eVestment Universe: eA US Floating-Rate Bank Loan Fixed Income

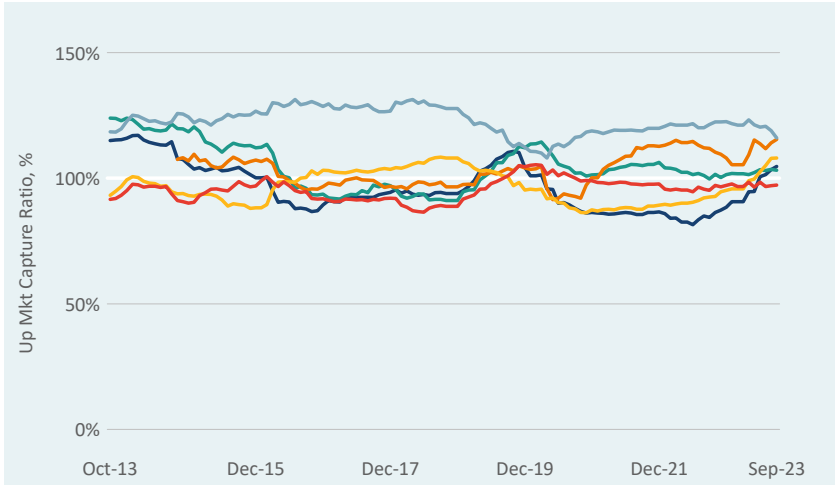
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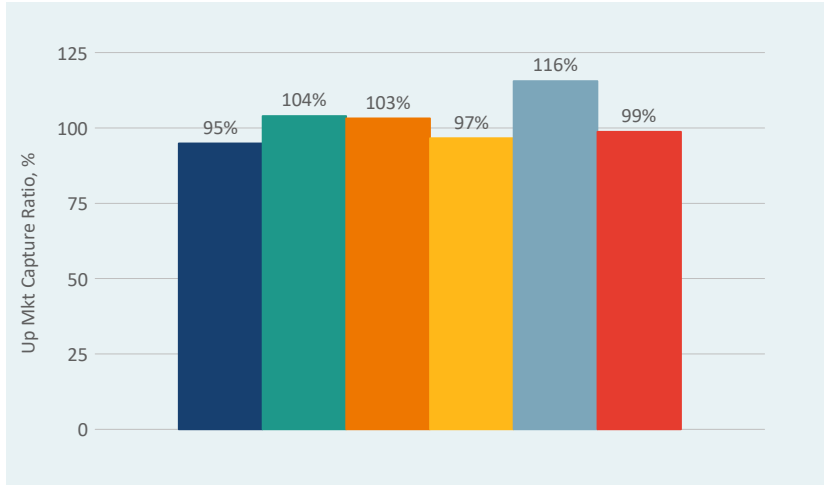
# Up & down market analysis

- Aristotle
- Ares
- Nuveen
- Oaktree
- Onex
- Shenkman
- + Credit Suisse Leveraged Loan

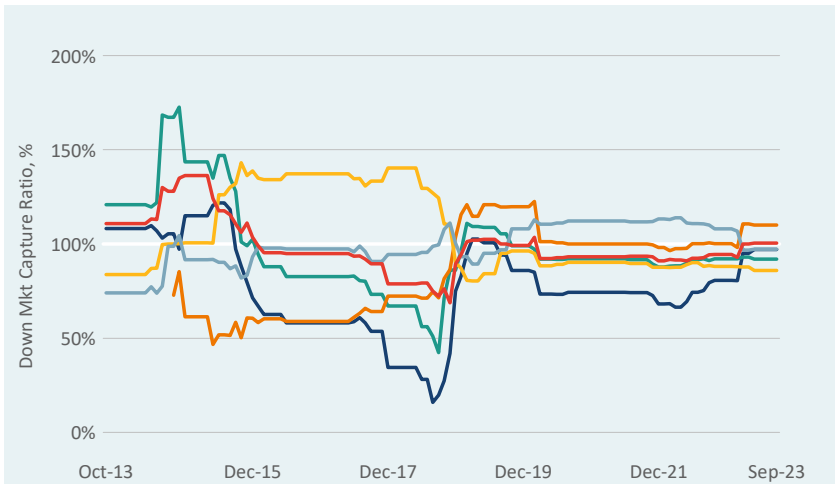
**36 MONTH ROLLING UP MKT CAPTURE RATIO**



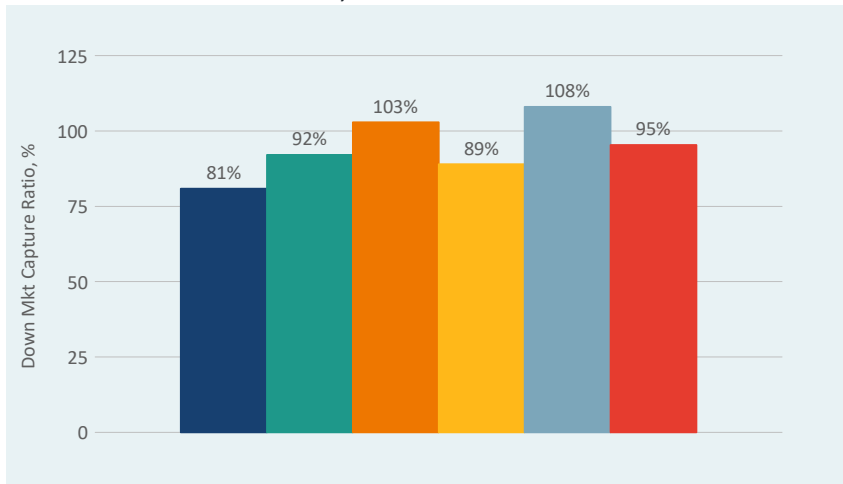
**UP MARKET CAPTURE RATIO, OCT-18 TO SEP-23**



**36 MONTH ROLLING DOWN MKT CAPTURE RATIO**



**DOWN MARKET CAPTURE RATIO, OCT-18 TO SEP-23**



Index: Credit Suisse Leveraged Loan USD Returns: Gross of Fees  
 Data Source: eVestment Universe: eA US Floating-Rate Bank Loan Fixed Income

# Risk Analysis

# Excess Return Correlations

## 1 YEAR ENDING 09/2023

	Aristotle	Ares	Nuveen	Oaktree	Onex	Shenkman	Sycamore
Aristotle	1.00	0.52	-0.40	0.28	0.75	0.66	0.24
Ares	0.52	1.00	-0.26	0.01	0.39	0.74	0.59
Nuveen	-0.40	-0.26	1.00	0.11	-0.32	-0.37	0.22
Oaktree	0.28	0.01	0.11	1.00	0.45	0.23	0.16
Onex	0.75	0.39	-0.32	0.45	1.00	0.65	-0.08
Shenkman	0.66	0.74	-0.37	0.23	0.65	1.00	0.37
Sycamore	0.24	0.59	0.22	0.16	-0.08	0.37	1.00

## 3 YEAR ENDING 09/2023

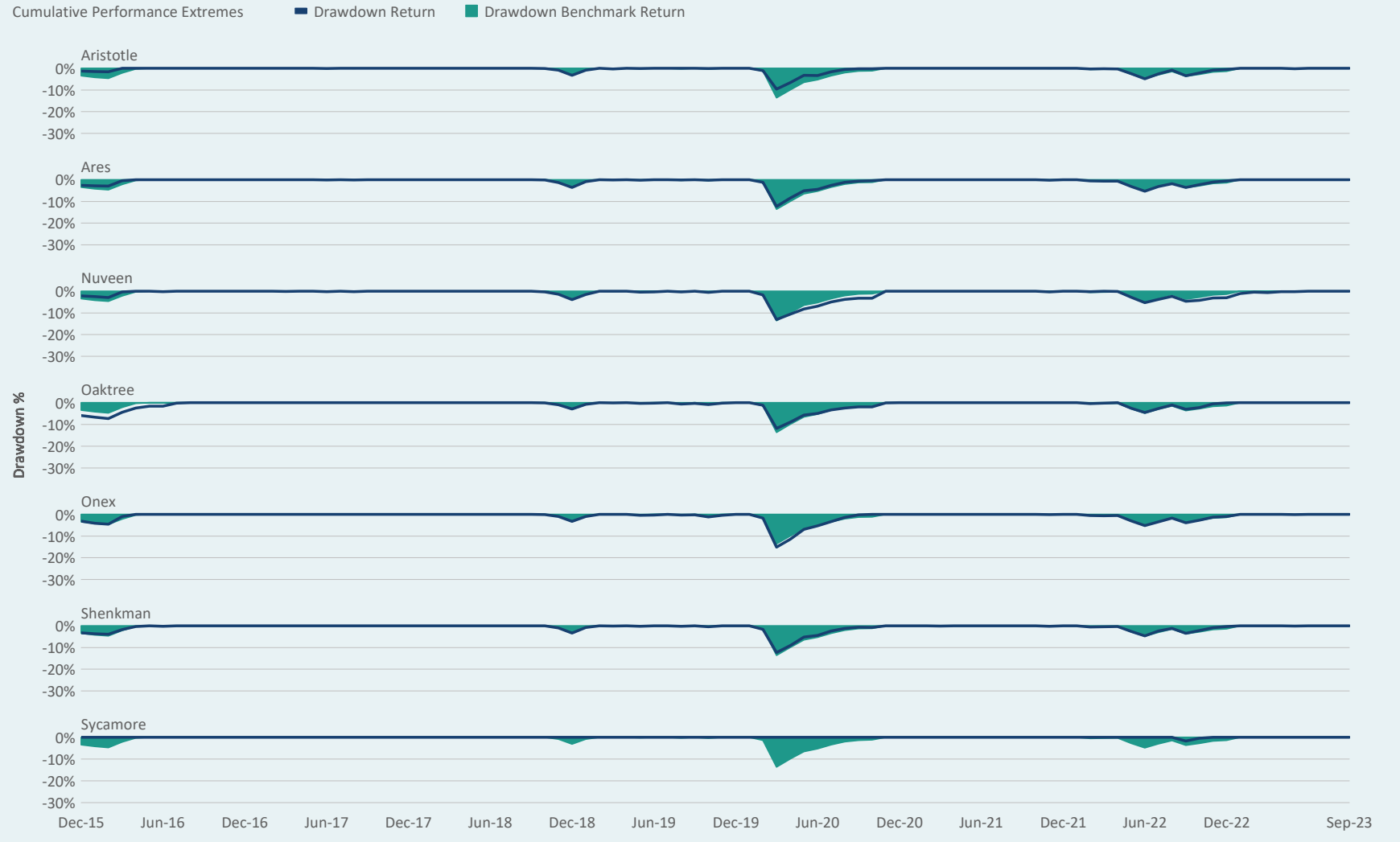
	Aristotle	Ares	Nuveen	Oaktree	Onex	Shenkman
Aristotle	1.00	0.34	-0.30	0.39	0.18	0.61
Ares	0.34	1.00	-0.08	0.03	0.18	0.52
Nuveen	-0.30	-0.08	1.00	-0.21	0.33	-0.14
Oaktree	0.39	0.03	-0.21	1.00	0.05	0.15
Onex	0.18	0.18	0.33	0.05	1.00	0.19
Shenkman	0.61	0.52	-0.14	0.15	0.19	1.00

## 5 YEAR ENDING 09/2023

	Aristotle	Ares	Nuveen	Oaktree	Onex	Shenkman
Aristotle	1.00	0.70	0.26	0.81	-0.54	0.81
Ares	0.70	1.00	0.17	0.47	-0.39	0.72
Nuveen	0.26	0.17	1.00	0.36	-0.13	0.23
Oaktree	0.81	0.47	0.36	1.00	-0.44	0.62
Onex	-0.54	-0.39	-0.13	-0.44	1.00	-0.25
Shenkman	0.81	0.72	0.23	0.62	-0.25	1.00

# Historical drawdowns

## CUMULATIVE PERFORMANCE EXTREMES



Note: Sycamore Tree strategy was inceptioned in July 2022.



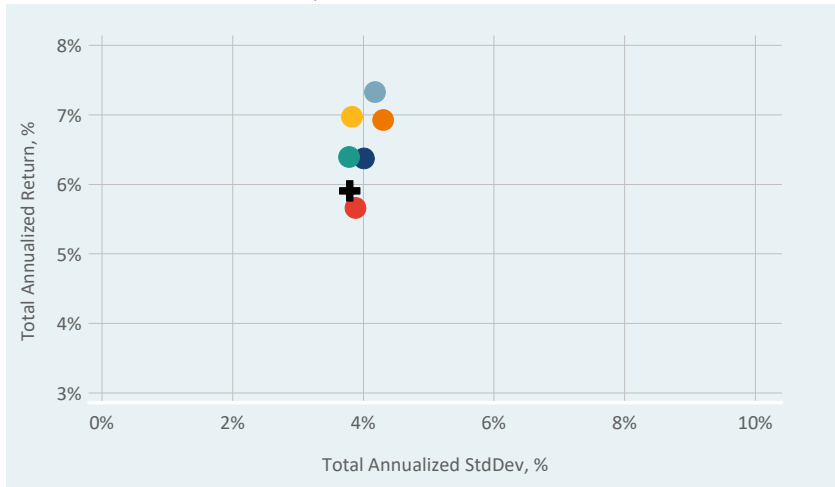
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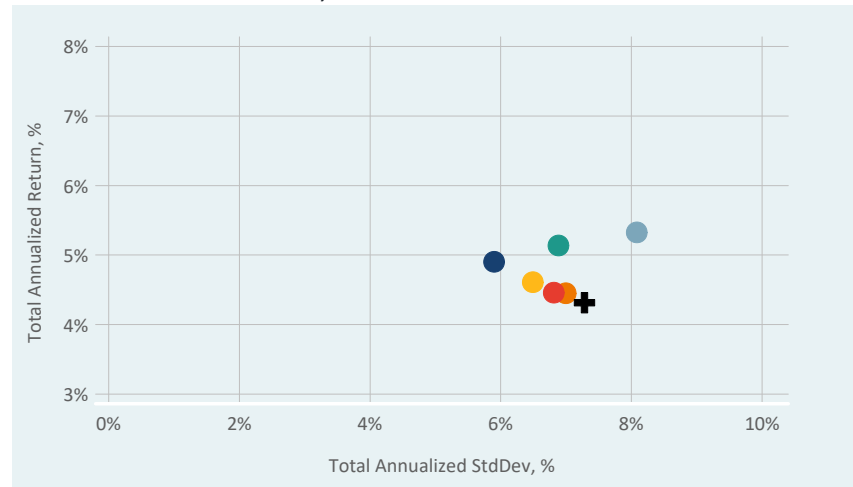
# Risk vs. return

- Aristotle
- Ares
- Nuveen
- Oaktree
- Onex
- Shenkman
- Sycamore
- + Credit Suisse Leveraged Loan

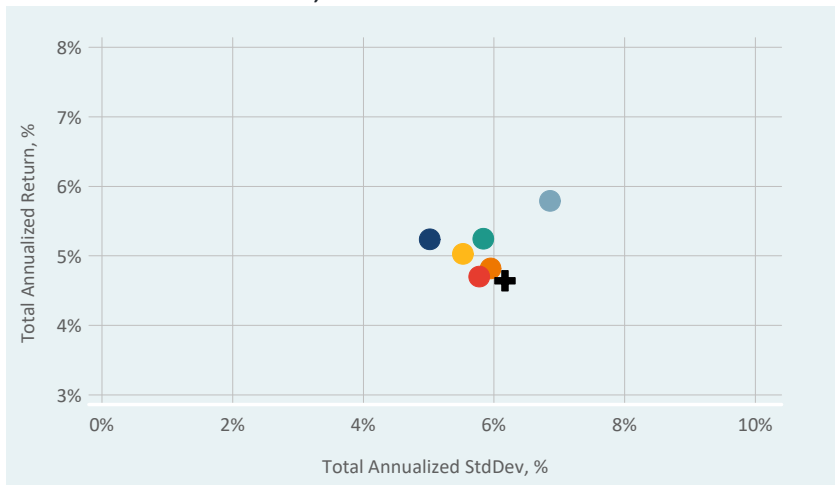
**3 YEAR TOTAL PERFORMANCE, OCT-20 TO SEP-23**



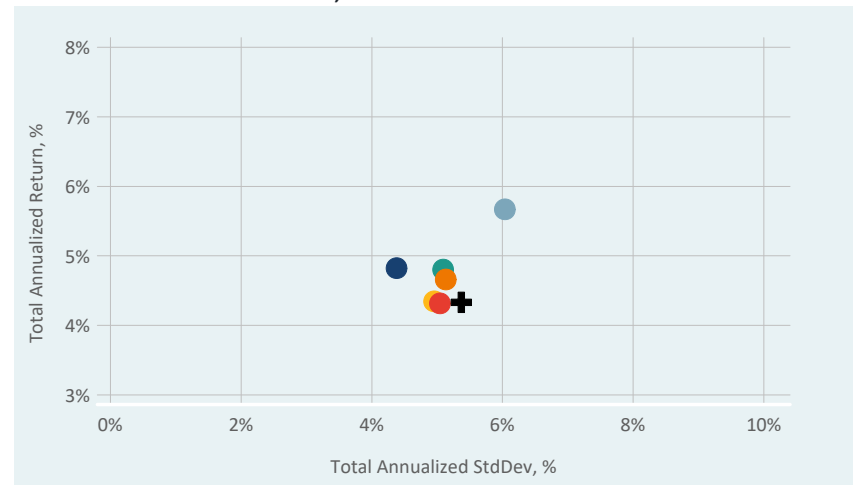
**5 YEAR TOTAL PERFORMANCE, OCT-18 TO SEP-23**



**7 YEAR TOTAL PERFORMANCE, OCT-16 TO SEP-23**



**10 YEAR TOTAL PERFORMANCE, OCT-13 TO SEP-23**



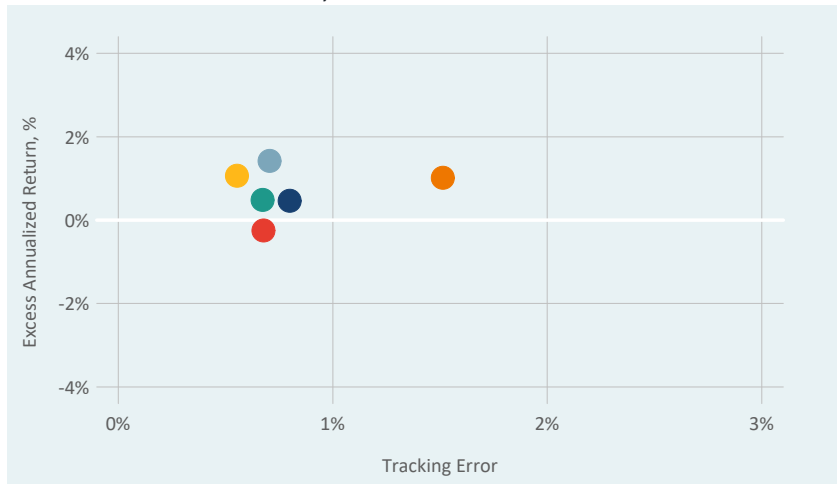
Index: Credit Suisse Leveraged Loan USD Returns: Gross of Fees  
 Data Source: eVestment Universe: eA US Floating-Rate Bank Loan Fixed Income

IPOPIF  
 January 2024

# Performance efficiency

- Aristotle
- Ares
- Nuveen
- Onex
- Shenkman
- Sycamore
- Oaktree
- ✚ Credit Suisse Leveraged Loan

**3 YEAR EXCESS PERFORMANCE, OCT-20 TO SEP-23**



**5 YEAR EXCESS PERFORMANCE, OCT-18 TO SEP-23**



**7 YEAR EXCESS PERFORMANCE, OCT-16 TO SEP-23**



**10 YEAR EXCESS PERFORMANCE, OCT-13 TO SEP-23**



Index: Credit Suisse Leveraged Loan USD Returns: Gross of Fees  
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# Notices & Disclosures

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# Illinois Police Officers' Pension Investment Fund

## **Investment Update** As of January 12, 2024

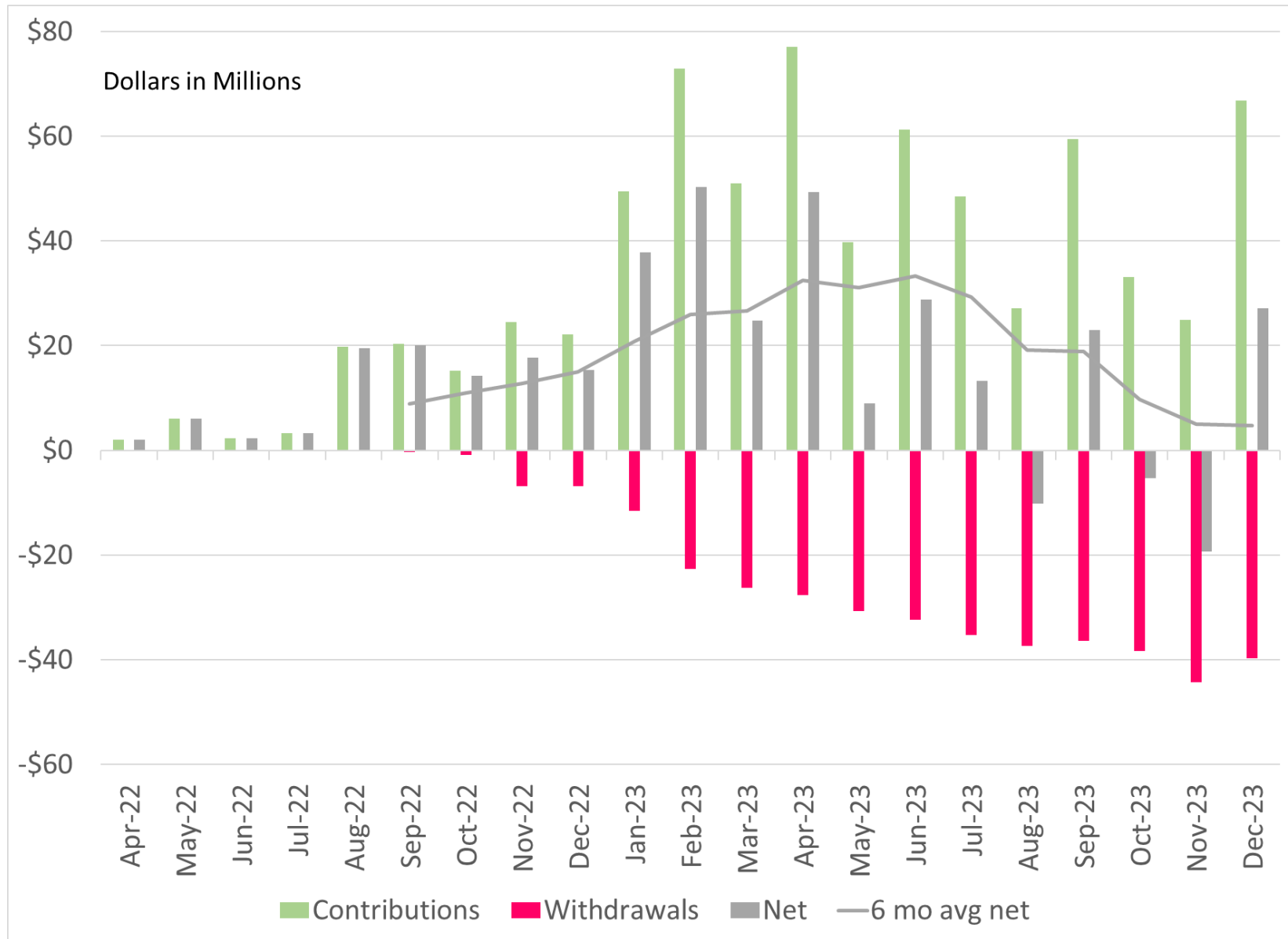


# Asset Allocation 12/29/23

Account	Current		Target		Variance	
	\$M	%	\$M	%	\$M	%
<b>Growth</b>	<b>5,646</b>	<b>56.5%</b>	<b>5,801</b>	<b>58.0%</b>	<b>(155)</b>	<b>-1.5%</b>
RHUMBLINE US LARGE	2,186	21.9%	2,300	23.0%	(114)	-1.1%
RHUMBLINE US SMALL	513	5.1%	500	5.0%	13	0.1%
SSGA NON-US DEVELOPED	1,755	17.5%	1,800	18.0%	(45)	-0.5%
SSGA NON-US DEVELOPED SC	499	5.0%	500	5.0%	(1)	0.0%
SSGA EM EQUITY	693	6.9%	700	7.0%	(7)	-0.1%
<b>Income</b>	<b>1,601</b>	<b>16.0%</b>	<b>1,600</b>	<b>16.0%</b>	<b>1</b>	<b>0.0%</b>
SSGA HIGH YIELD	991	9.9%	1,000	10.0%	(9)	-0.1%
SSGA EM DEBT	611	6.1%	600	6.0%	10	0.1%
<b>Inflation Protection</b>	<b>870</b>	<b>8.7%</b>	<b>900</b>	<b>9.0%</b>	<b>(30)</b>	<b>-0.3%</b>
SSGA TIPS	280	2.8%	300	3.0%	(20)	-0.2%
SSGA REITS	428	4.3%	400	4.0%	28	0.3%
PRINCIPAL US PROPERTY	162	1.6%	200	2.0%	(38)	-0.4%
<b>Risk Mitigation</b>	<b>1,884</b>	<b>18.8%</b>	<b>1,700</b>	<b>17.0%</b>	<b>183</b>	<b>1.8%</b>
Cash Accounts	176	1.8%	100	1.0%	76	0.8%
SSGA ST GOV-CREDIT	1,324	13.2%	1,300	13.0%	24	0.2%
SSGA CORE BONDS	383	3.8%	300	3.0%	83	0.8%
IPOPIF POOL FI TRANSITION	0.10	0.0%	-	0.0%	0	0.0%
<b>Total Investment Pool</b>	<b>10,001</b>	<b>100.0%</b>	<b>10,001</b>	<b>100.0%</b>	<b>-</b>	<b>0.0%</b>

All asset class weights are within Investment Policy limits.

# Monthly Participant Fund Cash Flow



# Performance Summary

Final	2Q22	FY23	3Q23	4/22 – 9/23
IPOPIF Pool	-10.4%	+8.8%	-2.4%	-3.3%
Policy Benchmark	-10.4%	+8.8%	-2.4%	-3.2%
Broad Benchmark	-13.6%	+11.0%	-3.4%	-5.0%
Actuarial Assumption		+6.8%		+6.8%

Preliminary	Dec.	FY24 TD	4/22 – 12/23
IPOPIF Pool	+4.6%	+6.2%	+2.0%
Policy Benchmark	+4.7%	+6.4%	+2.2%
Broad Benchmark	+4.9%	+6.5%	+1.2%
Actuarial Assumption			+6.8%

- IPOPIF Performance is net of fees.
- Policy Benchmark – Weighted average of asset class benchmarks; gauges success of implementation (currently less stock exposure than the broad benchmark)
- Broad Benchmark – 70/30 global stocks/bonds; gauges success of asset allocation.
- Returns for periods longer than one year are annualized.
- IPOPIF Actuarial Assumed Rate of Return is 6.8% per year

# Incorporating “Non-Daily” Investments

- International small cap commingled funds LSV and WCM, as well as the proposed Bank Loan commingled funds, are subject to monthly liquidity and monthly valuation.
- Future commingled fund investments such as Emerging Market Debt and Equity may also face this issue.
- Statements are expected 5 to 10 business days after month end.
- The IPOPIF Pool will continue to be valued daily with “best available” information.
  - Default will be the most recent statement.
  - Managers may be able to provide estimated “price indications” on a more frequent basis.
- IPOPIF June 30 value will incorporate June 30 statement values.
- Staff, Custodian, and Consultant are still working through operational review and setup.
- Looking farther out, private market investments are typically valued quarterly.

# Key Investment Initiatives (1)

Initiative	Status
Investment Staff Recruitment	Under CIO evaluation.
Investment Policy Review	Reviewed by staff, consultant, and Fiduciary Counsel. Proposed revisions ready for Board review.
Asset Allocation Review	Verus has researched and provided perspective on key issues: higher interest rates, public/private equity valuation, growth vs. value, small vs. large cap, emerging market equity China concentration. Next steps: identify potential changes for review; action plan build out.
Develop long-term investment implementation plan	Strategic Goals and Objectives approved at October 2023 Board meeting. Building out project management application with detailed steps with timelines and dependencies.

# Key Investment Initiatives (2)

Initiative	Status
International Equity Small Cap search	Acadian documentation near completion. Expect initial funding in coming days. Working through documentation with LSV and WCM.
Bank Loan Manager Search	Board interviews and selection planned for 1/19/24. Funding documentation in process.
Emerging Market Debt Manager Search	Board education on 1/19/24 agenda. Planning search request/RFP in March. Preliminary target is September selection.
Emerging Market Equity Search	Action plan and timeline under development. Potential Board education in March. Weight and structure may be dependent on Asset Allocation study.
Private Market Planning	Consultant education in June 2023. Preliminary investment plan targeted for March 2024. CIO reengaging.

# Key Investment Initiatives (3)

Initiative	Status
Develop plan for addressing non-transferrable assets	Working with Verus and Counsel to evaluate IPOPIF requirements and to develop a framework for resolving non-transferable assets.
Transition Planning	Preparing for potential transfer of assets from Article 3 funds after future legal ruling from the Illinois Supreme Court. Evaluating transition options and process changes/improvements. Negotiating amendment with Transition Manager (SSGM).
Develop Investment Communication Materials	Developed 2022 Transfer Performance Summary Developed stakeholder presentation Continuing to build out additional information
Develop compliance review and reporting matrix	Completed review of source documents to capture all requirements. Developing review and reporting structure.

# Preliminary March Agenda Items

- Verus 4Q23 Performance Review
- Asset Allocation Review
- Emerging Market Debt Manager Search Request
- Possible Emerging Market Equity Education
- Private market implementation planning
- Investment Service Provider Review - Investment Consultant



## ILLINOIS POLICE OFFICERS' PENSION INVESTMENT FUND

IPOPIF

**MEMORANDUM**

DATE: January 10, 2024  
 TO: IPOPIF Board of Trustees  
 FROM: Kent Custer, IPOPIF Chief Investment Officer  
 SUBJECT: Investment Policy Statement Review and Recommendations

---

Section IV.B.3 of the Investment Policy Statement (IPS) requires the Board to review and adopt the IPS during the first calendar quarter of each year and as otherwise required. Investment Staff, Consultant, and Fiduciary Counsel have reviewed the IPS and are recommending changes as annotated in the attached draft.

**Recommendation**

That the Board adopt the Investment Policy Statement with the proposed revisions and additional changes that are directed by the Board.

**Discussion**

Most of the recommended changes are straightforward when viewed in the context of the surrounding language in the attached annotated draft. A few changes require additional explanation.

- Securities Lending has been moved from Section IV, Roles and Responsibilities to Section V, Investment Structure. Associated parameters and guidelines have been deleted since IPOPIF is not currently engaged in securities lending. The Board retains the discretion to engage in securities lending in the future and the parameters and guidelines would be detailed in a separate agreement with any securities lending provider. Permission for commingled funds that utilize securities lending has been added and the Board retains control over this aspect through the search and approval process for investment managers.
- Manager Monitoring and Evaluation, Section VI.B, has been modified to reduce the focus on short-term performance and to make clear the process for the Board to evaluate Investment Managers of concern. The changes are "busy" in the annotated version, so a smooth version is provided below.
- The asset allocation has been changed to move 3% from high yield to Bank Loans, subject to separate Board Approval of Bank Loan manager selection. Staff and Verus are conducting a complete review of the Asset Allocation, which is targeted for Board Review in March 2024.

**Review of Appendix B Policies**

The following IPS policies are required to be reviewed annually by the Illinois Pension Code. These annual review requirements will be satisfied upon adoption of the IPS by the Board.

Appendix B1 – MWDBE INVESTMENT MANAGER UTILIZATION POLICY

Appendix B2 – MINORITY BROKER-DEALER POLICY

Appendix B3 – FIDUCIARY DIVERSITY POLICY

Appendix B4 – BUSINESSES DIVERSITY POLICY

Appendix B5 – ECONOMIC OPPORTUNITY

Appendix B6 – SUSTAINABLE INVESTING

### **Section VLB MANAGER MONITORING AND EVALUATION (Smooth Draft Language)**

Investment Staff and the Investment Consultant will evaluate each Investment Manager from a qualitative and quantitative standpoint on a quarterly basis.

1. Qualitative factors include, but are not limited to, the following.
  - a. Organizational changes, including but not limited to changes in structure, ownership, management, or departure of key personnel.
  - b. Assets under management at the firm and product level.
  - c. Conflicts of interest.
  - d. Changes in investment strategy, philosophy, process, or style.
  - e. Material litigation or regulatory challenges involving the Investment Manager.
  - f. Material client-servicing problems.
  - g. Minority brokerage utilization.
  - h. Other factors deemed relevant and considered by the Board.
2. Quantitative Review.
  - a. Long-term performance standards should measure an Investment Manager's performance using rolling returns across multiple trailing time periods (e.g., 1-year, 3-year, and 5-year) in relation to the mutually agreed upon performance index and a peer group of investment managers with similar investment styles.
  - b. Managers are expected to maintain their stated investment style and philosophy. Quantitative measures of investment style and philosophy include style mapping, style attribution analysis, and tracking error relative to the benchmark.
3. Investment Staff and the Investment Consultant will review Investment Manager performance with the Board on a quarterly basis.
4. The Investment Consultant and Investment Staff shall identify Investment Managers of concern, provide an analysis of material issues, and recommend appropriate action to the Board. Based on the analysis and recommendation provided by the Investment Consultant and Investment Staff, the Board will evaluate the Investment Manager and take action, if deemed appropriate by the Board.



IPOPIF

ILLINOIS POLICE OFFICERS' PENSION INVESTMENT FUND

**ILLINOIS POLICE OFFICERS'  
PENSION INVESTMENT FUND**

**INVESTMENT POLICY  
STATEMENT**

Policy Number: PP-2021-08

Adopted December 17, 2021

Last Revised ~~April 14, 2023~~: January 19, 2024

## TABLE OF CONTENTS

<b>I.</b>	<b>BACKGROUND AND PURPOSE</b> .....	<b>1</b>
<b>II.</b>	<b>INVESTMENT OBJECTIVES</b> .....	<b>1</b>
<b>III.</b>	<b>INVESTMENT PHILOSOPHY</b> .....	<b>1</b>
<b>IV.</b>	<b>ROLES AND RESPONSIBILITIES</b> .....	<b>2</b>
	<i>A. FIDUCIARY RESPONSIBILITY</i> .....	<i>2</i>
	<i>B. THE BOARD OF TRUSTEES</i> .....	<i>3</i>
	<i>C. CHIEF INVESTMENT OFFICER</i> .....	<i>3</i>
	<i>D. INVESTMENT CONSULTANT</i> .....	<i>4</i>
	<i>E. CUSTODIAN</i> .....	<i>4</i>
	<i>F. INVESTMENT ADVISORS/MANAGERS</i> .....	<i>5</i>
<b>V.</b>	<b>INVESTMENT STRUCTURE</b> .....	<b>7</b>
	<i>A. ASSET CATEGORIES AND CLASSES</i> .....	<i>7</i>
	<i>B. ASSET ALLOCATION</i> .....	<i>7</i>
	<i>C. INVESTMENT MANAGER STRUCTURE</i> .....	<i>7</i>
	<i>D. REBALANCING POLICY</i> .....	<i>7</i>
	<i>E. TRANSITION MANAGEMENT</i> .....	<i>8</i>
	<i>F. SECURITIES LENDING</i> .....	<i>8</i>
	<i>G. PERFORMANCE BENCHMARKS</i> .....	<i>8</i>
<b>VI.</b>	<b>INVESTMENT MANAGER SELECTION, MONITORING, AND EVALUATION</b>	<b>8</b>
	<i>A. INVESTMENT MANAGER SELECTION</i> .....	<i>9</i>
	<i>B. MANAGER MONITORING AND EVALUATION</i> .....	<i>9</i>
<b>VII.</b>	<b>PROXY VOTING POLICY</b> .....	<b>10</b>
<b>VIII.</b>	<b>POLICIES INCORPORATED BY REFERENCE</b> .....	<b>10</b>
<b>IX.</b>	<b>POLICY ADOPTION</b> .....	<b>10</b>
	<b>Appendix A1 – ASSET CLASS DESCRIPTIONS</b> .....	<b>11</b>
	<i>A. Growth Assets</i> .....	<i>11</i>
	<i>B. Income Assets</i> .....	<i>12</i>
	<i>C. Inflation Protection (Real Assets)</i> .....	<i>12</i>

PP-2021-08: IPOPIF Investment Policy Statement

**DRAFT**

*D. Risk Mitigation*..... 13

**Appendix A2 – ASSET ALLOCATION**..... 15

**Appendix A3 – PERFORMANCE BENCHMARKS** ..... 16

**Appendix B1 – MWDBE INVESTMENT MANAGER UTILIZATION POLICY** ..... 18

*A. Definitions*..... 18

*B. Emerging Manager Goals*..... 18

*C. MWDBE Manager Goals*..... 18

*F. Review Requirement*..... 19

**Appendix B2 – MINORITY BROKER-DEALER POLICY** ..... 20

*A. Definitions*..... 20

*B. Goal*..... 20

*C. Best Execution Required*..... 20

*D. Manager Reporting*..... 20

*E. Review Requirement*..... 20

**Appendix B3 – FIDUCIARY DIVERSITY POLICY**..... 21

**Appendix B4 – BUSINESSES DIVERSITY POLICY** ..... 21

**Appendix B5 – ECONOMIC OPPORTUNITY**..... 21

**Appendix B6 – SUSTAINABLE INVESTING** ..... 22

## **I. BACKGROUND AND PURPOSE**

The Illinois Police Officers' Pension Investment Fund (IPOPIF or the Fund) was created by Illinois Public Act 101-0610 to consolidate the Article 3 police pension funds to streamline investments and eliminate unnecessary and redundant administrative costs, thereby ensuring assets are available to fund pension benefits for the beneficiaries of the participating pension funds as defined in 40 ILCS 5/ 22B-105.

This "Investment Policy Statement" (IPS or Policy) provides objectives, guidelines, procedures, and performance standards for the investment of the assets of the Fund. The Policy represents the formal document governing the investment of the Fund's assets.

## **II. INVESTMENT OBJECTIVES**

1. To ensure the assets of the Fund are invested with the care, skill, prudence, and diligence that a prudent person acting in a like capacity would undertake.
2. To earn a long-term, net-of-fees, investment return that meets or exceeds the actuarial assumed rate of return, the return of the Broad Benchmark, and the return of the Policy Benchmark consistent with the risk level expected from the asset allocation.
3. To ensure the assets of the Fund are invested in a manner that minimizes and controls the costs incurred in administering and managing the assets.

## **III. INVESTMENT PHILOSOPHY**

This section outlines the core beliefs and long-term acknowledgements that will guide the IPOPIF investment program.

1. A well-defined governance structure with clearly delineated responsibilities is critical in achieving consistent, long-term performance objectives.
2. The strategic asset allocation determines the risk-reward profile of the portfolio and is the primary driver of overall portfolio performance and volatility. Key considerations include, but are not limited to, the following:
  - a. Asset allocation has a greater effect on return variability than asset class investment structure or investment manager selection.
  - b. Understanding expected performance variance and being steadfast in the face of negative returns is critical to long-term success.
  - c. Disciplined portfolio rebalancing is a key aspect of prudent long-term asset allocation policy.
3. Risk is multifaceted and will be evaluated holistically, incorporating quantitative measures and qualitative assessments. Risk considerations include, but are not limited to, the following:
  - a. Key pension plan risk factors include mortality, inflation, and investment returns.
  - b. Portfolio diversification across different asset classes, regions and risk factors reduces risk and increases risk-adjusted returns over the long-term.
  - c. Leverage can be an effective tool to enhance diversification and control risk.

PP-2021-08: IPOPIF Investment Policy Statement

**DRAFT**

- d. Uncompensated risk should be minimized.
  - e. Generating positive investment returns requires recognizing and accepting non-diversifiable risk. Not taking enough risk is risky; therefore, IPOPIF will accept a prudent level of risk in pursuit of its enterprise objectives.
4. Liquidity is a risk factor and a source of return.
    - a. The Fund should possess sufficient liquidity to meet expected cash needs under normal and stress scenarios.
    - b. Illiquid investments should be considered if the expected return provides attractive compensation for the loss of liquidity.
  5. The opportunity for active manager risk-adjusted outperformance (alpha) is not uniformly distributed across asset classes or strategies. Active strategies are preferred only when there is strong conviction that they can be expected to add alpha, net of fees. Otherwise, passive strategies are preferred.
  6. Investment costs will be monitored and minimized within the context of maximizing net return. The goal is not low fees, but rather maximum returns, net of fees.
    - a. Performance-based fee structures with a low base rate and a cap on participation may be appropriate and promote alignment of interests.
    - b. The Fund will negotiate aggressively for the lowest fees and will seek most-favored nation clauses where appropriate.

#### **IV. ROLES AND RESPONSIBILITIES**

##### **A. FIDUCIARY RESPONSIBILITY**

1. A person is a "fiduciary" with respect to the Fund to the extent that the person:
  - a. exercises any discretionary authority or discretionary control respecting management of the Fund, or exercises any authority or control respecting management or disposition of its assets; or
  - b. renders investment advice or renders advice on the selection of fiduciaries for a fee or other compensation, direct or indirect, with respect to any moneys or other property of the Fund or has any authority or responsibility to do so; or
  - c. has any discretionary authority or discretionary responsibility in the administration of the Fund.
2. All fiduciaries to the Fund shall conduct their responsibilities with the care, skill, prudence, and diligence under the circumstances then prevailing which a prudent person familiar with these matters and acting in a like capacity would use in the conduct of an activity of like character and purpose. Fiduciaries, their employees, agents, and designees shall discharge their duties with respect to the Fund solely in the interest of the participants and beneficiaries of the Fund.

PP-2021-08: IPOPIF Investment Policy Statement

**DRAFT****B. THE BOARD OF TRUSTEES**

The Board of Trustees (the Board), the members of which are fiduciaries to the Fund, has ultimate responsibility for the success and safety of the investment program. The responsibilities of the Board include, but are not limited to, the following:

1. Determining a prudent level of risk to accept in order to achieve investment objectives.
2. Adopting an asset allocation that prudently diversifies investment risk and maximizes expected return consistent with risk tolerance.
3. Reviewing and adopting the investment policy during the first calendar quarter of each year and as otherwise required.
- ~~4. Reviewing and approving the strategic plan and objectives.~~
- 4.5. Approving the selection and termination of investment service providers.
- 5.6. Monitoring and evaluating the investment performance of the Fund and ensuring the risk profile is consistent with Policy objectives.
- 6.7. Monitoring and evaluating investment expenses.
- 7.8. Establishing the responsibilities of, and evaluating the performance of, investment staff, advisors, and consultants.

**C. CHIEF INVESTMENT OFFICER**

The Chief Investment Officer (CIO) is a fiduciary to the Fund and is responsible for the day-to-day operation and oversight of Fund investments under policy guidance from the Board. The CIO will work closely with the Executive Director, Investment Consultant, and investment staff to carry out the duties and responsibilities of this role. Specific responsibilities of the CIO include, but are not limited to, the following:

- ~~1. Recommending a prudent level of risk to accept in order to achieve investment objectives.~~
- 2.1. Recommending an asset allocation that prudently diversifies investment risk and maximizes expected return consistent with ~~risk tolerance~~ the investment objectives established by the Board.
- 3.2. Recommending an investment policy.
- 4.3. Recommending the search, selection, and termination of investment service providers needed to implement the investment program.
- 5.4. Monitoring and evaluating the investment performance of the Fund and ensuring the risk profile is consistent with Policy objectives.
- 6.5. Monitoring and evaluating investment expenses.
- 7.6. Monitoring and evaluating investment service providers.
- 8.7. Developing proposals to enhance the investment program.
- 9.8. Ensuring the Fund has adequate liquidity to meet cash flow needs and coordinating the investment of cash contributions and distributions.
- 10.9. Monitoring investment allocation and coordinating rebalancing in accordance with



PP-2021-08: IPOPIF Investment Policy Statement

**DRAFT**

the Policy.

~~11.10.~~ Reporting to the Board at least quarterly regarding investment activity and performance.

~~12.11.~~ Managing the IPOPIF investment staff.

#### **D. INVESTMENT CONSULTANT**

The Investment Consultant is a fiduciary to the Fund and provides information, analysis, and advice to the Board, CIO, and investment staff to assist them in implementing the investment program and monitoring and evaluating Fund investments. The Investment Consultant will work closely with the CIO but is required to provide an independent perspective to the Board. Specific responsibilities of the Investment Consultant include, but are not limited to, the following.

1. Assisting in the development, implementation, and evaluation of the Investment Policy and asset allocation.
2. Assisting in the development, implementation, and evaluation of an investment manager structure that provides appropriate diversification with respect to the number and types of investment managers retained.
3. Making recommendations regarding the identification of appropriate market benchmarks and peer groups against which each investment option should be evaluated.
4. Assisting in the search process for investment service providers.
5. Producing quarterly performance reports to assist in evaluating ~~the investment plan, risk, and performance~~ return across the portfolio. In conjunction with these reports, the Investment Consultant will provide recommendations for action when appropriate or when requested.
6. Monitoring the investment managers and investment products employed by the Fund on an on-going basis and informing the CIO and Board, as appropriate, of any developments that might impact performance of Fund investments.
7. Educating investment staff and the Board, as appropriate, on investment issues that could impact the Fund.

#### **E. CUSTODIAN**

The Custodian has three primary responsibilities, namely: (1) safekeeping of assets – custody, pricing, and accounting, and reporting of assets owned by the Fund; (2) trade processing – track and reconcile assets that are acquired and disposed; and (3) asset servicing – maintain all economic benefits of ownership including income collection, corporate actions, and proxy notification issues. Specific responsibilities of the Custodian include, but are not limited to, the following.

1. Safekeeping services for investment securities.
2. Timely settlement of securities transactions.
3. Proper pricing of investment securities.
4. Timely collection of income.
5. Prompt and accurate administration of corporate actions, including but not limited to

PP-2021-08: IPOPIF Investment Policy Statement

**DRAFT**

proxy notifications.

6. Direct, accurate daily communications with investment managers to ensure trades are correct and confirmed.
7. Proactive reconciliation with investment managers.
8. Value allocation for each Article 3 pension fund account.
9. Providing a cash management platform that will support secure and efficient cash transactions for IPOPIF and all Article 3 pension funds.
- 9.10. Monthly and annual reporting for IPOPIF and uniform reporting for all Article 3 pension fund accounts, including but not limited to performance, accounting, and cash flows.
- ~~10.11.~~ Immediate communication with the CIO regarding any concerns or issues with respect to services provided by the Custodian.
- ~~11.12.~~ Support for annual and regulatory reporting, including working with IPOPIF auditors.
- ~~12.13.~~ Governance reporting to ensure service level metrics and expectations are being met.

#### **F. INVESTMENT ADVISORS/MANAGERS**

In accordance with the Illinois Pension Code, the Board may appoint investment advisors (herein also referred to as “Investment Managers”) to manage (including the power to acquire or dispose of) the assets of the Fund. The specific duties and responsibilities of each Investment Manager include, but are not limited to, the following.

1. The investment advisor(s) must acknowledge in writing that it is a fiduciary with respect to the Fund and must be at least one of the following:
  - a. registered as an investment adviser under the federal Investment Advisers Act of 1940 (15 U.S.C. 80b-1, et seq.);
  - b. registered as an investment adviser under the Illinois Securities Law of 1953;
  - c. a bank, as defined in the Investment Advisers Act of 1940; or
  - d. an insurance company authorized to transact business in this State.
2. Managing those assets of the Fund that are under the supervision of the Investment Manager in accordance with the Investment Management Agreement or other governing document between IPOPIF and the Investment Manager.
3. Exercising investment discretion regarding buying, managing, and selling Fund assets under the supervision of the Investment Manager, subject to any limitations contained in the Investment Management Agreement or other governing document between IPOPIF and the Investment Manager.
4. Directing all trading on the portfolio(s) that it manages on a best execution basis. Soft-dollar trades are prohibited, unless expressly authorized under the Investment Management Agreement. (Soft dollar refers to a method of paying brokers for non-trading services, such as research, through trading commissions.)
5. Voting proxies on all securities held. All proxies will be voted exclusively in the best

interests of the Fund. Investment managers who vote proxies will maintain written policies for proxy voting and keep a proper record of all proxies to which the Fund is entitled. A written report will be provided annually to the CIO and Investment Consultant.

6. Providing written reports to the CIO and Investment Consultant on at least a quarterly basis, ~~detailing performance for the most recent period, gross and net of all fees, including but not limited to:~~
  - a. Performance, gross and net of all fees, for the most recent quarterly, year-to-date, and relevant longer time periods.
  - b. Investment fees for quarterly, year-to-date, and inception periods.
  - c. Market value of investments.
  - d. Portfolio and market commentary/outlook.
  - e. If applicable, brokerage activity data for quarterly and year-to-date periods.
  - f. Additional information as requested by the Board, Investment Staff, or the Investment Consultant.
7. Informing staff and the Investment Consultant, as soon as practical, in writing of any breach of the Investment Manager's investment guidelines, its Agreement with the Fund, regulatory standards, and ethics policies.
8. Informing staff and the Investment Consultant as soon as practical, in writing, of any significant changes in the ownership, organizational structure, financial condition, personnel staffing, or other material changes at the firm; and
9. Increasing the utilization of Minority/Women/Disabled/Veteran Owned Broker Dealers. Appendix B2 details minority brokerage goals and responsibilities.
10. The Fund may utilize pooled funds (e.g., mutual funds, commingled funds, collective trusts, limited partnerships) that are generally aligned with this Policy when selected. However, pooled funds are controlled by their specific governing documents and are not customizable; therefore, it may not be feasible to require that such pooled funds adhere strictly to this Investment Policy. Any manager of a pooled fund shall inform IPOPIF if the investment policies, objectives, or guidelines of any such fund undergo material changes.

#### ~~A. SECURITIES LENDING PROVIDER~~

~~The Board may authorize the use of a securities lending provider, which refers to any third-party firm (Agent) that lends the assets of the Fund to other parties in exchange for collateral and interest income. Cash collateral received from securities borrowers will be deposited upon receipt in an approved short term investment vehicle or vehicles. The Agent may lend financial securities and shall have full discretion over the selection of borrowers and shall continually review the creditworthiness of potential borrowers through extensive analysis of publicly available information and any other material available to them. All loans shall be fully collateralized with cash, government securities, or irrevocable bank letters of credit. Initial collateral levels equal to a percentage of the market value of the borrowed securities shall not be less than 102% plus accrued interest. Securities on loan should be marked to market on a daily basis to assess adequacy of~~

PP-2021-08: IPOPIF Investment Policy Statement

**DRAFT**

~~collateralization. The Agent shall provide periodic performance reports to the Investment Staff and Investment Consultant. The securities lending program should in no way inhibit the portfolio management activities of the Fund's investment managers.~~

## V. INVESTMENT STRUCTURE

### A. ASSET CATEGORIES AND CLASSES

IPOPIF investments shall be prudently diversified to optimize expected ~~risk and return and control risks~~ risk and return. Assets can generally be categorized into four functional categories of Growth, Income, Inflation Protection, and Risk Mitigation. Each category can include multiple asset classes, representing different types of investments that can provide diversification within each functional category. Asset category and class descriptions are detailed in Appendix A1.

### B. ASSET ALLOCATION

The asset allocation establishes target weights for each asset class and is designed to maximize the long-term expected return of the Fund within an acceptable risk tolerance while providing sufficient liquidity to meet program liabilities. The asset allocation is a key determinant of investment performance. The Asset Allocation is detailed in Appendix A2.

### C. INVESTMENT MANAGER STRUCTURE

The investment manager structure establishes the investment manager roles that will be used to implement the asset allocation. The investment manager structure will employ the minimum number of managers necessary to assure appropriate diversification. The following guidelines will limit active manager concentration unless an exception is specifically authorized by the Board.

1. The maximum allocation to a single active manager is 12% of the Plan.
2. The maximum allocation to a single active management product is 8% of the Plan.
3. No investment with any single investment strategy may exceed 10% of that manager's total assets under management for that strategy.
4. There is no specified limitation for passive managers or products but diversifying alternatives should be considered when adding passive exposure.

### D. REBALANCING POLICY

1. Rebalancing is the process of realigning investment weights toward targets to maintain the desired asset allocation.
2. Rebalancing ranges are detailed in Appendix A2, Asset Allocation.
3. The CIO has the responsibility and authority to rebalance the Fund in accordance with this Policy.
4. The CIO and the Investment Consultant shall review asset allocations at least quarterly or as appropriate during periods of significant market volatility.
5. Cash contributions to and withdrawals from the Fund may be used to move investment weights towards targets.

PP-2021-08: IPOPIF Investment Policy Statement

**DRAFT**

6. When asset allocations exceed the prescribed limits, or when deemed prudent by the CIO, with the advice of the Investment Consultant, Fund assets may be rebalanced to the target levels or to some point within the target range. No rebalancing action is automatically required if an asset class weight reaches a rebalancing limit. However, the CIO shall document the rationale for not acting if an allocation falls outside of the rebalancing range.
7. Rebalancing to targets will be considered at least annually by the CIO, with the advice of the Investment Consultant.
8. Rebalancing activity shall be reported at the next meeting of the Board.

#### **E. TRANSITION MANAGEMENT**

1. Transition management is the process of managing changes to an investment fund's portfolio of assets with an objective of reducing unnecessary cost and uncompensated risk.
2. IPOPIF shall maintain a pool of qualified transition management firms, which may be utilized to minimize the costs of asset transfers. Transition manager utilization should be considered for asset transfers but is not required if the CIO, with advice from the Consultant, believes the transition can be more effectively implemented using approved investment managers.
3. A transition plan shall be developed by the transition manager or investment manager and reviewed with investment staff prior to the transition.
4. A post-trade analysis shall be documented by the transition manager or investment manager and reviewed with investment staff.
5. Transition activity and costs shall be reported at the next meeting of the Board.

#### **F. SECURITIES LENDING**

The Board may authorize the use of a securities lending provider, which refers to any third-party firm (Agent) that lends the assets of the Fund to other parties in exchange for collateral and interest income. The specifics pertaining to any securities lending program shall be detailed in a separate Securities Lending Agreement. Investments in commingled vehicles that utilize securities lending are permitted.

#### **F.G. PERFORMANCE BENCHMARKS**

Fund performance will be evaluated against a "Broad Benchmark" of global stocks and bonds and a "Policy Benchmark" reflecting a market index or equivalent for each asset class, weighted in accordance with the current target allocations. ~~Over a full market cycle (typically three to five years),~~ Over the long term, the Fund is expected to generate returns, after payment of all fees and expenses, which exceed the Broad Benchmark and the Policy Benchmark. Performance Benchmarks are detailed in Appendix A3.

### **VI. INVESTMENT MANAGER SELECTION,**

PP-2021-08: IPOPIF Investment Policy Statement

**DRAFT****MONITORING, AND EVALUATION****A. INVESTMENT MANAGER SELECTION**

1. Investment Manager selection shall be governed by the Procurement of Investment Services Policy, IPOPIF Policy number PP-2021-07.
2. Pursuant to 40 ILCS 5/1A-108.5, the Fund recognizes that it is the public policy of the State of Illinois to promote the economy of Illinois through the use of economic opportunity investments to the greatest extent feasible within the bounds of financial and fiduciary prudence.

**B. MANAGER MONITORING AND EVALUATION**

Investment Staff and the Investment Consultant will evaluate each Investment Manager from a qualitative and quantitative standpoint on a quarterly basis.

1. Qualitative factors include, but are not limited to, the following.
  - a. ~~Ownership changes~~Organizational changes, including but not limited to changes in structure, ownership, management, or departure of key personnel.
  - b. Assets under management at the firm and product level.
  - c. Conflicts of interest.
  - d. Changes in investment strategy, philosophy, process, or style.
  - e. Material litigation or regulatory challenges involving the Investment Manager.
  - f. Material client-servicing problems.
  - g. Minority brokerage utilization.
  - h. Other factors deemed relevant and considered by the Board.
2. Quantitative Review.
  - ~~a.—~~Long-term performance standards should measure an Investment Manager's performance using rolling returns across multiple trailing time periods (e.g., 1-year, 3-year, and 5-year) in relation to the mutually agreed upon performance index.
  - a. ~~Shorter term performance will be measured in relation to an appropriate style index and "Peer Group." Each Investment Manager is to be measured against the median return of and~~ a peer group of investment managers with similar investment styles.
  - b. Managers are expected to maintain their stated investment style and philosophy. Quantitative measures of investment style and philosophy include style mapping, style attribution analysis, and tracking error relative to the benchmark.
3. Investment Staff and the Investment Consultant will review Investment Manager performance with the Board on a quarterly basis.
  - ~~b.—~~The Investment staff~~Consultant and Investment Staff~~ shall identify ~~investment managers~~Investment Managers of concern, ~~report the~~provide an analysis of

PP-2021-08: IPOPIF Investment Policy Statement

**DRAFT**

material issues, and ~~provide an analysis supporting~~ recommend appropriate action to the Board. Based on the CIO's analysis and recommendation-

~~e. While past performance is not a reliable predictor of future results, the following criteria shall warrant review provided by the Investment Consultant and Investment Staff, the Board of Trustees:~~

4. ~~Four consecutive quarters in which will evaluate the manager underperforms its benchmark index for Investment Manager and take action, if deemed appropriate by the trailing three-year and five-year periods. Board.~~

~~i. Two consecutive quarters in which the manager underperforms its Peer Group for the trailing three year and five year periods.~~

## **VII. PROXY VOTING POLICY**

~~Proxies-Proxy voting~~ refers to the process of voting as a shareholder on corporate issues without being physically present at the meeting. Shareholders may also vote on corporate issues in person. The Board recognizes that the right to vote on corporate issues is a Fund asset and affirms its fiduciary responsibility to ensure that the Fund's shareholder votes and proxies are voted in the best interests of the Fund. The Board delegates this responsibility to its fiduciary investment managers, who are best positioned to understand the voting issues. Investment managers shall report proxy voting activity annually to the CIO and the Investment Consultant. In the absence of an assigned investment manager, the Chief Investment Officer shall vote proxies in the best interest of the Fund and will use their professional judgement regarding when to seek Board guidance.

## **VIII. POLICIES INCORPORATED BY REFERENCE**

The following IPOPIF Policies are incorporated into the Investment Policy Statement by reference:

PP-2021-07 Procurement of Investment Services Policy

AR-2021-02 Transfer of Assets Rule

AR-2022-01 Valuation and Cost Rule

PP-2022-01 Cash Management Policy

## **IX. POLICY ADOPTION**

The Investment Policy was originally adopted by the IPOPIF Board of Trustees on December 17, 2021. The dates of subsequent review and adoption shall be recorded below.

October 14, 2022 – reviewed and adopted

February 2, 2023 – reviewed and adopted

April 14, 2023 – updated short-term asset allocation



## Appendix A1 – ASSET CLASS DESCRIPTIONS

### A. Growth Assets

1. Role: Capital appreciation, primary driver of long-term total return
2. Investment Approach: Growth assets generally represent equity or equity-like interests in current and future income streams and capture long-term economic growth trends throughout the world.
3. Risk Factors
  - a. The cost of the ~~high~~**higher** expected long-term returns is higher expected volatility.
  - b. Growth assets are highly sensitive to economic conditions and are subject to potential loss during economic downturns, rising/unexpected inflation, and rising interest rates.
  - c. Foreign currency volatility can be a source of risk and return for non-US exposure.
  - d. Liquidity is a key benefit of public equities as stocks can be traded daily. Illiquidity is a key risk factor for private equity.
4. Representative Asset Classes
  - a. **US Equity** represents publicly traded stock holdings of companies located in the United States.
  - b. **Non-US Equity** represents publicly traded stock holdings of companies located outside of the United States. Non-US equity provides diversification through exposure to international economies and currencies. Non-US equity can be segregated by **developed** and **emerging markets** (economies). Emerging markets equity is expected to capture the higher economic growth of emerging economies and provide higher long-term returns than developed market equities coupled with higher volatility.
  - c. **Global Equity** removes regional constraints allowing investment in US and non-US companies.
  - d. Public equities may also be categorized by company capitalization (size) with **smaller companies** historically experiencing higher returns and volatility. Active management has fared better in the small company environment, where information is typically evaluated by fewer analysts.
  - e. **Private Equity** refers to investments in private companies (direct investments) or funds that hold investments in private companies or securities that are not typically traded in the public markets. Frequently these investments need “patient” capital to allow time for growth potential to be realized through a combination of capital investment, management initiatives, or market development. Private equity is expected to provide higher long-term returns than public equity, ~~but illiquidity with higher fees and investment risk.~~ **Illiquidity** is a key risk due to contractual commitments to fund capital on demand and term



structures that allow holding that capital for several years to allow time for value creation.

## B. Income Assets

1. Role: Current income and moderate long-term appreciation
2. Investment Approach: Income assets are generally fixed claims on assets or income streams of an issuer (e.g., government, corporation, asset-backed securities).
3. Risk Factors:
  - a. Income assets are subject to the failure of the borrower to make timely payments of interest and principal (credit risk) and the price volatility related to credit risk. Bonds with greater credit risk (i.e., bonds with lower credit ratings) are typically less liquid than higher quality bonds.
  - b. Income assets are also susceptible to interest rate (duration) risk where higher market interest rates reduce their value. Longer maturities have relatively higher interest rate risk.
4. Representative Asset Classes
  - ~~d. **Bank Loans** are similar to high yield bonds in that both represent debt issuers with higher credit risk. Compared to high yield bonds, bank loans typically have higher seniority in the capital structure, which has historically resulted in much higher recovery following default.~~
  - a. **High Yield Debt** refers to bonds with higher credit risk and lower credit ratings than investment-grade corporate bonds, Treasury bonds, and municipal bonds. Because of the higher risk of default, these bonds pay a higher yield than investment grade bonds.
  - b. **Emerging Markets Debt** (EMD) refers to bonds issued by developing countries or corporations based in developing countries. EMD bonds can be denominated in U.S. Dollars or local currency. The primary risk factor is credit quality, but interest rates and foreign currency fluctuations are also factors.
  - c. **Bank Loans** are debt obligations arranged by banks and other financial institutions that consist of loans made to companies that are then sold through syndication. Also called “floating rate” or “leveraged” loans, bank loans are similar to high yield bonds in that both represent debt issuers with higher credit risk. Compared to high-yield bonds, bank loans typically have higher seniority in the capital structure, which has historically resulted in higher recovery following default.
  - ~~e.d.~~ **Private Debt** refers to non-bank direct lending arrangements. Features are similar to bank loans with somewhat higher fees, credit risk, and yields. Investments are typically structured in a private market vehicle with limited liquidity.

## C. Inflation Protection (Real Assets)

1. Role: Current income, inflation protection, diversification

PP-2021-08: IPOPIF Investment Policy Statement

**DRAFT**

2. Investment Approach: ~~Generally, ownership~~ Ownership in physical assets or Treasury Inflation-Protection Securities (TIPS)
3. Risk Factors: Similar to income assets, real assets are susceptible to interest rate risk. Real Assets may not provide the desired inflation protection contemporaneously with the negative impact on other asset classes. Loss of principal is also a risk. Real Estate, Natural Resources, and Infrastructure are typically accessed through private investment vehicles with constrained liquidity similar to that discussed for Private Equity.
4. Representative Asset Classes
  - a. **Real Estate** includes investments in office buildings, apartments, hotels, industrial warehouses, retail, and other specialty property types, as well as raw land, and development projects.
  - b. **Natural Resources** broadly refers to anything mined or collected in raw form but may include assets subject to further processing. Typical assets include agriculture, timber, minerals, and metals.
  - c. **Infrastructure** refers to investments in physical systems that support world economies. Typical investments include transportation, communication, and utilities (electricity, gas, water, sewage).
  - d. **REITs** or Real Estate Investment Trusts are publicly traded companies that own Real Estate. REITs benefit from the daily liquidity consistent with a publicly traded stock, but also suffer from relatively high volatility and higher correlation to publicly traded equity.
  - e. **TIPS** refers to United States Treasury Inflation-Protected Securities which provide protection against inflation. The principal of a TIPS increases with inflation and decreases with deflation, as measured by the Consumer Price Index. At maturity TIPS pay the adjusted principal or original principal, whichever is greater.

#### **D. Risk Mitigation**

1. Role: Liquidity to fund benefit payments and other cash flow needs, capital preservation, modest current income, diversification to growth assets
2. Investment Approach: Cash equivalents or high-quality domestic bonds
3. Risk Factors: Risks are substantially lower for risk mitigation assets but may include modest exposure to credit or interest rates (duration).
4. Representative Asset Classes
  - a. **Cash Equivalents** are the safest possible investment with no volatility ~~and minimal return~~ but lower long-term returns.
  - b. **Short Term Investment Grade Bonds** have moderate interest rate risk.
  - c. **Investment Grade Bonds** including bonds and notes issued by the **U.S Treasury**, U.S. Government Agencies, state and local municipalities, corporations, or other issuers with similar conservative risk profiles. Risk factors

PP-2021-08: IPOPIF Investment Policy Statement

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include duration and credit. **Core Fixed Income** refers to a combination of government and corporate bonds and other fixed income instruments reflective of the U.S. fixed income opportunity set. **Core Plus Fixed Income** is similar to core but adds somewhat riskier investments, such as high-yield debt and asset-backed securities to boost yield. However, the overall risk profile of Core Plus remains relatively benign.

PP-2021-08: IPOPIF Investment Policy Statement

**DRAFT****Appendix A2 – ASSET ALLOCATION**

The IPOPIF has adopted ~~short-term~~interim and long-term asset allocation targets. ~~Short-term~~Interim targets are necessary to accommodate the initial IPOPIF transition and the subsequent buildout of diversified strategies, including private market investments. ~~Short-term~~Interim targets and rebalancing ranges will be updated periodically, with Board approval, as new investments move the allocation toward the long-term targets. Rebalancing and the Policy Benchmark will be based on ~~short-term targets.~~interim targets. Rebalancing ranges are not included where liquidity constraints prevent rebalancing.

IPOPIF Asset Allocation	<del>Short-term</del> <u>Interim</u>			Long-term Target Allocation	
	Target Allocation	Rebalancing Range			
Asset Classes		Band	Lower	Upper	
<b>Growth</b>	<b>58.0%</b>	<b>10.0%</b>	<b>53.0%</b>	<b>63.0%</b>	<b>65.0%</b>
US Large	23.0%	4.0%	21.0%	25.0%	23.0%
US Small	5.0%	2.0%	4.0%	6.0%	5.0%
International Developed	18.0%	4.0%	16.0%	20.0%	18.0%
International Developed Small	5.0%	2.0%	4.0%	6.0%	5.0%
Emerging Markets	7.0%	2.0%	6.0%	8.0%	7.0%
Private Equity (Direct)	0.0%	N/A	N/A	N/A	7.0%
<b>Income</b>	<b>16.0%</b>	<b>4.0%</b>	<b>14.0%</b>	<b>18.0%</b>	<b>14.0%</b>
High Yield Corp. Credit	<del>10</del> 7.0%	2.0%	<del>9</del> 6.0%	<del>11</del> 8.0%	3.0%
Emerging Market Debt	6.0%	2.0%	5.0%	7.0%	3.0%
Bank Loans	<del>0</del> 3.0%	<del>N/A</del> 2.0%	<del>N/A</del> 2.0%	<del>N/A</del> 4.0%	3.0%
Private Credit	0.0%	N/A	N/A	N/A	5.0%
<b>Inflation Protection</b>	<b>9.0%</b>	<b>4.0%</b>	<b>7.0%</b>	<b>11.0%</b>	<b>11.0%</b>
US TIPS	3.0%	2.0%	2.0%	4.0%	3.0%
REITs	4.0%	2.0%	3.0%	5.0%	0.0%
Real Estate/Infrastructure	2.0%	N/A	N/A	N/A	8.0%
<b>Risk Mitigation</b>	<b>17.0%</b>	<b>8.0%</b>	<b>13.0%</b>	<b>21.0%</b>	<b>10.0%</b>
Cash	1.0%	2.0%	0.0%	2.0%	1.0%
Short-Term Gov't/Credit	13.0%	4.0%	11.0%	15.0%	3.0%
US Treasury	0.0%	N/A	N/A	N/A	3.0%
Core Fixed Income	3.0%	2.0%	2.0%	4.0%	0.0%
Core Plus Fixed Income	0.0%	N/A	N/A	N/A	3.0%
<b>Total</b>	<b>100.0%</b>				<b>100.0%</b>

### **Appendix A3 – PERFORMANCE BENCHMARKS**

Fund investment performance will be evaluated against a "Broad Benchmark" of global stocks and bonds and a "Policy Benchmark" reflecting a market index or equivalent for each asset class, weighted in accordance with the current target allocation. The purpose of the Broad Benchmark is to evaluate IPOPIF asset allocation decisions. The purpose of the Policy benchmark is to evaluate IPOPIF implementation decisions (e.g., active management). Over ~~the long term a full market cycle (typically three to five years)~~, the Fund is expected to generate returns, after payment of all fees and expenses, which exceed the Broad Benchmark and the Policy Benchmark. Performance Benchmarks are detailed below.

#### **Policy Benchmark – ~~Short-Term~~Interim Allocation**

<b>Asset Class</b>	<b>Policy Benchmark</b>	<b>Weight</b>
Cash	91-day T-Bills	1.0%
Short-Term Bonds	Bloomberg US Gov/Credit 1-3 year	13.0%
Core Bonds	Bloomberg US Aggregate	3.0%
US TIPS	Bloomberg US TIPS 0-5 Years	3.0%
US Treasury	Bloomberg US Treasury 7-10 Years	0.0% <sup>1</sup>
Bank Loans	Credit Suisse Leveraged Loan	<del>0</del> 3.0% <sup>+</sup>
High Yield Debt	Bloomberg US Corporate High Yield	<del>10</del> 7.0%
Emerging Markets Debt	JPM EMBI Global Diversified	6.0%
Private Credit	Actual Returns <sup>2</sup>	0.0% <sup>1</sup>
US Large Cap Equity	Russell 1000	23.0%
US Small Cap Equity	Russell 2000	5.0%
Developed Int'l Equity	MSCI World ex-US Net <sup>23</sup>	18.0%
Developed Int'l Small Cap Equity	MSCI World ex-US Small Cap Net <sup>23</sup>	5.0%
Emerging Markets Equity	MSCI Emerging Markets Net <sup>23</sup>	7.0%
Private Equity	Actual Returns <sup>2</sup>	0.0% <sup>1</sup>
REITs	Wilshire US REIT	4.0%
Core Real Estate	NFI-ODCE equal-weight	2.0%
Private Real Estate / Infrastructure	Actual Returns <sup>2</sup>	0.0% <sup>1</sup>
Total		100.0%

<sup>1</sup> US Treasury, ~~Bank Loans~~, and Private Markets Investments each have long-term allocation weights and are included in the Policy Benchmark table for reference.

<sup>22</sup> The Policy Benchmark will use actual private market returns to avoid tracking error with no informational value. Private market investments will be evaluated in accordance with Section VI.B, including an appropriate benchmark.

## PP-2021-08: IPOPIF Investment Policy Statement

**DRAFT**


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<sup>2</sup> Net: Total Net Return including dividends and net of foreign withholding taxes.

**Broad Benchmark**

	<b>Index</b>	<b>Weight</b>
Global Equity	MSCI All Country World Index, Investible Market Index, USD (ACWI IMI)	70%
Fixed Income	Bloomberg Multiverse Total Return Index, Unhedged, USD	30%

**Appendix B1 – MWDBE INVESTMENT MANAGER UTILIZATION POLICY****A. Definitions**

1. “Emerging Investment Manager,” as defined in Section 1-109.1(4) of the Illinois Pension Code, means a qualified Investment Adviser that manages an investment portfolio of at least \$10,000,000 but less than \$10,000,000,000 and is a MWDBE.
2. MWDBE means a Minority-Owned Business, Women-Owned Business, or Business Owned by Person with a Disability, as those terms are defined in the Business Enterprise for Minorities, Women, and Persons with Disabilities Act, 30 ILCS 575/2, as amended.
3. “MWDBE Investment Manager” means a qualified Investment Adviser that manages an investment portfolio and is a MWDBE.

**B. Emerging Manager Goals**

It is the policy of the IPOPIF to utilize Emerging Investment Managers to the greatest extent feasible within the bounds of financial and fiduciary prudence. In accordance with 40 ILCS 5/1-109.1(4), the Board has set forth the following quantifiable goals for percentage of total assets under management to be managed by Emerging Investment Managers:

		Ownership			
		Minority	Women	Disabled	Total
Asset Classes	Equity	9%	9%	2%	20%
	Fixed Income	9%	9%	2%	20%
	Alternatives	9%	9%	2%	20%
	Total	9%	9%	2%	20%

**C. MWDBE Manager Goals**

It is the policy of the IPOPIF to utilize MWDBE Investment Managers to the greatest extent feasible within the bounds of financial and fiduciary prudence. In accordance with 40 ILCS 5/1-109.1(9), the Board has set forth the following quantifiable goals for percentage of total assets under management managed by MWDBE Investment Managers:

Ownership			
Minority	Women	Disabled	Total
9%	9%	2%	20%

In accordance with 40 ILCS 5/1-109.1(10), it is the aspirational goal for the IPOPIF use MWDBE Investment Managers for not less than 20% of the total assets under management. It is also IPOPIF’s aspirational goal that not less than 20% of Investment Managers be minorities, women, and persons with disabilities, as those terms are defined in the Business Enterprise for Minorities, Women, and Persons with Disabilities Act.

PP-2021-08: IPOPIF Investment Policy Statement

**DRAFT**

**D. Certification**

Emerging or MWDBE Investment Advisers shall provide documentation establishing their status as an MWDBE. Preference shall be given to the appropriate certification from the State of Illinois as acceptable documentation. If such a certification is not available, the IPOPIF may consider other evidence, including certification by another state or a city.

**E. Reporting**

The Fund shall submit a report to the Governor and the General Assembly by January 1 of each year that includes this IPS and the following: (i) the names and addresses of the Emerging Investment Managers used, the percentage of the assets under the investment control of Emerging Investment Managers, and the actions the Fund has undertaken to increase the use of Emerging Investment Managers, including encouraging other Investment Managers to use Emerging Investment Managers as subcontractors when the opportunity arises and (ii) the specific actions undertaken to increase the use of Minority Broker-Dealers.

**F. Review Requirement**

The Board of Trustees shall review this Policy and associated goals annually.



**Appendix B2 – MINORITY BROKER-DEALER POLICY**

This Policy addresses the requirement of Section 1-109.1(7) of the Illinois Pension Code.

**A. Definitions**

1. "Minority Broker-Dealer" means a qualified broker-dealer who meets the definition of "minority-owned business", "women-owned business", or "business owned by a person with a disability", as those terms are defined in the Business Enterprise for Minorities, Women, and Persons with Disabilities Act., 30 ILCS 575/2, as amended.
2. "Best Execution" means the best possible result taking into account all relevant considerations such as price, costs, speed, and likelihood of execution and settlement.

**B. Goal**

It is the goal of the IPOPIF that Investment Managers utilize Minority Broker-Dealers for **20%** of trades.

**C. Best Execution Required**

Investment Managers are always required to seek Best Execution.

**D. Manager Reporting**

1. Each Investment Manager shall report minority brokerage on a quarterly basis.
2. Equity manager reports are expected to include the following information:
  - a. Total shares traded and total commission dollars.
  - b. Minority brokerage shares traded and commission dollars.
  - c. Percentage of minority brokerage by shares and dollars.
3. Fixed income manager reports are expected to include the following information:
  - a. Total par value traded and average bid/ask spread.
  - b. Minority par value traded and average bid/ask spread.
  - c. Percentage of minority brokerage by par value traded.
4. All Investment Managers are encouraged to include a discussion of minority brokerage trends, obstacles, and initiatives to increase minority brokerage.

**E. Review Requirement**

The Board of Trustees shall review this Policy and associated goals annually.

**Appendix B3 – FIDUCIARY DIVERSITY POLICY**

This Policy addresses the requirement of Section 1-109.1(5) of the Illinois Pension Code.

It is the policy goal of the IPOPIF to increase the racial, ethnic, and gender diversity of its fiduciaries, including its consultants and senior staff. IPOPIF shall make its best efforts to ensure that the racial and ethnic makeup of its senior administrative staff represents the racial and ethnic makeup of its membership.

When procuring investment services, the IPOPIF shall encourage participation of businesses owned by minorities, women, and persons with disabilities to respond to requests for proposals and will also work to encourage majority firms acting as fiduciaries to hire and promote minorities, women, or persons with disabilities in senior staff and ownership positions.

Investment Managers shall be procured in the manner prescribed by the Procurement of Investment Services Policy, PP-2021-07. Policy goals to increase the utilization of investment management firms owned by minorities, women or persons with disabilities are addressed in Appendix B1 of this Investment Policy.

The Board of Trustees shall review this Policy and associated goals annually.

**Appendix B4 – BUSINESSES DIVERSITY POLICY**

This Policy addresses the requirement of Section 1-109.1(6) of the Illinois Pension Code.

It is IPOPIF’s policy to utilize businesses owned by minorities, women, and persons with disabilities for all contracts and services, including investment-related contracts and services.

The Board of Trustees shall review this Policy annually.

**Appendix B5 – ECONOMIC OPPORTUNITY**

Pursuant to 40 ILCS 5/1A-108.5, the Fund recognizes that it is the public policy of the State of Illinois to promote the economy of Illinois through the use of economic opportunity investments to the greatest extent feasible within the bounds of financial and fiduciary prudence.

The Fund shall submit a report to the Governor and the General Assembly by September 1 of each year that identifies the economic opportunity investments made by the Fund, the primary location of the business or project, the percentage of the Fund's assets in economic opportunity investments, and the actions that the Fund has undertaken to increase the use of economic opportunity investments.

The Board of Trustees shall review this Policy annually.

**Appendix B6 – SUSTAINABLE INVESTING**

Pursuant to Sections 1-113.6 and 1-113.17 of the Illinois Pension Code, in evaluating investment decisions, the Fund will consider material, relevant, and decision-useful sustainability factors, within the bounds of financial and fiduciary prudence, as provided for under the Illinois Sustainable Investing Act, 30 ILCS 238/1, *et seq.*, which include but are not limited to:

- Corporate governance and leadership factors, such as the independence of boards and auditors, the expertise and competence of corporate boards and executives, systemic risk management practices, executive compensation structures, transparency and reporting, leadership diversity, regulatory and legal compliance, shareholder rights, and ethical conduct.
- Environmental factors that may have an adverse or positive financial impact on investment performance, such as greenhouse gas emissions, air quality, energy management, water and wastewater management, waste and hazardous materials management, and ecological impacts.
- Social capital factors that impact relationships with key outside parties, such as customers, local communities, the public, and the government, which may impact investment performance. Social capital factors include human rights, customer welfare, customer privacy, data security, access and affordability, selling practices and product labeling, community reinvestment, and community relations.
- Human capital factors that recognize that the workforce is an important asset to delivering long-term value, including factors such as labor practices, responsible contractor and responsible bidder policies, employee health and safety, employee engagement, diversity and inclusion, and incentives and compensation.
- Business model and innovation factors that reflect an ability to plan and forecast opportunities and risks, and whether a company can create long-term shareholder value, including factors such as supply chain management, materials sourcing and efficiency, business model resilience, product design and life cycle management, and physical impacts of climate change.

The Board of Trustees shall review this Policy annually.

**MEMORANDUM**

DATE: January 5, 2024  
TO: IPOPIF Board of Trustees  
FROM: IPOPIF Investment Staff  
SUBJECT: Emerging Markets Debt Education

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***Purpose***

In alignment with IPOPIF's transition to the long-term asset allocation, staff and consultant will further evaluate emerging market debt as the next asset class for a search. Verus has prepared educational material to provide a comprehensive overview of the asset class and answer questions from the Board.

***Current Allocation***

- The IPOPIF short-term asset allocation has 6% exposure to emerging markets debt (EMD), which is passively managed by State Street Global Advisors (SSgA).
- The long-term asset allocation dedicates 3% to emerging markets debt within the income bucket of the portfolio.

***Why Emerging Markets Debt***

- Emerging markets debt is an asset class that provides attractive yield and diversified income source compared to high yield and bank loans.
- An asset class with a potential for growth from a wide range of countries/regions with less correlation to equities and bonds.
- Complex and inefficient asset class that can be exploited for alpha opportunities.



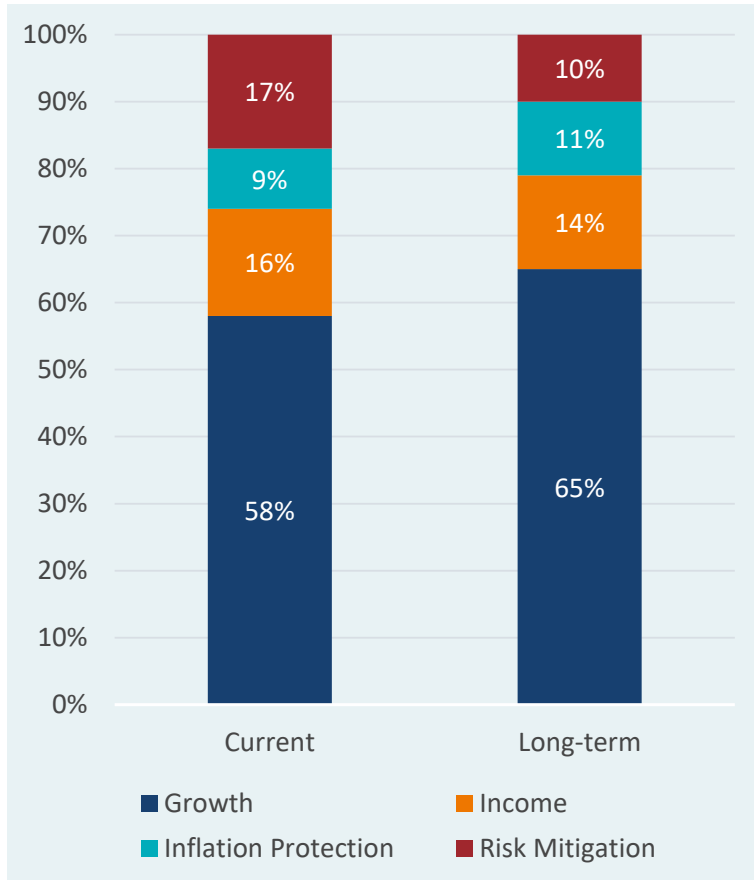
**JANUARY 2024**

Emerging Markets Debt

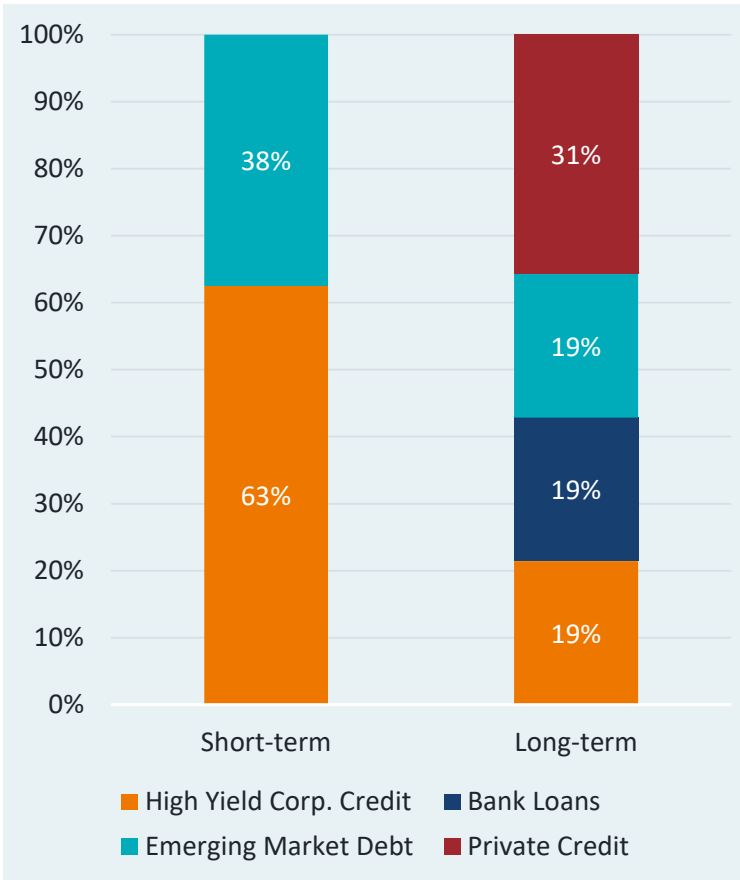
**Illinois Police Officers' Pension Investment Fund**

# IPOPIF – Policy Targets

TOTAL FUND – POLICY TARGETS



INCOME BUCKET – SUB ASSET CLASS TARGETS



# Overview of Emerging Market Debt

	<b>HARD CURRENCY – SOVEREIGN</b>	<b>HARD CURRENCY – CORPORATE</b>	<b>LOCAL CURRENCY – SOVEREIGN</b>
Definition	Debt issued by EM governments and companies that are 100% state-owned. Denominated in U.S. dollars.	Debt issued by companies based in EM economies, usually denominated in U.S. dollars.	Debt issued by EM governments that is denominated in the domestic currency of the issuer.
Return Drivers	U.S. TSY Yield + Spread	US TSY Yield + Spread	Local Bond Yield + FX Return
Index	JP Morgan EMBI Global Diversified Index	JP Morgan CEMBI Broad Diversified Index	JP Morgan GBI-EM Global Diversified Index
Number of Countries	69	59	20
Number of Issuers	161	734	20
Credit Quality	BBB-	BBB-	BBB-
Yield	8.2%	7.3%	6.4%
Duration	6.7 years	4.2 years	5.0 years
Market Cap	\$650 billion	\$500 billion	\$1.5 trillion

Source: J.P. Morgan, as of 12/13/23

# Country Exposures

## HARD CURRENCY 84 COUNTRIES

### Sovereign & Corporate

Argentina	Malaysia
Armenia	Mexico
Azerbaijan	Morocco
Bahrain	Nigeria
Barbados	Oman
Brazil	Panama
Chile	Papua New Guinea
China	Paraguay
Colombia	Peru
Costa Rica	Philippines
Dominican Republic	Poland
Ecuador	Qatar
Egypt	Saudi Arabia
Georgia	South Africa
Ghana	Trinidad And Tobago
Guatemala	Turkey
Honduras	UAE
Hungary	Ukraine
India	Uzbekistan
Indonesia	Vietnam
Jordan	Zambia
Kazakhstan	
Kuwait	

### Sovereign

Angola	Namibia
Bolivia	Pakistan
Cote D'Ivoire	Romania
El Salvador	Rwanda
Ethiopia	Senegal
Gabon	Serbia
Iraq	Sri Lanka
Jamaica	Suriname
Kenya	Tajikistan
Lebanon	Tunisia
Maldives	Uruguay
Mongolia	Venezuela
Mozambique	

### Corporate

Burkina Faso	Mauritius
Cambodia	Moldova
Czech Republic	Singapore
Hong Kong	Taiwan
Israel	Tanzania
Korea	Thailand
Macau	Togo
Madagascar	

## LOCAL CURRENCY 20 COUNTRIES

Brazil  
Chile  
China  
Colombia  
Czech Republic  
Dominican Republic  
Egypt  
Hungary  
Indonesia  
Malaysia  
Mexico  
Peru  
Philippines  
Poland  
Romania  
Serbia  
South Africa  
Thailand  
Turkey  
Uruguay

## EM EQUITY 24 COUNTRIES

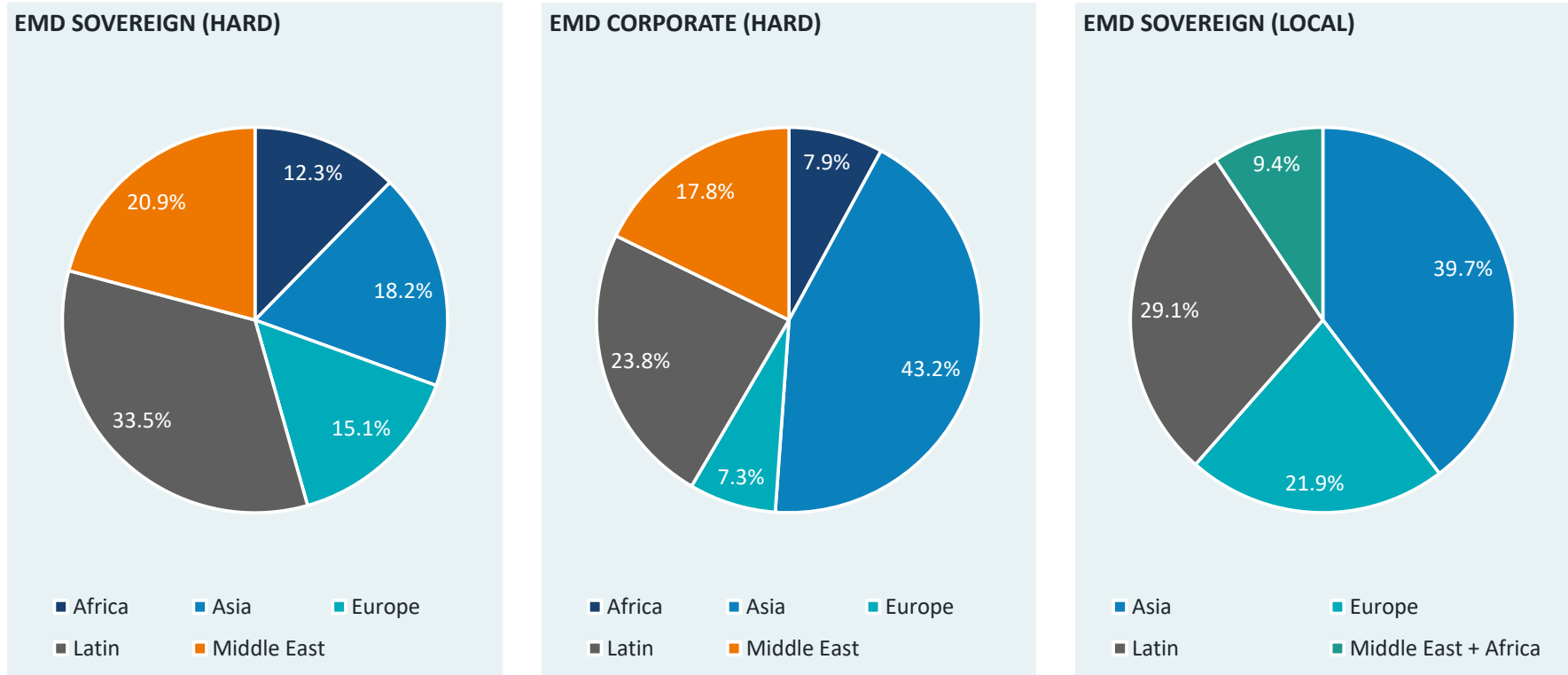
Brazil  
Chile  
China  
Colombia  
Czech Republic  
Egypt  
Greece  
Hungary  
India  
Indonesia  
Korea  
Kuwait  
Malaysia  
Mexico  
Peru  
Philippines  
Poland  
Qatar  
Saudi Arabia  
South Africa  
Taiwan  
Thailand  
Turkey  
UAE

Source: J.P. Morgan, as of 12/13/23. MSCI EM data as of 11/30/23.



# Regional Weights

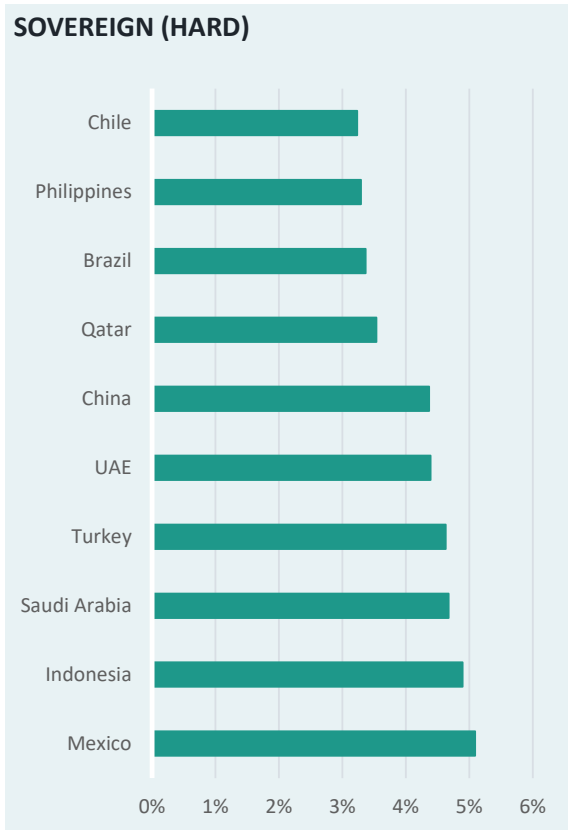
## INDEX REGIONAL WEIGHTS



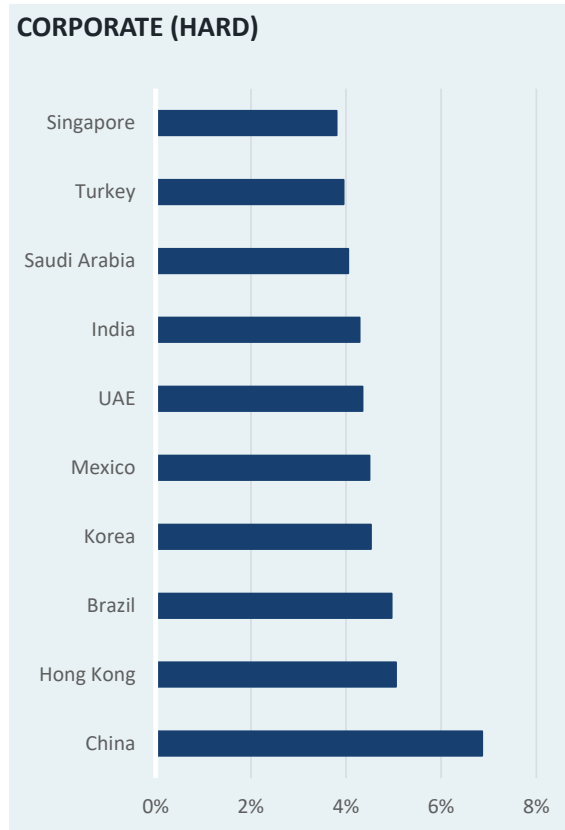
Source: J.P. Morgan, as of 12/13/23

# Country Weights

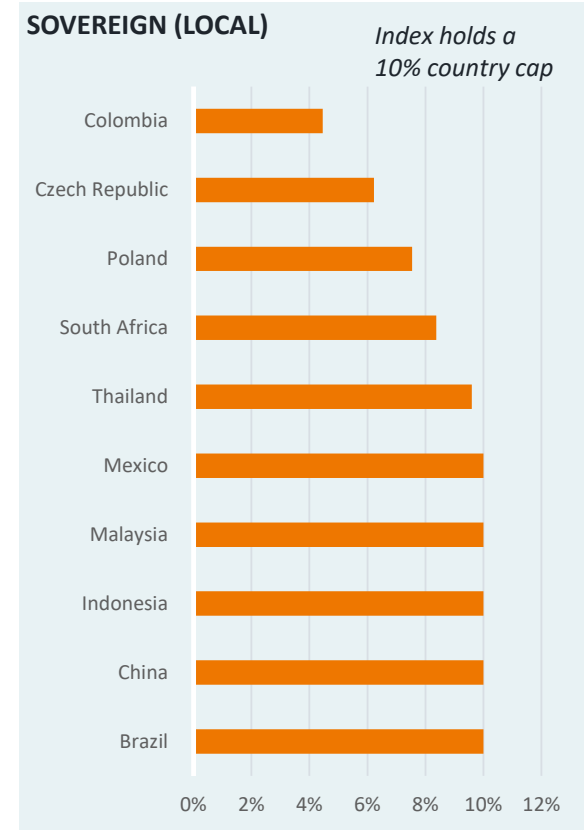
## INDEX TOP 10 COUNTRY WEIGHTS



Other Country Weight: 58.5%



Other Country Weight: 53.7%

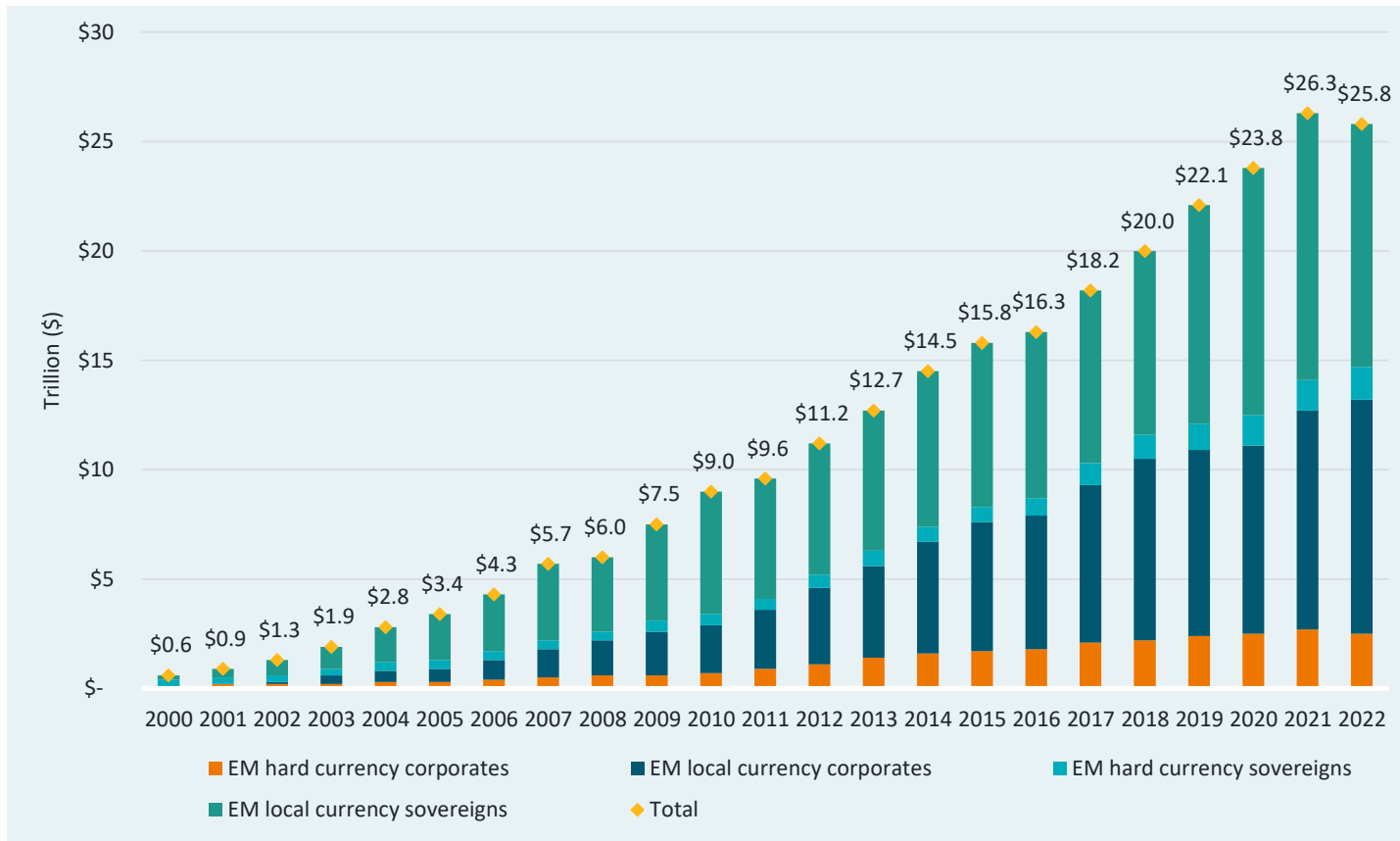


Other Country Weight: 13.8%

Source: J.P. Morgan, as of 12/13/23

# Growth of Emerging Market Debt

SIZE OF THE EMERGING MARKET DEBT MARKET (\$ TRILLIONS)

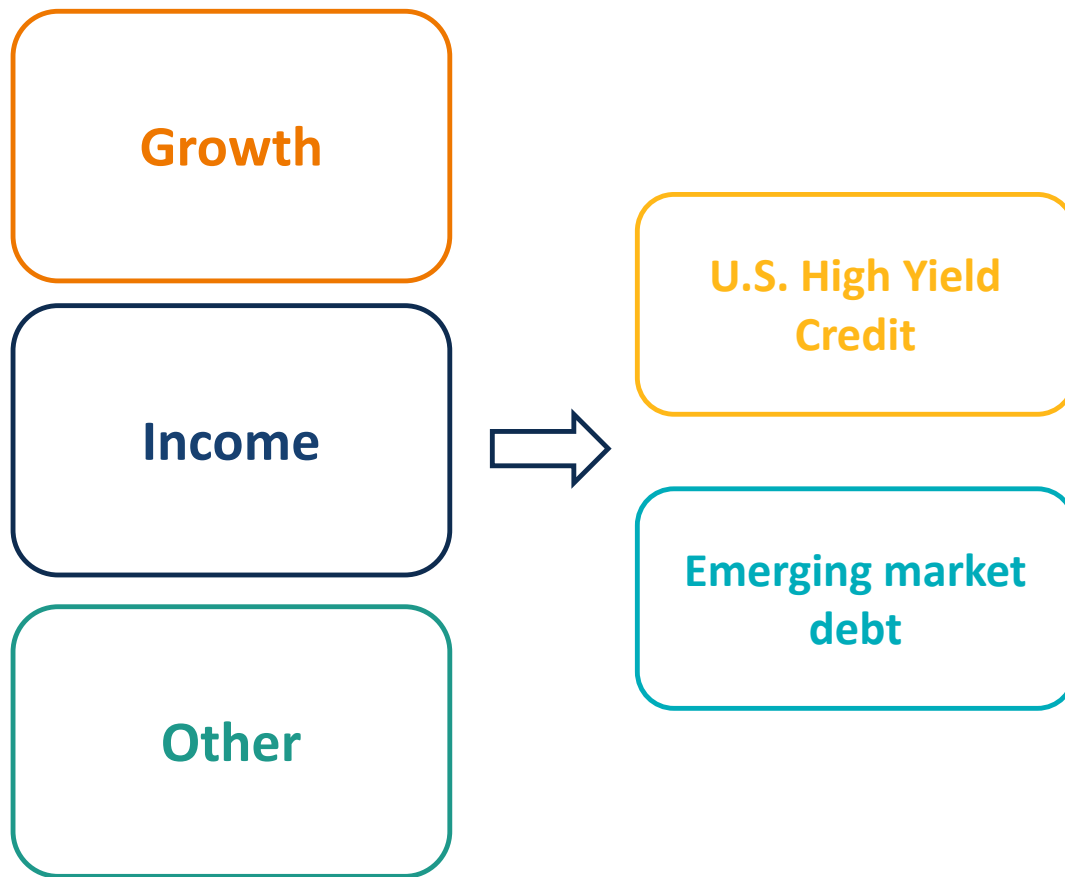


Emerging market debt is a relatively new asset class, although the size of the market has greatly expanded over the past 20 years

A majority of the market is composed of *local currency debt*

Source: J.P. Morgan, *Ninety One*, as of 12/31/2022

# Role in the Portfolio



## Return Enhancement

Higher yields relative to a previous market environment where most real developed yields were close to zero or negative

Current yields similar to the U.S. Corporate High Yield Index, *despite nearly 50% of the EMBI index holding IG credit ratings*

## Diversification Benefits

Broad range of holdings across a basket of countries with high expected growth

Historical movements less correlated to global equities and high yield credit

# Historical Performance

## GROWTH OF \$1,000



Source: Bloomberg, MPI, as of 12/31/23

### 10 YEAR

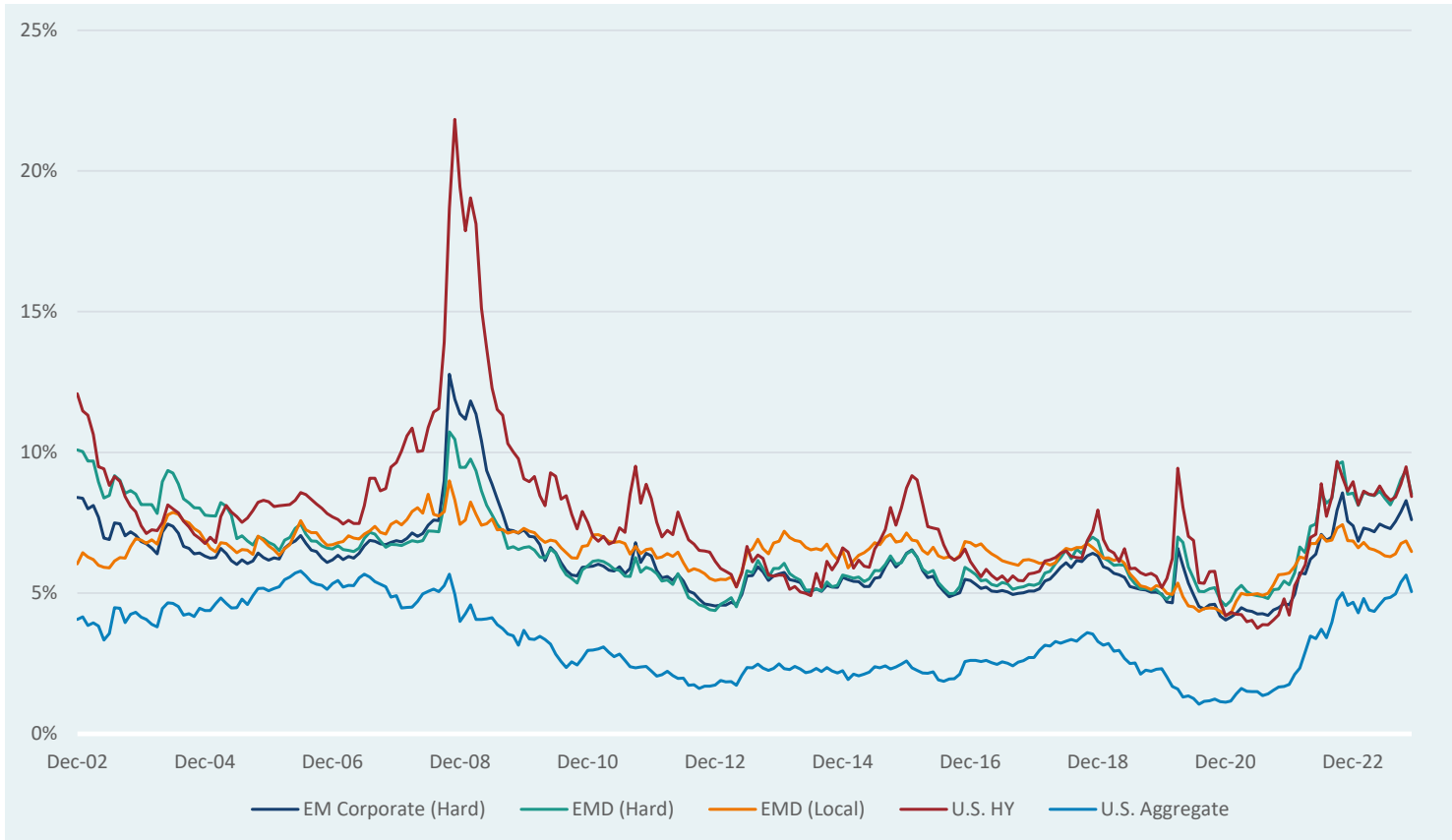
Asset Class	Return (annualized)	Volatility (Std. Dev, annualized)	Return / Volatility
EMD (Hard)	2.8%	8.9%	0.31
EMD (Local)	-0.3%	11.3%	-0.02
EM Corporate (Hard)	3.5%	6.4%	0.55
U.S. Aggregate	1.4%	4.6%	0.30
U.S. HY Corporate Credit	4.3%	7.5%	0.57
Bank Loans	4.3%	5.4%	0.79

### 15 YEAR

Asset Class	Return (annualized)	Volatility (Std. Dev, annualized)	Return / Volatility
EMD (Hard)	6.2%	8.7%	0.71
EMD (Local)	3.1%	12.2%	0.26
EM Corporate (Hard)	6.6%	6.7%	0.98
U.S. Aggregate	2.7%	4.2%	0.63
U.S. HY Corporate Credit	9.4%	8.5%	1.11
Bank Loans	7.3%	6.2%	1.19

# Current Yields

## YIELD TO WORST



Source: Bloomberg, as of 11/30/23

# Diversification Characteristics

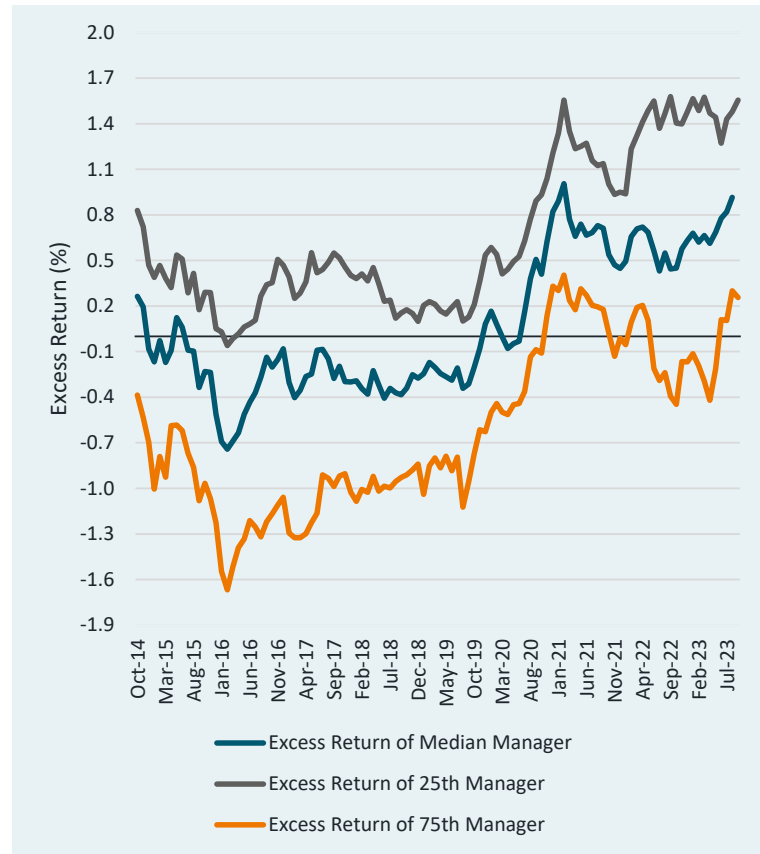
## 10 YEAR CORRELATIONS

	US Large Equity	Global Equity	US Treasury	Core Fixed Income	U.S. HY Corporate Credit	Bank Loans	EMD (Hard)	EMD (Local)	EM Corporate (Hard)
US Large Equity	1.00								
Global Equity	0.97	1.00							
US Treasury	0.08	0.09	1.00						
Core Fixed Income	0.35	0.38	0.93	1.00					
U.S. HY Corporate Credit	0.80	0.84	0.18	0.47	1.00				
Bank Loans	0.60	0.64	-0.14	0.15	0.80	1.00			
EMD (Hard)	0.67	0.74	0.36	0.63	0.83	0.68	1.00		
EMD (Local)	0.55	0.67	0.24	0.45	0.67	0.51	0.81	1.00	
EM Corporate (Hard)	0.61	0.69	0.27	0.56	0.82	0.77	0.94	0.77	1.00

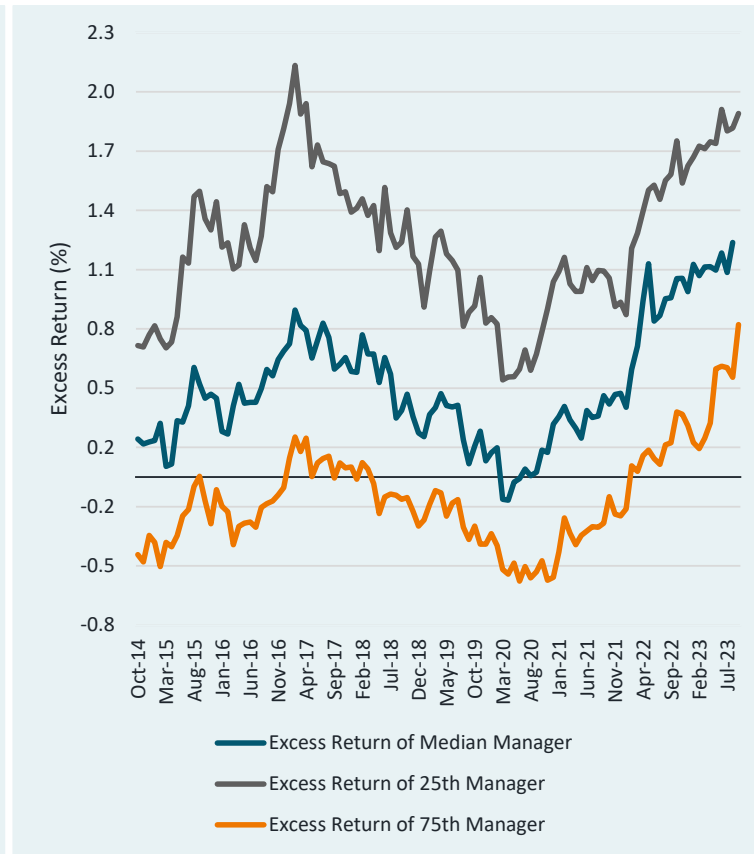
Source: MPI, as of 11/30/23

# EMD Active Manager Performance

ROLLING 5-YEAR RETURNS: EMD HARD CURRENCY



ROLLING 5-YEAR RETURNS: EMD LOCAL CURRENCY



Manager selection is key to attaining alpha in emerging markets debt.

Source: Evestment; Gross of fees data as of September 30, 2023.



# Why EMD Blend is a Common Approach

## EMERGING MARKET DEBT ANNUAL RETURNS

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	YTD*
22.1%	23.0%	10.3%	15.2%	18.1%	-5.2%	34.9%	15.7%	7.4%	17.4%	-0.6%	7.4%	1.3%	10.2%	15.2%	-1.6%	15.0%	7.1%	0.9%	-11.7%	11.9%
16.9%	11.6%	6.3%	9.9%	6.2%	-12.0%	29.8%	13.1%	2.3%	16.8%	-5.3%	5.0%	1.2%	9.9%	10.3%	-4.3%	13.5%	5.3%	-1.8%	-12.3%	10.8%
16.2%	10.3%	6.1%	6.5%	3.9%	-15.9%	22.0%	12.2%	-1.8%	15.0%	-9.0%	-5.7%	-14.9%	9.6%	8.0%	-6.2%	13.1%	2.7%	-8.7%	-17.8%	8.8%

\*As of 12/22/2023

- EM Corporate Debt – Hard Currency (JPM CEMBI BD)
- EMD – Hard Currency (JPM EMBI GD)
- EMD – Local Currency (JPM GBI-EM GD)

Blended strategies allow managers to tactically allocate to the most attractive bonds and currencies instead of being constrained to pure hard or local currency assets.

Investment managers that implement best-ideas or unconstrained approaches have more flexibility to avoid idiosyncratic events in countries and allocate to their highest conviction ideas.

Source: J.P. Morgan, Bloomberg, as of 12/22/23

# Closing Thoughts

- The EMD market has expanded significantly as more investors allocate to the asset class.
- We believe that EMD has a place in an overall portfolio context, providing diversification in terms of opportunity set, risk and sources of return.
- We view active management as the preferred method of implementation given the probability of negative idiosyncratic risks and/or unforeseen geopolitical or credit-related events.
- Allowing investment managers the flexibility to allocate to attractive markets in their respective capital structures without strict adherence to a benchmark can lead to the avoidance of idiosyncratic country risks inherent to naïve benchmark construction.
- Blended EMD strategies allow investment managers the latitude to tactically allocate to segments of the market they believe offer the most attractive risk-adjusted returns, technical tailwinds or positive fundamentals.

## ILLINOIS POLICE OFFICERS' PENSION INVESTMENT FUND

IPOPIF

**MEMORANDUM**

DATE: January 10, 2024  
 TO: IPOPIF Board of Trustees  
 FROM: Kent Custer, Chief Investment Officer  
 SUBJECT: Transition of Assets Planning

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**Purpose**

To review preparations for potential asset transfers from Article 3 funds and accept guidance from the Board of Trustees. Background reference information was reviewed at the 12/15/23 Board meeting and is not repeated in this memo.

**Transition Manager**

- Staff and Fiduciary Counsel are working with State Street Global Markets (SSGM, Transition Manager) to finalize an amendment to the Transition Manager Agreement.
- Board approval for the amendment will be requested after drafting is completed. Hopefully at the 1/19/24 Board meeting.
- SSGM has agreed to use the phase II (lower) fee schedule through 12/31/24.
- Commissions will be charged in the Transition Pool to isolate the costs to the Late Transferring Pension Funds.

**Timing**

Staff has reviewed timeline considerations and is gravitating toward a single transfer date of 10/1/24.

- Allows time to communicate with Late Transferring Pension Funds.
- Allows time for Late Transferring Pension Funds to take required actions at normally scheduled quarterly meetings. (E.g. – Appointment of Authorized Agents, Adoption of local cash management policies).
- Avoids transferring in June to provide year-end stability for financial reporting.
- Pushes transition trading after Labor Day, when liquidity is expected to be somewhat stronger.
- Allows for full completion of asset transfer and transition by 12/31/24.
- No postponement of asset transfers will be allowed.

**Process and Communications**

- Staff is updating transition communication and documentation so it will be ready to go.
- Communications will “start fresh” rather than referencing prior notices.
- Cash will be considered to be a transferable asset.
- Staff is evaluating if there are other potential extraordinary costs.

**Required Board Actions**

- Approve amendment to the Transition Management Agreement.
- Approve the transfer of assets from Late Transferring Pension Funds on or prior to the selected transfer date.

ILLINOIS POLICE OFFICERS’ PENSION INVESTMENT FUND



**MEMORANDUM**

TO: Board of Trustees  
FROM: Richard White, Executive Director  
Regina Tuczak, Chief Financial Officer  
RE: Agenda Item 7.1: Agreed Upon Procedures of Article 3 Funds by Independent CPA Firms  
DATE: January 19, 2024

---

**RECOMMENDATION:** IPOPIF staff recommends that the four Independent Certified Public Accounting Firms listed below be retained to perform Agreed-Upon Procedures of the Police Pension Funds established under Article 3 of the Illinois Pension Code for the three-year cycle of calendar years 2023 to 2026, and authorize the Executive Director to execute the related contracts:

- Kerber, Eck & Braeckel LLP
- Lauterbach & Amen, LLP
- Mitchell & Titus, LLP
- RSM US LLP

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**Background**

Per approval by the Board of Trustees at the October 13, 2023, meeting, 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 (the RFP) was issued on Monday, October 16<sup>th</sup>, and posted on the Fund’s website on that date. Subsequent to posting, an email was sent to representatives of 16 independent certified public accounting firms inviting their respective firms to respond to the RFP. Selection of the 16 firms included all IGFOA member firms and firms that perform year-end audit services for Illinois Pension Funds established under 40 ILCS 5.

The timeframe for the RFP is included at the end of this memo. Note that one change was made to allow two additional business days for submission of written questions.

In response to the RFP, 4 proposals were received from quality firms.

**Due Diligence Performed by Staff**

IPOPIF Staff reviewed all 4 submissions in detail and prepared a summary of select elements of the proposals which is included as Attachment 1. Subsequent to review of the submission, staff

## ILLINOIS POLICE OFFICERS' PENSION INVESTMENT FUND

IPOPIF

held interviews with representatives of each firm. The interviews were held virtually on January 4, 5 and 8<sup>th</sup> and were approximately 1.25 hours each. Each firm was provided with the following interview guidelines:

#### Suggested Interview Guidelines

- Introductions and Background of Attendees – 5 minutes
- Outline of plan to conduct Agreed-Upon Procedures – 15 minutes  
Please ensure that the presenters are familiar with “Attachment 1 – Copy of General Procedures” to the RFP, which is on the IPOPIF website at the link: [Attachment 1 - Copy of General Procedures.xlsx \(live.com\)](#)  
And address the following in the discussion:
  - ✓ Assigned team members by level of experience, the estimated time budget for each assigned member of the engagement, and their relevant experience
  - ✓ Process to conduct each engagement, including document request list and receipt of information, coordination with Article 3 Fund and IPOPIF staff, and scope of work
  - ✓ Communication of results
  - ✓ Information for further consideration including any resource constraints
- Security of information – IT Infrastructure and Data Security – 5 minutes
- Key differentiators of your firm and presentation of fee estimate – 5 minutes
- Concerns with procedures or process – 5 minutes
- Questions of IPOPIF staff specific to your RFP submission -10 minutes
- Final questions and closing remarks – 5 minutes

Please also indicate how the outline of your plan or any other information in your presentation would change if your firm is awarded 60 engagements annually (maximum) versus 30 engagements annually (minimum).

IPOPIF staff attending each interview were Richard White, Executive Director, Regina Tuczak, Chief Financial Officer and Amy Zick, Senior Staff Accountant.

Following the interviews, IPOPIF staff met and discussed the finalist selections. It was noted that all firms provided quality proposal submissions responsive to the RFP criteria. Each firm was well prepared for the interview and provided appropriate content addressing the interview guidelines. Based on the proposals submitted and the interviews conducted, IPOPIF staff invited each of the firms to provide a finalist presentation to the Board at the January 19, 2024 meeting.

With respect to the finalist presentations, each firm was advised that they will be scheduled for 15 minutes to present information to the Board regarding their firm, engagement team, and

## ILLINOIS POLICE OFFICERS' PENSION INVESTMENT FUND

IPOPIF

process for the Agreed Upon Procedures, and respond to any questions from the Board. Each firm was also provided an opportunity to prepare a slide deck for their finalist presentations (recommended to be no more than 10 pages). Electronic copies of the slide materials are provided under separate cover and hard copies will be available at the Board meeting.

Staff noted that each firm priced the engagement according to their review of the Request for Proposal requirements. As part of the invitation to provide a finalist presentation, each firm was asked to provide a best and final fee, the results of which are included in Attachment 1. Note that staff did not pursue a single fee structure across all firms, based upon each firm's approach to the services requested. Each firm did provide a single price for each Agreed Upon Procedures engagement and related report.

The finalist presentation schedule is proposed as follows (reverse alphabetical order):

1:00pm – RSM US LLP (RSM)

1:15pm – Mitchell & Titus, LLP (MT)

1:30pm – Lauterbach & Amen, LLP (L&A)

1:45pm - Kerber, Eck & Braeckel LLP (KEB)

### **Summary of Recommendation**

This is the first time that IPOPIF is engaging independent CPA firms to perform these procedures. Prior to the transfer of the investment assets of each Article 3 Fund to IPOPIF, the Illinois Department of Insurance ("IDOI") had the sole responsibility for completing these procedures. An estimated 357 Agreed-Upon Procedures engagements are needed over a three-year period. In some cases, an Article 3 Fund may not have been audited for several years.

Each firm brings important qualities to these engagements. In the case of KEB, L&A and RSM, each has some Article 3 Fund clients for which they perform various services (audit and/or consulting). To ensure full perception of independence, IPOPIF staff recommends that these firms, if engaged by the Board, would not be utilized to perform any Agreed Upon Procedures of Article 3 Funds in their client base. In the case of L&A, there are approximately 125 funds for which they do not provide any services.

Given the volume of engagements required and the independence considerations, IPOPIF staff recommends a deep bench from which to draw to perform these services. The proposed engagement of the four firms would provide each firm an opportunity to perform services on approximately 30 Article 3 funds annually. To maintain an efficient process, a quarterly rotation period is suggested for these engagements. Each Article 3 Fund would be assigned a date for their review and these dates would be grouped into calendar quarters over the next three years.

Coordination amongst the firms, IPOPIF staff and the IDOI will be necessary as each quarter group of Agreed Upon Procedures is completed. In order to maintain an efficient communication process, after the initial set-up is complete, IPOPIF staff recommends that two firms be assigned to each quarter, with approximately 15 engagements per firm. Capacity timing

## ILLINOIS POLICE OFFICERS' PENSION INVESTMENT FUND

IPOPIF

requests of KEB and MT in their proposals will be honored. It is also estimated that some Article 3 Fund engagements will extend beyond the assigned calendar quarter. The deeper bench of resources ensures that overlapping service completion of Agreed Upon Procedures does not comprise the ability for new engagements to commence.

**Next Steps**


Subject to selection by the Board, each firm would be contacted and a legal review of their engagement letters would occur. The IDOI would also be contacted and advised of the status. IPOPIF staff intends to request information from the IDOI regarding most the most recent examination date of each Article 3 Fund.

Subsequent to satisfactory review and execution of the engagement letters, discussions amongst the firms, the IDOI and IPOPIF staff will begin. It is anticipated that all firms would be utilizing the same procedures, scoping methodology and reporting format. In order to ensure that Agreed Upon Procedures commence by May 1, well prior to the end of the fiscal year for the State of Illinois, communication to the first group of Article 3 Funds is targeted for April 1.

It is also noted that the Fiscal Year 2024 budget does not include estimated costs for these Agreed Upon Procedures. The estimated costs to perform the first group of Agreed Upon Procedures in May of 2024 will be included in the mid-year Budget information which is intended to be presented to the Audit and Budget Committee at its next meeting on February 9<sup>th</sup>.

**RFP TIMEFRAME**

<b>Date</b>	<b>Action</b>
October 16, 2023	RFP Issued and Distributed
<del>October 27, 2023</del> October 31, 2023	Deadline for written questions to be submitted to <a href="mailto:adminrfp@ipopif.org">adminrfp@ipopif.org</a> <del>54pm</del> <i>Central Time</i>
November 3, 2023	Issuance of questions and responses, along with any RFP addenda <i>4pm Central Time</i>
November 20, 2023	Deadline for Submitting Electronic PDF Proposals <i>4pm Central Time</i>
November 21, 2023	Deadline for Receipt by IPOPIF of Hard Copy Documents of the PDFs Submitted <i>4pm Central Time</i>
November 21 – December 31, 2023	Review of proposals by IPOPIF staff and interviews of respondents
January 19, 2024	Consideration of proposals and interviews of finalists by the Board
April 2024	Communication to first group of Article 3 Funds subject to Agreed Upon Procedures
May 2024	Agreed Upon Procedures commence

 Yellow highlight indicates change to original timeframe.



	KEB	Lauterbach and Amen	Mitchell Titus	RSM
<b>Engagement Lead</b>	Michelle Steckel, Partner	AJ Weber, Partner	Brent Baccus, Engagement Executive Director	Bill Sarb, Partner
<b>Firm Headquarters</b>	Springfield, IL	Naperville, IL	New York City, NY	Chicago, IL
<b>Ownership</b>	List of all partners was provided	Firm is a limited liability partnership; 14 partners; 4 partners with >7.5% ownership	Firm is a limited liability partnership; 3 partners with >7.5% ownership	Firm is a limited liability partnership with partner and principal investment by its 1500 partners and principals. No one partner or principal has more than 1% of total capital of the firm.
<b>Other Firm Information</b>	8 other offices in Midwest; founded in 1931	Sole office; founded in 1997 for audit and accounting services; 2008 for Professional	Founded in 1974; the nation's largest minority-owned CPA and business advisory firm	Founded in 1926; fifth largest provider of audit, tax and consulting services in the US.
<b>Firm Staff</b>	25 partners and 190 professionals	14 partners; 50 principals/managers and 140 staff	100 professionals	16,600 professionals in 81 US Cities; 6 Canada locations; 1 El Salvador and 4 in India
<b>Where will work be performed</b>	Springfield, IL Office	Naperville, IL	Chicago Office	Schaumburg, Chicago, Colorado and North
<b>Procedures to be performed</b>	Virtual	Virtual	Virtual	Virtual
<b>Transmission of audit information</b>	SafeSend Exchange and encrypted email	Secure portals to transfer information; applications require MFA. Portal is hosted at large secure data centers.	Suralink, SharePoint or the CCH Document Portal	Secure, cloud-based platform; real-time dashboard
<b>Similar Engagements of Office to Perform the Work</b>	IFPIF's Agreed-Upon Procedures of Article 4 Funds (1 of 2 firms); NECA IBEW Pension and Welfare Trust Funds payroll audits; CIAL for IFPIF	Accounting Services; Pension Benefit Administration and Professional Services Administration for approximately 235 Article 3	Chicago Transit Authority Retirement Fund and Policemen's Annuity and Benefit Fund of Chicago	IFPIF Consolidated Article 4 Funds; Cook County Pension Fund; IMRF; State Retirement Systems of IL
<b>Capacity Items Noted</b>	None - availability is lowest in 1st Q of year	None noted - largest quantity is 30-50 per quarter	Can perform at least 15 quarterly with the exception of Q2, which is limited to 7 or less	None noted. Expect to perform 25-30 per quarter.
<b>Scope of Service Matters Noted</b>	Rport will not look exactly like those prepared by IDOI. Report will be prepared under Statement on Standards for Attestation Engagements.	No issues anticipated completing or delivering a report in the format provided	Current format would have to be reformatted to ensure compliance with AICPA attestation standards (not an examination)	Standardization of procedures to be performed across multiple firms.
<b>Other Matters Noted</b>	Recommend sampling rather than testing entire populations	Sending non-public data between the Fund and AUP provider; will set-up a secure portal for each engagement.	Concern of underestimated at 20-24 hours, especially with coordination of information requests and disposition of findings	Recommends adding one step to the agreed upon procedures that includes a closing correspondence review and acceptance step.
<b>Risk areas of Consideration</b>	Non-cooperation; timing/scheduling; semi-annual approach may be better; ability to complete each examination in the quarter started	Perceived independence given services to over half of Article 3 Funds.	Scoping risk	Stressed importance of collaboration and cooperation
<b>Peer Review</b>	Provided and "pass rating" - most recently as of September 30, 2022	Provided and "pass rating" - most recently as of June 30, 2022	Provided and "pass rating" - most recently as of February 28, 2022	Provided and "pass rating" - most recently as of April 30, 2022
<b>Financial Condition of Firm Independent of IPOPIF</b>	Revenue of \$29mm; line of credit with \$0 balance	Operates with a margin of profit; does not carry significant debt.	Do not release financial statements; currently do not have any bank or similar debt	Revenue of over \$3.7 billions; revolving line of credit; issuance of \$150 million in senior notes which are due in seven, ten and twelve years
<b>Related Party Matters of Note</b>	Yes	Yes	Yes	Yes
	Performs payroll processing, accounting and financial reporting services for IML. Brad Cole is Exec. Director of IML and Trustee of IPOPIF.	Services provided to Aurora PPF, Lake Forest PPF, Collinsville PPF, Rock Island PPF, Wheaton PPF, Bloomington PPF, which are associated with Trustee Catavu, Trustee Holleb, Trustee Hopkins, Trustee Poulos and Chair Suess, respectively. L&A has mutual clients with service providers of IPOPIF (such as Foster & Foster) and L&A continues to work with IPOPIF on an hourly consulting basis.	None noted	None noted.

	KEB	Lauterbach and Amen	Mitchell Titus	RSM
<b>Compliance with Exhibit A - Certifications, Disclosures and Acknowledgements</b>	Yes	Yes	Yes	Yes
<b>Insurance Information</b>	Malpractice - \$6 million aggregated and per claim; Cyber coverage - \$1 million aggregate and per claim	Professional Liability - \$5 million aggregated and per claim; Cyber coverage - \$1 million aggregate	Professional liability insurance of at least \$15 million with a \$5 million per claim limit (\$100,000 deductible). Cyber coverage is \$5 million aggregated and per claim with \$250,000 deductible.	Cyber insurance is \$1,000,000 limit; Professional liability insurance \$5 million aggregate and per claim limit
<b>Litigation</b>	One case settled out of court in the last 5 years	Nothing in last 5 years	Employment and partner-related matters. One item in arbitration with a former client	Does not disclose information pertaining to legal proceedings. No pending or actual claims that could reasonably be expected to impact their ability to serve clients generally. No pending disciplinary matters in last three years.
<b>Pricing</b>	Sample Testing - \$2,995; Testing Entire Population - \$5,200	\$2,400	\$3,500 (20-24 hours); \$5,200 (25-40 hours); \$150/hour for additional hours. Set-up fee of \$10,000 to \$15,500	\$3,000
<b>Hourly rate to attend a hearing</b>	Partner rate of \$325/hour for the next 3 years	Not provided	Partner and Director blended rate of \$200	Partner rate of \$400 per hour
<b>Expenses</b>	If travel is required, reimbursement is requested	Nothing noted	Allocated costs of 3% of the engagement fees; out-of-pocket expense reimbursement if travel involved	Charge of 1 to 5% of fees for all other expenses waived.
<b>Use of Subcontractors</b>	Not applicable	Not applicable	Not applicable	They do not intend to use any subcontractors
<b>Minority owned</b>	No, however firm is 40% women owned	No.	Certified minority business enterprise	No
<b>Representation assigned to IPOPIF</b>	Over 50% women can be assigned	50% female leadership team to be assigned	Minorities and women will comprise at least 75% and 50% respectively	22% male; 78% female; 94% non-minority; 6% minority



# ILLINOIS POLICE OFFICERS' PENSION INVESTMENT FUND (IPOPIF)

Board Presentation

January 19, 2024

# Meeting with you today - Introductions and Background



**William (Bill) Sarb**

**Partner**

Over 16 years experience in the public sector with a primary focus on public pension systems and/or funds



**Kelly Kirkman**

**Partner**

Over 23 years of experience in public accounting, focused in public sector



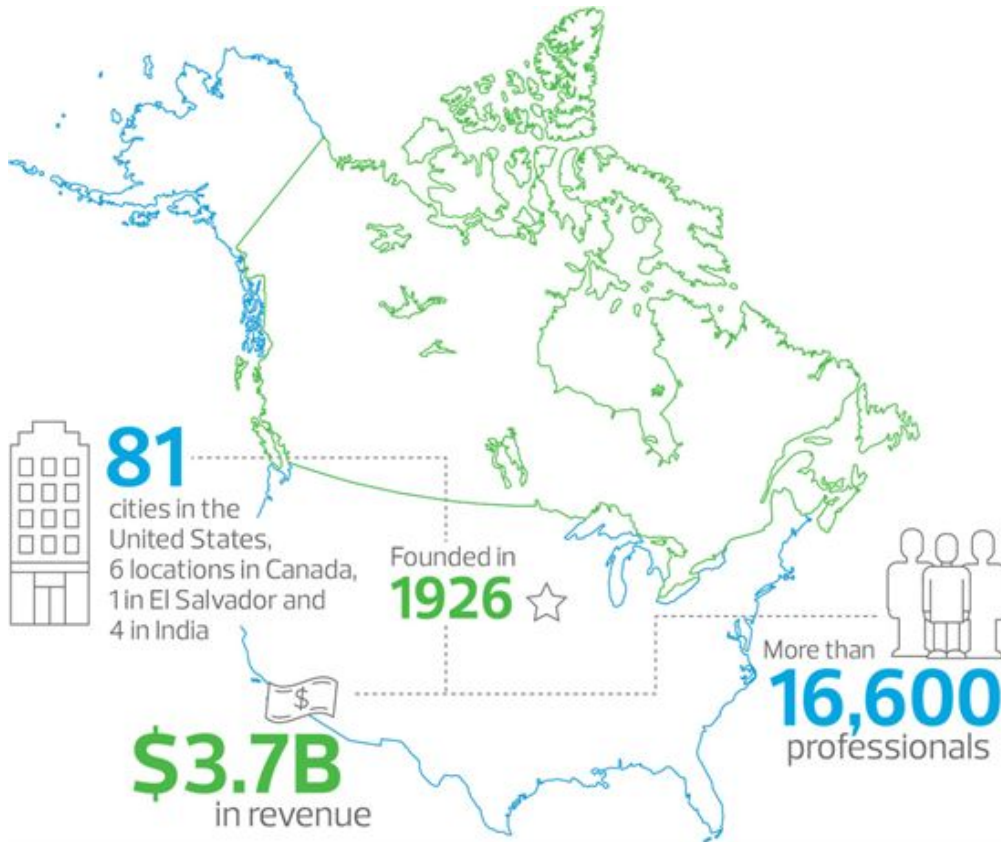
**Jeffrey Slade**

**Senior Manager**

Over 12 years of experience in public accounting, focused in public sector



# About RSM



- Established in 1926, the firm has provided over 90 years of quality service
- Fifth largest accounting firm in U.S. (*Accounting Today*)
- Over 16,000 employees, including more than 1,800 across our 7 offices in the State of Illinois
- Our goal is to become your First Choice Advisor to help your organization move forward on its mission, drive growth and deliver value

# Why RSM?

RSM is a first-choice advisor demonstrating the characteristics we call the 5 C's, living our values and delivering the power of being understood to our clients, colleagues and communities every day. The 5 C's-caring, curious, collaborative, courageous and critical thinking-are core to our culture. Cultivating the 5 C's and learning how to apply them in every interaction is foundational to who we are.



- The RSM team is designed with experience across all types of government engagements, including pension and investment fund experience, as well as municipalities with local police pension funds
- Relationship is a collaborative approach, we are in this together, working with you, to achieve your goals for reporting and beyond
- Exceptional project management – Our engagement team will work closely with your team to develop a coordinated plan and then deliver on executing the plan
- Industry and technical experience – By combining our depth of knowledge and experience within the State and Local Government industry with our proven technology, methodologies and processes, RSM will be a strong fit for your organization
- Partner involvement – Your management, staff and audit committee will receive regular partner-level attention

## Composition of Engagement Team

- Given the nature of these types of engagements, in our experience our goal will be to work with IPOPIF management and divide the assigned Article 3 Pension Police Pension Funds into groups which will then be performed simultaneously accordingly across a standardized timeline.
  - For example, should we be asked to perform an AUP engagement for 30 Article 3 Funds over the course of a fixed period of time (i.e. 6 months), we would utilize a Project Manager to oversee all 30 engagements and coordinate with our overall project leader (Bill Sarb) to determine the number of engagement leaders for 30 funds, expectation would be 1-2
  - From there, we have a group of 4-6 managers, 5-8 senior and supervisors and multiple options of staff level which can be brought in to assist with individual funds
- To summarize, each AUP engagement assigned will be performed by a fieldwork leader overseeing staff on a day-to-day basis. Their work will be supervised by a manager, including a detailed review and also reviewed by an experienced engagement leader.

# Pool of Assignable Team Members

Team member	Experience
<p>Dan Sethness – Partner* *Promoted 1/1/24</p>	<ul style="list-style-type: none"> <li>• Over 15 years of experience</li> <li>• Experience includes serving on the audits of Cook County, Lake County, City of Lake Forest, Village of Inverness, Village of Oak Brook, Village of South Holland</li> </ul>
<p>Sarah Darnall – Senior Manager</p>	<ul style="list-style-type: none"> <li>• Over 11 years of experience</li> <li>• Experience auditing large state agencies, municipalities and nonprofit entities</li> </ul>
<p>Erik Ginter – Senior Manager</p>	<ul style="list-style-type: none"> <li>• Over 10 years of experience</li> <li>• Focuses on numerous government audits</li> <li>• Extensive experience with federal and state grants</li> </ul>
<p>Chad McCoy – Manager</p>	<ul style="list-style-type: none"> <li>• Over 9 years of experience</li> <li>• Extensive experience working with public employee retirement systems and pension funds</li> </ul>



# Pool of Assignable Team Members

Team member	Experience
Katie Rodriguez – Manager	<ul style="list-style-type: none"> <li>• Over 8 years of experience</li> <li>• Experience with numerous large government audits</li> </ul>
Lydia Houzenga – Manager	<ul style="list-style-type: none"> <li>• Over 8 years of experience in public accounting</li> <li>• Has worked on government clients such as Village of South Holland and the City of Chicago Heights</li> </ul>
Clare Nicholas – Fieldwork Leader	<ul style="list-style-type: none"> <li>• Over one year of experience in public accounting</li> <li>• Experience as an experienced associate on the Article 4 Fund AUPs associated with the IFPIF</li> </ul>
Berkley Alessandrini – Project Manager	<ul style="list-style-type: none"> <li>• Over 8 years of experience</li> <li>• Experience with numerous large government audits</li> <li>• Experience as the project manager on the Article 4 Fund AUPs associated with IFPIF</li> </ul>

## Agreed-Upon Procedures: Plan

- Collaborate with IPOPIF, the Illinois Department of Insurance (IDOI) and other potential assigned public accounting firms to ensure we work together to develop and consistently apply specified agreed-upon procedures that align with both:
  - The needs of the State of Illinois, IPOPIF, the IDOI and governing statutes for which the funds are required to adhere to
  - The rules and requirements associated with the attestation standards generally accepted in the United States of America as defined by the American Institute of Certified Public Accountants (AICPA)

## Agreed-Upon Procedures: Plan (Continued)

- Process to conduct each engagement (continued)
  - RSM will integrate and utilize our project management office (PMO) team to assist with the overall project, an assigned project manager will be:
    - The central hub for tracking and coordinating all requests and follow-up questions with the individual Article 3 Funds and our engagement teams
    - Responsible for tracking and reporting progress and timing of deliverables directly with IPOPIF and the local Article 3 Funds
    - Hold all parties accountable for execution, including our own engagement teams by maintaining effective regular communication with the teams and team leaders, as well as communicate status with team and IPOPIF management as desired
    - Communication of results



## RSM US LLP

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**MITCHELL TITUS**  
ACHIEVING EXCELLENCE TOGETHER



A meeting with

# **The Board of Trustees of the Illinois Police Officers' Pension Investment Fund**

January 19, 2024

A meeting with

# The Board of Trustees of the Illinois Police Officers' Pension Investment Fund (IPOPIF)



**MITCHELL TITUS**  
ACHIEVING EXCELLENCE TOGETHER

# Meeting with you today



**Irene Davis**  
Relationship Partner  
IDavis@mitchelltitus.com



**Brent Baccus**  
Engagement Executive  
Director  
BBaccus@mitchelltitus.com



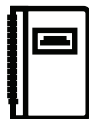
**Dan Kenney**  
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**Garfield Carr**  
Audit Supervisor  
GCarr@mitchelltitus.com



**Oladipo Ayankoya**  
Manager  
OAYankoya@mitchelltitus.com



## Discussion items

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- Overview of Mitchell Titus
- Our team to serve
- Relevant qualifications
- Understanding IPOPIF's needs
- The value we bring to IPOPIF
- The Mitchell Titus difference
- Questions and answers



## Overview of Mitchell Titus

Mitchell Titus is the nation's largest minority-controlled certified public accounting firm operating within the U.S. Founded in 1974, the firm now maintains regional offices in New York City, Newark, Philadelphia, Baltimore, Chicago and Washington, DC.

Throughout its 50-year history, Mitchell Titus has experienced outstanding growth and earned national recognition for excellent performance and quality service. The firm provides a full range of services to a diversified client base. Mitchell Titus is the professional services firm of choice among government and public sector entities because of our significant industry experience.

Over 30 years ago, Mitchell Titus made a strategic decision to focus on several niche markets. Our Employee Benefit Plan practice audits more than 250 benefit plans annually, with net assets ranging from \$1 million to over \$50 billion.

Our engagement team has direct, relevant experience providing agreed-upon procedures (AUP) and serving public and private pension funds, with the industry knowledge and specific technical and functional capabilities to effectively address your needs. We will deliver an informed and fresh, diverse perspective to IPOPIF's engagement.

The Mitchell Titus team to serve IPOPIF has the qualifications, experience to perform AUP, employee benefit plan services and a proven engagement approach to ensure the execution of seamless service delivery. Furthermore, as a certified minority business enterprise, Mitchell Titus represents the change that is needed in the world today. We are achieving excellence for our clients and embodying the drive toward a more equitable society.

## Our team to serve



## Relevant qualifications

Mitchell Titus has a dedicated Government and Public Sector practice and an Employee Benefit Plan practice, including significant experience performing AUP. Our professionals have public defined benefit plan experience and:

- Will team with IPOPIF to provide high-quality service and become your trusted business advisor
- Possess the technical skills and commitment to meet IPOPIF's expectations
- Have access to standard-setters offering direct knowledge to you and timely resolution of technical issues
- Keep our clients abreast of the latest trends and changes in the profession







## Understanding IPOPIF's needs

### ▪ Scope of work

- We will apply the AUP to assist IPOPIF and the Illinois Department of Insurance (IDOI) in evaluating local Police Pension Funds established under Article 3 of the Illinois Pension Code (Article 3 Funds) compliance with the Section 1A-104 of the Illinois Pension Code, 40 ILCS 5/1-101, et seq. (Pension Code) for the years ended (ing) December 31, 2023 - 2026.
- Our engagement to apply AUP will be performed in accordance with attestation standards established by the American Institute of Certified Public Accountants.

### ▪ Matters of importance to IPOPIF

- Experienced team that understands the operations and regulations governing public pension funds, with outstanding organizational and communication skills
- A firm with an established AUP approach, with leading and best practices executing AUP engagements
- High-quality client service delivery
- Efficient and flexible approach and work arrangement
- Adherence to deadlines and milestones

## Mitchell Titus will be focused on those matters that we understand are of value and importance to IPOPIF.

### Integrated and tailored AUP methodology and approach

To deliver seamless client service, our risk-based service delivery model is integrated to include the following four phases:

- Phase I.**
  - Reaffirm scope of work and expectations
  - Refine the actual procedures to be performed and number of Article 3 Funds assigned to the firm.
  - Finalize engagement agreement
- Phase II.**
  - Develop detailed project plan
  - Finalize and schedule timing of AUP's for each Article 3 Fund
  - Develop universal preliminary audit request listing
  - Deliver PBC listing to Article 3 Funds through Suralink, a secure portal for managing and receiving document requests
- Phase III.**
  - Execute actual procedures for each Article 3 Fund
- Phase IV.**
  - Conduct exit call with Article 3 Funds to discuss any findings
  - Submit draft report for review
  - Coordinate Article 3 responses to any findings
  - Issue final reports

### Exceptional client service

- ✓ **Connect**
  - Understand your business issues
  - Understand and meet your expectations
- ✓ **Respond**
  - Prompt communication
  - Seek/provide feedback
- ✓ **Insights**
  - Proactive knowledge sharing
  - Deliver technical excellence

### Security of information

Embedded within our service delivery approach is the importance of a secure work environment. We understand and advocate for the fact that an effective cyber risk management program is no longer a luxury, it is a necessity.

Mitchell Titus uses industry standard best practices to secure its environment. Endpoints are encrypted with AES-256 encryption. Data in transit is encrypted with TLS. Data at rest on the servers is also encrypted with AES-256. Data is stored at Rackspace and at Microsoft Office 365. Rackspace and Microsoft SOC2 reports address additional security layers, including physical security. Endpoints are protected with Sentinel One EDR. All endpoints are managed by an MSP patch management program and are monitored by an MSP RMM program. Access to all systems remotely is protected by MFA. Security policies are reviewed and adapted annually.

### A diverse skill set and perspective

Mitchell Titus is a registered minority business enterprise with various state and local governments, regional affiliates of the National Minority Supplier Development Council, and numerous Fortune 1000 companies.

More than 80% of our professionals are minorities, representing more than 35 countries.

Our commitment to the recruitment, retention, and career development of women and ethnic minorities is a critical element of our business strategy.



## The Mitchell Titus difference

- **Experienced professionals and subject matter specialists** – a team of experienced professionals with direct access to subject matter specialists, all prepared to leverage their industry knowledge and best practices
- **Quality control** – embedded second partner on the engagement team focused on quality control as well as a professional practice director to consult on regulatory and AUP issues
- **Structure** – sound engagement approach that ensures meeting deadlines for deliverables and providing timely updates on issues that may arise and their related cost ramifications, if any, to avoid “late surprises”
- **Value** – a proven client service approach that is based on our proactive philosophy, which results in detailed reporting and deliverables that are substantive, ultimately driving value for our clients
- **Efficiency** – a seamless transition process, planned through efficient coordination and transparent communication
- **Insights** – a new, informed perspective from evidence-based methodologies and leading practices

**While quality, service and industry experience are key considerations in the professional services firm you select, we recognize that fees are an extremely important factor in determining the overall value of your service provider relationship. Our team is committed to providing high-quality, responsive service at a reasonable cost.**



## Achieving excellence together

Mitchell Titus is ready to engage with you.

Our firm's mission is to be recognized for quality, integrity and value, and for the continued commitment to its people and the communities in which we serve.



### About Mitchell Titus

Mitchell & Titus, LLP is the largest minority-controlled accounting firm offering Assurance, Tax and Advisory services in the US.

Our inclusive environment and diverse talent result in creative thinking and innovative approaches for our clients. Mitchell Titus' tenured team of quality and seasoned professionals bring varied insight to every engagement.

For more information about our organization, please visit [mitchelltitus.com](http://mitchelltitus.com).

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

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Lauterbach & Amen, LLP

CERTIFIED PUBLIC ACCOUNTANTS

# Agreed Upon Procedures: Article 3 Pension Fund Examinations

Illinois Police Officers' Pension Investment Fund

Actuarial

Audit

Financial  
Services

Pension

Tax

# The Experts in Pension Fund Administration

- Over 25 years of service
  - *Pension (benefits, accounting, PSA, RID), Audit, Actuary, Tax, Financial Services*
- **L&A is the recognized expert and go-to resource for pension fund administration**
  - 200+ employees, including 13 Partners and more than 50 Principals/Managers
- We provide services to over 500 Downstate Illinois Pension Funds (277 of the 357 Article 3 Funds)
  - Our Pension Fund clients are in every corner of the state, ranging from zero to over 500 members.
- Repeatedly invited to speak at pension fund and municipal government conferences, collaborate on written publications
- In addition, we work directly with municipal/district employers, attorneys, the IRS and the **IDOI**
  - IDOI work includes
    - Filing over 400 Annual Compliance Reports
    - Providing client assistance with IDOI Compliance Audits
    - Co-presentations and combined training at pension fund conferences
    - BETA tester for prior benefit calculators and filing programs





# The Experts in Pension Benefits

- 15-person Benefits Team, including
  - Allison Barrett, Partner, 21+ years
  - Jessica Doogan, Principal, 15+ years
  - Mike Langenfeld, 11+ years at L&A, 15 years at IDOI Pension Division
- Remit monthly benefits to 17,000+ pensioners
- Assist 17,000+ active members
- Calculations include
  - Tier 1 and Tier 2 pension benefits
    - *Retirement, Disability, Conversion, Survivor*
    - *Benefits “Audit” for newly engaged pension funds*
  - All Transfers and Purchases of Creditable Service
    - *Portability, Reciprocity, Military, Refund Repayments, Disability Buy Backs, Miscellaneous Unpaid Breaks, IMRF, SERS, SURS*

# The Experts in Accounting

- 17-person Accounting Team, including
  - A.J. Weber, Partner, CPA, 13+ years
  - Derek Flessner, Principal, CPA, 10+ years
  - Stephanie Masson, 25+ years
- Monthly Compilations to Annual Reporting
  - Monthly Accounting, Reconciliations, Journal Entries
    - *Includes Investment Reporting (pre- and post-consolidation)*
  - Municipal Compliance Report (P.A. 095-0950)
  - Audit Workpapers
  - IDOI Annual Compliance Report
    - *All Schedules, Interrogatories*
    - *Pensionable Salary and Member Contribution Review*
    - *Coordinate filing of annual actuarial report and annual financial audit*





# The Experts in Professional Administration

- 20-person PSA Team, including
  - Lora Murphy, Principal, 15+ years
  - Amanda Secor, 7+ years
- Trustee “Life Line”
- Services include
  - Board Meetings (agendas, board packets, meeting minutes)
  - Member File Maintenance
  - Trustee Elections & Training
  - Affidavits of Eligibility
  - Assistance with IDOI Compliance Audits

# Process

- Collaborate in the development of the detailed AUP for all vendor firms selected.
- Communicate directly with Article 3 Funds
  - Required documentation
    - Secure Portal
  - Deadline requirements
  - Point of contact
- Flexible staffing to cover any changes to the number of examinations being performed or to update an examination if additional information is provided.

# Process

- AUP parameters
  - Availability to complete up to 60 compliance audits per year
    - 111 Article 3 Funds for whom we provide no services examined by the compliance audit process.
  - Anticipate 15-20 hours per compliance audit

# Proposal

	FYE 2023, 2024, 2025, 2026
Per Agreed Upon Procedures Engagement	\$2,400 per Article 3 Fund

*Services Invoiced Upon Completion.*



# The Experts in Pension Fund Administration

## **This Is What We Do.**

Our growth is attributed to word of mouth.

Trustees know us, are comfortable working with us.

Most Knowledgeable and Deepest Bench in the State.

***Our experience brings clients to our door, our service invites them in.***



Lauterbach & Amen, LLP

CERTIFIED PUBLIC ACCOUNTANTS

## Thank You

A.J. Weber, Partner, CPA

Allison Barrett, Partner

Derek Flessner, Principal, CPA

# Illinois Police Officers' Pension Investment Fund

**PRESENTATION FOR AGREED-UPON PROCEDURES**

January 19, 2024



# About KEB

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- Established in 1931, KEB is a leading Midwestern accounting, consulting and advisory firm. With offices in Illinois, Missouri and Wisconsin, we bring the expertise of a national firm with the culture and understanding of a local team.
- Working with KEB guarantees a multi-level commitment to quality and client service. Clients regularly with partners and, year after year, have access to a consistent KEB team. This fosters and maintains a strong working knowledge of the client's challenges and needs.
  - **COMPLEXITY SOLVED** - Our team is your resource for any questions, ready to step in and lend a hand with complexities arise
  - **INSIGHT THROUGH UNDERSTANDING** - Success comes with seeing the big picture of who you are, how you work, and what you hope to achieve
  - **POWERED BY PEOPLE** – our people-first approach to serving clients starts with a team who genuinely enjoys getting to know their clients.



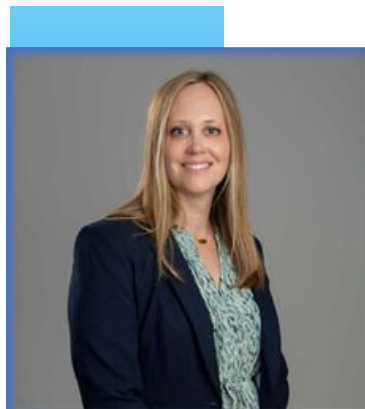


# Service Approach

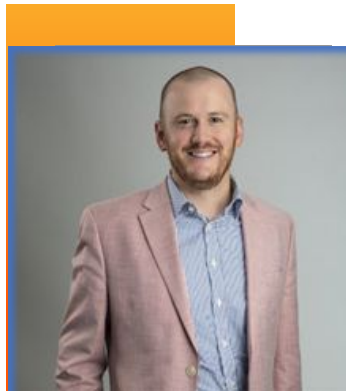
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- Provide highly skilled team comprised of a partner with supporting managers and qualified staff.
- Provide seamless and effective delivery of service through proper scheduling of resources and team supervision.
- Regularly communicate progress throughout the audit process and immediately discuss significant issues.
- Provide exceptional service that is responsive to your needs.
- Add value by offering ideas, recommendations and alternatives.

# Your KEB Team



**PARTNER**  
Michelle Steckel CPA



**MANAGER**  
Jacob Cullen CPA



**MANAGER**  
Grant Bale CPA

# Outline of Plan to Conduct AUPs

---

- Propose 2 tranches a year
- Each tranche process takes about 6-7 months
- Regularly collaborate with IPOPIF and other CPA firms to ensure process is going well
- Timeline is longer due to need to work around the Article 3 Funds' board meetings
- Detailed proposed procedures have been tied to the applicable statute
- Allow the Article 3 Funds time to provide support to eliminate findings after draft report has been delivered, along with time for them to provide a formal written response, if desired

## Fee Structure

---

- Our fees for the proposed professional services are summarized as follows:
  - Per AUP fee (sampled testing): \$ 2,995
  - Per AUP fee (testing all) \$ 5,200
- Preparation for, and attendance at, a hearing will be based on our standard hourly rates. That would be partner time and would be billed at \$ 325/hr for the next 3 years.

## Key Differentiators

---

- We have worked with your organization through the asset transition - Certified Asset List AUP engagements
- We have been through the 1<sup>st</sup> Tranche as Pension Fund examiner for FPIF and are in the process of going through the second
  - Due to this experience, our comfort with the statute requirements has grown and the process of completing the procedures is increasingly streamlined.
  - The staffing team assigned to the completion of IPOPIF agreed-upon procedures engagements would be the same teams as those already working on FPIF



# Guiding Success

[kebcpa.com](http://kebcpa.com)  

3200 Robbins Road, Suite 200A, Springfield, IL 62704 | 217.789.0960

ILLINOIS POLICE OFFICERS' PENSION INVESTMENT FUND

IPOPIF

**MEMORANDUM**

TO: Board of Trustees  
FROM: Richard White, Executive Director  
Regina Tuczak, Finance Director  
RE: Agenda Item 7.2 – NOVEMBER MONTHLY FINANCIAL STATEMENTS  
DATE: January 19, 2024

---

**RECOMMENDATION:** Approve the Monthly financial statements for November 2023.

---

As previously reported by the Fund's Chief Investment Officer, Kent Custer, investment performance for the month of November 2023 was very strong, with Investment Income of over \$590 million in the month of November.

Participant fund activity was cash negative for the month of November as follows:

November Contributions \$24,867,950  
November Withdrawals (\$44,270,772)

There were 127 cash contributions and 182 cash withdrawals in November (total of 309 transactions).

State Street reported 882 unique Cash Management users on eCFM as of December 5, 2023.

# ILLINOIS POLICE OFFICERS' PENSION INVESTMENT FUND



## MONTHLY FINANCIAL REPORT

FOR THE FIVE MONTHS ENDED NOVEMBER 30, 2023

MODIFIED CASH BASIS

PREPARED BY: THE STAFF OF THE ILLINOIS POLICE OFFICERS' PENSION INVESTMENT FUND



**Illinois Police Officers' Pension Investment Fund**  
**Statement of Fiduciary Net Position**  
**As of November 30, 2023, and 2022**

November 30, 2023November 30, 2022**Assets****Cash**

Lake Forest Bank &amp; Trust

\$ 105,783 \$ 1,022,550

**Total Cash****105,783 1,022,550****Investments**

Investments

9,533,282,659 7,720,073,550

**Total Investments****9,533,282,659 7,720,073,550****Other Assets**

Net IMRF Pension Asset

7,426 -

**Total Other Assets****7,426 -****Total Assets****9,533,395,868 7,721,096,100****Deferred Outflows of Resources**

Deferred outflows related to IMRF Pension

80,309 -

**Liabilities**

Illinois Finance Authority Loan

- 6,486,046

Capitalized Interest

- 79,635

**Total Payables****- 6,565,681****Accrued Expenses**

Payroll &amp; Related

141,730 91,956

Professional

10,240 682,319

General

- 89,626

**Total Accrued Expenses****151,970 863,901****Total Liabilities****151,970 7,429,582****Net Position Restricted****9,533,324,207 7,713,666,518**

**Illinois Police Officers' Pension Investment Fund**  
**Statement of Changes in Fiduciary Net Position**  
**For the five months ended November 30, 2023, and 2022**

	<u>November 30, 2023</u>	<u>November 30, 2022</u>
<b>Additions</b>		
<b>Proceeds</b>		
Cash Received from Local Funds	192,974,101	82,925,810
Investments Received from Local Funds	13,100,419	4,700,322,831
<b>Total Proceeds</b>	<b>206,074,520</b>	<b>4,783,248,641</b>
<b>Investment Income (Loss)</b>		
Lake Forest Bank & Trust	256	6,370
Interest	26,148,222	19,768,438
Net appreciation (depreciation) in fair value of investments	107,342,582	185,414,236
<b>Net Investment Income (Loss)</b>	<b>133,491,060</b>	<b>205,189,044</b>
<b>Total Additions</b>	<b>339,565,580</b>	<b>4,988,437,685</b>
<b>Deductions</b>		
<b>Administrative Expenses</b>		
Board of Trustees & Meetings	(34,199)	(12,830)
Administrative Operations	(663,229)	(680,662)
Investment Operations	(499,654)	(599,897)
<b>Total Administrative Expenses</b>	<b>(1,197,082)</b>	<b>(1,293,389)</b>
<b>Participating Fund Withdrawals</b>	<b>(191,640,310)</b>	<b>(8,226,210)</b>
<b>Total Deductions</b>	<b>(192,837,392)</b>	<b>(9,519,599)</b>
<b>Net Increase (Decrease)</b>	<b>146,728,188</b>	<b>4,978,918,086</b>
<b>Net Position Restricted</b>		
<b>Beginning of the Year</b>	9,386,596,019	2,734,748,434
<b>End of the Period</b>	<b>9,533,324,207</b>	<b>7,713,666,520</b>

## Illinois Police Officers' Pension Investment Fund

### Additions Report for the Five Months Ended November 30, 2023

	<b>Received</b> <b><u>this Month</u></b>	<b>Budgeted</b> <b><u>this Month</u></b>	<b>Received this</b> <b><u>Fiscal Year</u></b>	<b>Budgeted</b> <b>this</b> <b><u>Fiscal Year</u></b>
<b>Additions</b>				
<u>Consolidated Funds</u>				
Cash Received from Local Funds	24,867,950	-	192,974,101	-
Investments Received from Local Funds	-	-	13,100,419	-
	<b>24,867,950</b>	-	<b>206,074,520</b>	-
<u>Investment Income (Loss)</u>				
Interest & Dividends	6,141,780	-	26,148,478	-
Net appreciation (depreciation)	584,638,352	-	107,342,582	-
	<b>590,780,132</b>	-	<b>133,491,060</b>	-
<b>Total Additions</b>	<b>615,648,082</b>	-	<b>339,565,580</b>	-

## Illinois Police Officers' Pension Investment Fund

### Deductions Report for the Five Months Ended November 30, 2023

	<u>Expended this Month</u>	<u>Budgeted this Month</u>	<u>Expended this Year</u>	<u>Budgeted this Year</u>
<b>Expenditures</b>				
<b>Board of Trustees and Meetings</b>				
<u>Board of Trustees and Meetings Expenses</u>				
Professional Services				
<i>Administrative Services</i>	-	4,950	3,200	59,400
<i>Election Services</i>	-	-	13,793	-
Education and Training	-	3,000	-	36,000
Meeting Expenses	7,925	4,583	14,711	55,000
Board Member Reimbursements	316	2,787	2,495	33,440
Municipal Reimbursements	-	992	-	11,900
	<b>8,241</b>	<b>16,312</b>	<b>34,199</b>	<b>195,740</b>
<b>Administrative Operations</b>				
<u>Personnel</u>				
Administrative Personnel	66,439	71,674	297,420	860,088
Employment Expenses				
<i>FICA/Medicare</i>	3,444	4,921	18,077	59,052
<i>Medical/Dental Benefits</i>	5,569	10,399	50,080	124,788
<i>Unemployment</i>	-	113	392	1,354
<i>Retirement Benefits</i>	3,976	4,464	14,526	53,570
	<b>79,428</b>	<b>91,571</b>	<b>380,495</b>	<b>1,098,852</b>
<u>Professional Services</u>				
Finance				
<i>Accounting</i>	-	4,883	-	58,600
<i>Audit - Financial</i>	-	4,792	-	57,500
<i>Audit - Certified Asset List</i>	-	2,934	-	35,205
Administrative Services	-	3,975	-	47,700
Government Liaison	5,700	5,700	28,500	68,400
Actuarial Services	-	15,292	-	183,500
Outsourced Human Resources	-	1,000	419	12,000
Legal Services				
<i>Legal Services - General</i>	-	6,250	2,729	75,000
<i>Legal Services - Fiduciary</i>	8,212	10,417	21,331	125,000
Technology Services	68	1,000	2,324	12,000
Other Consulting Services	2,800	1,771	14,373	21,250
Communication Services	1,500	1,500	7,500	18,000
	<b>18,280</b>	<b>59,514</b>	<b>77,176</b>	<b>714,155</b>

## Illinois Police Officers' Pension Investment Fund

### Deductions Report for the Five Months Ended November 30, 2023

	<u>Expended this Month</u>	<u>Budgeted this Month</u>	<u>Expended this Year</u>	<u>Budgeted this Year</u>
<b>Expenditures</b>				
<u>Bank Services and Fees</u>				
Local Bank Fees	208	375	1,015	4,500
	<b>208</b>	<b>375</b>	<b>1,015</b>	<b>4,500</b>
<u>Services &amp; Supplies</u>				
Assets under \$5,000	-	4,167	42,533	50,000
Insurance	-	8,918	106,906	107,017
Office Lease/Rent	5,375	5,375	26,875	64,500
Printing & Postage	49	2,833	7,162	34,000
Supplies & Maintenance	545	1,167	3,468	14,000
Telecommunication	1,364	1,417	6,361	17,000
Contingency	(2)	1,000	1	12,000
Dues / Licenses	274	6,549	4,989	78,586
Training & Education	180	1,000	1,350	12,000
Travel & Transportation	766	1,000	4,587	12,000
Utilities	(835)	667	(835)	8,000
Website	200	1,667	1,146	20,000
	<b>7,916</b>	<b>35,760</b>	<b>204,543</b>	<b>429,103</b>
<b>Investment Operations</b>				
<u>Personnel</u>				
Investment Operations Personnel	64,715	83,333	251,938	1,000,000
Employment Expenses				
<i>FICA/Medicare</i>	3,176	5,279	11,281	63,344
<i>Medical/Dental Benefits</i>	5,066	8,795	24,908	105,542
<i>Unemployment</i>	96	66	96	790
<i>Retirement Benefits</i>	4,682	5,923	16,947	71,072
	<b>77,735</b>	<b>103,396</b>	<b>305,170</b>	<b>1,240,748</b>
<u>Investment &amp; Banking</u>				
General Investment Consultant	106,875	35,625	106,875	427,500
Database Subscription(s)	-	3,178	-	38,135
Investment Management	-	115,417	19,953	1,385,000
Custodial Services	36,639	38,333	67,656	460,000
	<b>143,514</b>	<b>192,553</b>	<b>194,484</b>	<b>2,310,635</b>

## Illinois Police Officers' Pension Investment Fund Deductions Report for the Five Months Ended November 30, 2023

	<b>Expended <u>this Month</u></b>	<b>Budgeted <u>this Month</u></b>	<b>Expended <u>this Year</u></b>	<b>Budgeted <u>this Year</u></b>
<b>Expenditures</b>				
<b>Total Expenditures</b>	335,322	499,481	1,197,082	5,993,733
<b>Participating Fund Withdrawals</b>	44,270,771		191,640,310	
<b>Total Deductions</b>	44,606,093		192,837,392	

## Warrant #24-07 Paid 1-2-2024



Illinois Police Officers'  
PENSION INVESTMENT FUND

## Expenses for Ratification - January 19, 2024 Board Meeting

### BOARD OF TRUSTEES and MEETINGS

#### Professional Services - Election Services

	Survey & Ballot Systems Inc	
12/28/2023	Election services for the 2024 Paper Election, Phase 01 Invoice #18657	\$4,965.00

#### Education and Training

	Michael Inman	
12/15/2023	Out of pocket reimbursement for conference fee and travel to Las Vegas, NV, for January 28-30, 2024, NAPO Seminar	\$1,212.66
	Philip Sues	
12/29/2023	Out of pocket reimbursement for CFA professional development course	\$799.00
	<b>Total Board of Trustees and Meetings Education and Training Expense</b>	<b>\$2,011.66</b>

#### Meeting Expenses

	Sound & Light Creations by Scott Fort	
12/28/2023	Sound system with table top microphones and video screen at Peoria Marriott Pere Marquette for Committee and Board Meetings December 14-15, 2023, Invoice #12142301	\$1,740.00
	Richard White	
12/22/2023	Out of pocket reimbursement for meeting space at Peoria Marriott Pere Marquette for Committee and Board Meetings on December 14-15, 2023	\$4,699.80
	<b>Total Board of Trustees and Meetings Meeting Expense</b>	<b>\$6,439.80</b>

#### Board Member Reimbursements

	Elizabeth Holleb	
12/28/2023	Out of pocket reimbursement for hotel and travel for December 14, 2023, Committee Meeting and December 15, 2023, Board Meeting	\$394.40
	Daniel Hopkins	
12/18/2023	Out of pocket reimbursement for hotel, travel and expenses for December 14, 2023, Committee Meeting and December 15, 2023, Board Meeting	\$337.60
	Michael Inman	
12/15/2023	Out of pocket reimbursement for hotel and travel for December 15, 2023, Board Meeting	\$237.77

## Warrant #24-07 Paid 1-2-2024



Illinois Police Officers'  
PENSION INVESTMENT FUND

## Expenses for Ratification - January 19, 2024 Board Meeting

### Board Member Reimbursements (continued)

	Philip Suess	
12/27/2023	Out of pocket reimbursement for hotel and travel for December 14, 2023, Committee Meeting and December 15, 2023, Board Meeting	\$360.55
	<b>Total Board of Trustees and Meetings Board Member Reimbursements</b>	<b>\$1,330.32</b>
<b>TOTAL BOARD OF TRUSTEES AND MEETINGS EXPENSES</b>		<b>\$14,746.78</b>

### ADMINISTRATIVE OPERATIONS

#### Professional Services - Finance

##### Audit - Financial

	Sikich LLP	
12/21/2023	Professional services rendered in connection with year end 2023 audit final billing to December 31, 2023, Invoice #38226	\$10,000.00

#### Professional Services - Legal

##### General

	Reimer Dobrovoly & Labardi PC	
12/6/2023	Legal services rendered and disbursements for the period August 7 2023, to October 13, 2023, Invoice #2851-29926	\$11,569.20

##### Fiduciary & Litigation

	Jacobs Burns Orlove & Hernandez LLP	
12/13/2023	Legal services rendered in November 2023 regarding general matters Invoice #401	\$5,546.00

#### Professional Services - Communication

	Shepherd Communications	
12/29/2023	Professional Service Fee for January 2024	\$1,500.00

#### Professional Services - Other Consulting Services

	MCS Consulting LLC	
12/10/2023	Consulting Services for Strategic Planning for November 2023, Invoice #1125	\$2,800.00

#### Services and Supplies

##### Office Lease

	City of Peoria	
1/1/2024	Rent for January 2024	\$5,375.00



## Warrant #24-07 Paid 1-2-2024



Illinois Police Officers'  
PENSION INVESTMENT FUND

## Expenses for Ratification - January 19, 2024 Board Meeting

### Services and Supplies (continued)

#### Printing & Postage

	Samantha Lambert	
12/11/2023	Out of pocket reimbursement for postage for overnight mailing of documents to Board of Trustee member, December 2023	\$36.60
	TaMaYo Design, Inc.	
12/1/2023	Initial billing of ACFR graphic design work, Invoice #IPOPIF	\$2,625.00
12/19/2023	Second billing of ACFR graphic design work including stock photography and logo design, Invoice #IPOPIF 002	\$3,415.00
	<b>Total Services and Supplies, Printing &amp; Postage</b>	<b>\$6,076.60</b>

#### Supplies & Maintenance

	The Cleaning Source	
12/28/2023	Weekly cleaning service for December 2023, Invoice #IP1223	\$186.00

#### Telecommunications

	AmeriCALL	
12/4/2023	Monthly telephone charges, 12/4/2023 to 1/3/2024, Invoice #3114235	\$335.71
	Comcast	
12/12/2023	Monthly data, voice, secure packaged services, 12/16/23 - 1/15/24	\$247.00
	<b>Total Services and Supplies, Telecommunications</b>	<b>\$582.71</b>

#### Dues & Licenses

	ADP, Inc.	
11/10/2023	Processing state charges for period ending October 31, 2023, Debit #646324205	\$8.95
12/15/2023	Processing charges for period ending November 30, 2023, Debit #6486689895	\$8.95
	Government Finance Officers Association (GFOA)	
12/29/2023	Certificate of Achievement review fee for Fiscal Year 2023 ACFR report, Invoice #00018737	\$460.00
	Illinois Government Finance Officers Association (IGFOA)	
12/29/2023	Annual membership renewal dues for 2024, CFO, R. Tuczak, and Senior Accountant, A. Zick	\$250.00
	Levi, Ray & Shoup, Inc.	
12/5/2023	LRS Axcient CloudFinder for Office 365 backup, 25 licenses, November 2023, Invoice #310103	\$125.00

## Warrant #24-07 Paid 1-2-2024



Illinois Police Officers'  
PENSION INVESTMENT FUND

## Expenses for Ratification - January 19, 2024 Board Meeting

### Services and Supplies

#### **Dues & Licenses (continued)**

	Thomson Reuters	
12/14/2023	NetStaff CS Web Services fees, November 2023, Invoice #WS11164485	\$466.00
	<b>Total Services and Supplies, Dues &amp; Licenses</b>	<b>\$1,318.90</b>

#### **Travel & Transportation**

	Katherine Cobb	
11/27/2023	Out of pocket reimbursement for parking fees, November 2023	\$81.00
12/6/2023	Out of pocket reimbursement for parking fees, December 2023	\$81.00
	Samantha Lambert	
12/11/2023	Out of pocket reimbursement for parking fees, December 2023	\$81.00
	<b>Total Services and Supplies, Travel &amp; Transportation</b>	<b>\$243.00</b>

#### **Website**

	Levi, Ray & Shoup, Inc.	
12/5/2023	Website hosting and related support, November 2023, Invoice #310102	\$200.00
	Pension Technology Group	
12/1/2023	Pension Fund App annual support and maintenance fee, Invoice #3231	\$10,000.00
	Amy Zick	
12/27/2023	Out of pocket reimbursement for professional headshot for website	\$99.00
	<b>Total Services and Supplies, Website</b>	<b>\$10,299.00</b>

**TOTAL ADMINISTRATIVE OPERATIONS EXPENSES** **\$55,496.41**

### **INVESTMENT OPERATIONS**

#### **Investment & Banking**

##### **Investment Management**

	RhumbLine Advisors	
12/13/2023	Investment Management Services for November 2023 \$2,540,970,815 AUM, .5bps, Invoice #gipop12023November	\$10,587.00

##### **Custodial Services**

	State Street Bank & Trust Company	
12/14/2023	Custody Fees, Charges and Expenses for October 2023 Invoice #2310149465-6011	\$33,740.21

**TOTAL INVESTMENT OPERATIONS EXPENSES** **\$44,327.21**

**TOTAL EXPENSES FOR RATIFICATION** **\$114,570.40**



IPOPIF

## ILLINOIS POLICE OFFICERS' PENSION INVESTMENT FUND

### MEMORANDUM

TO: IPOPIF BOARD OF TRUSTEES

FROM: RICHARD WHITE, EXECUTIVE DIRECTOR  
REGINA TUCZAK, CHIEF FINANCIAL OFFICER

RE: VENDOR REVIEW MEMORANDUM

DATE: JANUARY 19, 2024

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**Recommended action:** Receive report and refer to the Contract Committee for additional review and necessary action.

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**Background:** A comment from a Board of Trustee member at a recent meeting regarding an evaluation of a service vendor triggered a review of the procedures for such a request and review of a service provider. The procedure for a performance review is found in the Purchasing and Professional Services Contracting Policy (PP-2020-11) which provides for the Performance Reviews of service providers, as noted below:

7. *Performance Reviews:*

- a. *All Professional Service providers retained by the Fund shall be subject to periodic review to ensure that each provider complies with the terms of engagement and continues to meet the needs of the Fund.*
- b. *The performance of every contracted Professional Service provider will be reviewed at least every three years.*
- c. *The performance review will include performance opinions from various staff and Board members as deemed appropriate.*
- d. *The performance review will be presented to the Contract Committee for necessary action and recommendations to the Board of Trustees, if any.*

A list of the Fund's service providers is provided below which includes the starting date for these providers, the date and status of the current contract with the service provider.


 IPOPIF

## ILLINOIS POLICE OFFICERS' PENSION INVESTMENT FUND

The procedure to be followed for a vendor performance review as outlined in the Purchasing and Professional Services Contracting Policy (PP-2020-11) provides that the Contract Committee will review the performance of vendors and make a recommendation, if any, to the Board of Trustees. Please note that service providers covered by the Procurement of Investment Services Policy are addressed separately and are not subject to the performance review intended to be addressed in this review.

It is recommended that the Board of Trustees direct that this matter be referred to the Contract Committee for necessary review and action.

SERVICE PROVIDED	FIRM NAME	START DATE  LAST APPROVAL	CONTRACTUAL AGREEMENT	MISCELLANEOUS REVIEW RECOMMENDED
ACCOUNTING AND FINANCIAL SUPPORT	Lauterbach & Amen, LLP.	Started: June 8, 2020  Last Approval: June 9, 2023	Annual contractual agreement for accounting, payroll, Chief Financial Officer, financial reporting, and other related services.  Agreements and services are reviewed and approved annually by the Board of Trustees.  Current agreement through June 30, 2024, which was last approved on June 9, 2023.  Services are billed hourly with Partner (\$175). Senior (\$125).	Miscellaneous:  Retained by IPOPIF through Purchasing Policy guidelines.  <b>Review Recommended:</b>  <b>During FY 2025 Budget Process.</b>

**ILLINOIS POLICE OFFICERS' PENSION INVESTMENT FUND**



			Associate (\$75).  Can be terminated with 30 days notice.	
ACTUARIAL SERVICES	Foster & Foster Consulting Actuaries, Inc.	Start Date: December 1, 2021  Last Approval: December 17, 2021	Five-year contract agreement.  Services under contract through November 30, 2026.  Fees are established under the terms of the contract.	Miscellaneous: Retained by IPOPIF through a competitive RFP process.  <b>Review Recommended:</b>  <b>First half of calendar year 2025</b>
COMMERCIAL INSURANCE BROKER	Cook Castle Associates, LLC	Start Date: July 1, 2020  Last Approval: June 9, 2023	Annual renewal of insurance company policies for business insurance needs.  Agreements and services are reviewed and approved annually by the Board of Trustees.  Current policies through June 30, 2024, which was last approved by the Board of Trustees on June 9, 2023.  IPOPIF pays the premiums for the policies through the insurance broker.  There is not a separate fee for the insurance broker.	Miscellaneous: Retained by IPOPIF through a competitive RFP process.  <b>Review Recommended:</b>  <b>During FY 2025 Budget Process.</b>

## ILLINOIS POLICE OFFICERS' PENSION INVESTMENT FUND

IPOPIF

FIDUCIARY LEGAL SERVICES	Jacobs, Burns, Orlove & Hernandez, LLP.	<p>Started: January 11, 2021</p> <p>Last Approval: December 15, 2023</p>	<p>Annual renewal.</p> <p>Current retainer agreement through December 31, 2024.</p> <p>No minimum or retainer fee.</p> <p>Services billed per hourly rate for attorneys (\$305 per hour), law clerks/paralegals (\$50 per hour).</p> <p>Termination upon written notice.</p>	<p>Miscellaneous:</p> <p>Retained by IPOPIF on February 26, 2021, through a competitive RFP process.</p> <p><b>Review Recommended:</b></p> <p><b>First half of calendar year 2024</b></p>
HUMAN RESOURCES	Lauterbach & Amen, LLP.	<p>Started: February 16, 2021</p> <p>Last Approval: June 10, 2022</p>	<p>Contract through July 1, 2024, with ability to terminate with 30 days' notice.</p> <p>No minimum or retainer fee.</p> <p>Services billed per hour dependent upon service and level used.</p> <p>Maximum cap of \$7,000 for each individual recruiting service.</p>	<p>Miscellaneous:</p> <p>Retained by IPOPIF on February 12, 2021, through a competitive RFI process.</p> <p><b>Review Recommended:</b></p> <p><b>First half of calendar year 2024</b></p>
LEVI, RAY & SHOUP, INC. (LRS)	Website development, maintenance, and hosting	Started: January 18, 2021	<p>Open ended contract with termination, upon written notice.</p> <p>\$200 per month for website hosting.</p>	<p>Miscellaneous:</p> <p>Retained by IPOPIF on January 8, 2021, through a competitive RFP process.</p> <p><b>Review Recommended:</b></p>

**ILLINOIS POLICE OFFICERS' PENSION INVESTMENT FUND**



			Hourly billing for other services, as used.  No minimum or retainer fee.	<b>First half of calendar year 2024</b>
LEVI, RAY & SHOUP, INC. (LRS)	Small Business Support	Started: July 10, 2020	Open ended contract with termination clause.  Hourly billing for services, as used.  No minimum or retainer fee  Decreasing usage with IT in-house staffing, but support and expertise are still important resource for the fund.  Ability to purchase IT equipment through LRS procurement process.	Miscellaneous: Retained by IPOPIF on July 10, 2020.  <b>Review Recommended:</b>  <b>First half of calendar year 2024</b>
MCS CONSULTING LLC	Strategic Planning and Project Management Consulting Services	Started: June 7, 2023  Ended: Anticipate completing contract during 1 <sup>st</sup> quarter of 2024.	Engagement term limited to completion of all agreed upon work for Strategic Plan.	Miscellaneous: Retained by IPOPIF through Purchasing Policy guidelines.  <b>Review recommended:</b>  <b>Not applicable</b>
PENSION TECHNOLOGY GROUP (PTG)	Web Application (APP) including development, maintaining and hosting a system software application.	Started: February 24, 2022	Five-year contract agreement.  Services under contract through June 2027.	Miscellaneous: Retained by IPOPIF through Purchasing Policy guidelines and approved by the Board of

**ILLINOIS POLICE OFFICERS' PENSION INVESTMENT FUND**



			<p>Access and maintenance fees are established under the contract.</p> <p>On-going annual fee set at \$10,000 with an unlimited number of APP users.</p>	<p>Trustees on January 14, 2022.</p> <p><b>Review Recommended:</b></p> <p><b>First half of calendar year 2025</b></p>
REIMER, DOBROVOLNY & LABARDI, PC	General Legal Services	<p>Started: May 22, 2020</p>	<p>Open ended contract with termination clause.</p> <p>No minimum fee or retainer.</p> <p>Services billed per hourly rate for attorneys (\$300 per hour for Partner; \$275 per hour for Senior Associate; \$250 per hour for Associate), Paralegals (\$75per hour).</p>	<p>Miscellaneous: Retained by IPOPIF through competitive RFP process by the Board of Trustees on May 1, 2020.</p> <p><b>Review Recommended:</b></p> <p><b>First half of calendar year 2024</b></p>
SHEPHERD COMMUNICATIONS	Communication Consulting Services	<p>Started: July 1, 2021</p> <p>Last Approval: June 9, 2023</p>	<p>Annual contract.</p> <p>Current contract through June 30, 2024.</p> <p>\$1,500 per month.</p> <p>Can be terminated with 30 days' notice.</p>	<p>Miscellaneous: Retained by IPOPIF through Purchasing Policy guidelines and approved by the Board of Trustees on June 9, 2023.</p> <p><b>Review Recommended:</b></p> <p><b>During FY 2025 Budget Process.</b></p>



## ILLINOIS POLICE OFFICERS' PENSION INVESTMENT FUND

IPOPIF

SIKICH, LLP	Auditing, Agreed Upon Procedures per Statement of Work Agreements.	Started: April 28, 2022	Five-year contract agreement.  Termination upon written notice.  Services under contract through June 2027.  Fees are established under the contract.	Miscellaneous: Retained by IPOPIF through a competitive RFP process by the Board of Trustees on April 8, 2022.  <b>Review Recommended:</b>  <b>First half of calendar year 2025</b>
SURVEY AND BALLOT SERVICES (SBS)	Election Services	Start Date: August 2020  Last Approval: December 23, 2021.	Three-year contract agreement.  Can be terminated with 30 days' notice.  Services under contract through June 2026.  Fees are established under the contract.	Miscellaneous: Retained by IPOPIF through Purchasing Policy guidelines and approved by the Board of Trustees on December 17, 2021.  <b>Review Recommended:</b>  <b>First half of calendar year 2025</b>
VISION M.A.I. CONSULTING	Legislative Liaison Services	Start Date: October 12, 2020	Open term contract billed for services at \$5,700 per month.  Termination with 30 days' notice.	Miscellaneous: Retained by IPOPIF through a competitive RFI process and approved by the Board of Trustees on October 9, 2020.  <b>Review Recommended:</b>  <b>First half of calendar year 2024</b>

IPOPIF

## ILLINOIS POLICE OFFICERS' PENSION INVESTMENT FUND

**MEMORANDUM**

TO: Board of Trustees

FROM: Richard White, Executive Director  
Regina Tuczak, Chief Financial Officer

RE: Agenda Item 8.1: Job Description-Senior Accountant/Auditor

DATE: January 19, 2024

**RECOMMENDATION:** Approve the Job Description of the Senior Accountant/Auditor

The Finance and Accounting team has assumed significant additional responsibilities effective July 1, 2023, the beginning of the fiscal year. With these additional responsibilities and the pending Agreed Upon Procedures of the Article 3 Funds, an additional staff member of the Finance and Accounting group is needed.

The fiscal year 2024 Budget includes provisions for a second Senior Accountant effective January 1, 2024. In evaluating the needs of the Fund, we recommend changing the job description of the Senior Accountant to include an audit focus and rename the position Senior Accountant/Auditor. This position will be focused on communicating with the Article 3 Funds regarding the agreed upon procedures, coordinating all engagements with the independent certified public accounting (CPA) firms, reviewing all reports completed and submitted by the CPA firms, and any necessary communications with the Illinois Department of Insurance. An estimated 120 agreed upon procedures engagements will be performed annually.

In addition, this position will assist with the Cash Management Process, most notably verification procedures and database maintenance associated with eCFM Cash Access forms submitted by Participant Funds.

There will be some accounting procedures assigned to this role, including review of State Street custody information relevant to the financial statements and regulatory reporting requirements, and reconciliation to recordkeeper reporting of Northeast Retirement Systems.

Note that this job description was provided to the Audit & Budget Committee at their meeting on January 14, 2024. The Committee had some recommended changes, most notably including all responsibilities, duties, knowledge, and qualifications, of both staff members of the Finance and Accounting team. The job responsibilities and roles of each can be internally defined. Pending these updates to the job description, the Committee recommended that the Job Description be presented to the Board for approval.

If approved by the Board, the recruitment process will begin following the January 19, 2024, meeting.

It is anticipated that the previously approved compensation will be sufficient for this position, but a review will be requested from Lauterbach & Amen, LLP and an update will be provided to the Board at a future meeting.

**ILLINOIS POLICE OFFICERS' PENSION INVESTMENT FUND**

**POLICY AND PROCEDURE**

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**POLICY NUMBER:** PP-2023-02  
**SUBJECT:** SENIOR ACCOUNTANT/AUDITOR JOB DESCRIPTION  
**EFFECTIVE DATE:** FEBRUARY 10, 2023  
**AMENDED:** JANUARY 19, 2024

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**INDEX:**

SECTION A: INTRODUCTION  
SECTION B: RESPONSIBILITIES AND DUTIES OF THE SENIOR ACCOUNTANT/  
AUDITOR  
SECTION C: POLICY REVIEW

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**A. INTRODUCTION**

1. The Senior Accountant/Auditor reports directly to the Chief Financial Officer/Assistant Executive Director.
2. Under the direction of the Chief Financial Officer/Assistant Executive Director, a Senior Accountant/Auditor performs a variety of specialized and responsible duties related to the day-to-day accounting and/or auditing activities, performs highly responsible and complex work, maintenance, and review of fiscal, financial, participant pension fund, and other statistical records; and other work as required.
3. The Senior Accountant/Auditor will uphold the highest standards of ethics and professionalism and will act in a manner consistent with the Illinois Police Officers' Pension Investment Fund's (IPOPIF) mission, vision, and strategic plan.

PP-2023-02 SENIOR ACCOUNTANT/AUDITOR JOB DESCRIPTION

## **B. RESPONSIBILITIES AND DUTIES OF THE ACCOUNTANT**

1. General responsibilities:
  - a. Provide technical support to the Chief Financial Officer/Assistant Executive Director in developing and carrying out the policies, strategies, objectives, procedures, and processes for the Illinois Police Officers' Pension Investment Fund.
  - b. Make decisions based upon specialized knowledge or general knowledge of accounting or auditing systems and practices.
  - c. Assist the Chief Financial Officer/Assistance Executive Director in preparing materials for Board of Trustee and Committee meetings.
  - d. Assist the Chief Financial Officer/Assistance Executive Director in monitoring compliance with Board approved policies and all applicable laws and regulations.
  - e. Provide periodic reporting in accordance with Board policies and perform procedures designed to comply with the requirements of the Illinois Pension Code.
  - f. Provide general support to Executive Director, Chief Investment Officer, and Chief Financial Officer.
  - g. Special projects, as assigned.
  
2. Duties include some or all of the following:
  - a. Serve as lead contact for all audit-related functions and procedures.
  - b. Coordinate audit-related procedures performed by external service providers on participant pension funds (approximately 120 per year), including troubleshooting communications with participant pension funds.
  - c. Review all reports of Independent Certified Public Accounting firms.
  - d. Review information provided by the Fund's custodian, reconcile to recordkeeping reports, and prepare for submission to regulatory agencies.
  - e. Review and perform verification procedures on information submitted by participant pension funds relevant to cash management procedures.
  - f. Prepare general ledger entries and reconcile with supporting records.

- g. Perform bank reconciliations.
- h. Assist with preparing monthly and annual financial statements.
- i. Maintain timely payment of bills and invoices.
- j. Initiate wire transfers to support administrative and investment operations.
- k. Assist with annual external audit.
- l. Prepare government-required reports and filings.
- m. Maintain accounting or auditing software used by IPOPIF.
- n. Prepare written reports with recommendations on audit findings and follow up on the status of findings and recommendations.
- o. Review and report on effectiveness and adequacy of internal control systems.

3. Knowledge of:

- a. Specific IPOPIF accounting or auditing systems, procedures, regulations, and source documents in the area of assignment and the interrelationships of internal and external recordkeeping systems.
- b. Government accounting or auditing methods and standards, with emphasis on understanding policies, procedures, controls and practices of participant pension funds (Article 3 of the Illinois Pension Code).
- c. Modern practices, procedures, techniques, and terminology related to the processing and recording of transactions of participant pension funds.
- d. Basic principles of business mathematics and financial/accounting or auditing methods.
- e. Laws, rules, regulations, and practices/procedures related to Articles 3 and 22(b) of the Illinois Pension Code.
- f. Basic electronic data processing applications, including ability to perform general ledger maintenance.
- g. Investments and investment transactions of pension plans or investment trusts.
- h. Theory, principle, and practice of auditing, including the methods and procedures used to examine, verify, and analyze operational records, statements, and reports.

4. Ability to:

- a. Establish and maintain professional relationships with members of the Board of Trustees, IPOPIF management and professional staff, service providers, key representatives of regulatory agencies, and members of participant pension funds.
- b. Interact with integrity and diplomacy with external service providers, custodians, investment managers and representatives of participant pension funds.
- c. Perform a wide variety of complex, specialized or technical financial/accounting or auditing responsibilities; maintain and monitor controls over primary accounting records and related reporting.
- d. Conduct procedures virtually with respect to verification of participant pension fund information submissions.
- e. Prepare, review, audit, and correct accounting and auditing documents, and databases of participant pension fund records.
- f. Review and consolidate records from several sources, including integration with participant pension fund reporting, and summarize and assimilate into reports and other recordkeeping documents.
- g. Evaluate Fund procedures and controls and provide constructive recommendations for change.
- h. Maintain participant pension fund databases relevant to the cash management function.
- i. Review reports of external auditors relevant to agreed upon procedures engagements and summarize information for Fund management and the Board of Trustees
- j. Recognize errors and problems and research a variety of sources to determine appropriate corrective action; independently resolve problems; reconcile differences between recordkeeping systems and custodial records and within the general ledger system.
- k. Understand and interpret the principles, laws and procedures involved in Fund operations and related requirements of the Illinois Pension Code.

- l. Communicate in English clearly, concisely, and effectively both orally and in writing. Work products must be complete, comprehensive, and accurate when submitted.
- m. Perform job functions with a high degree of independence, in an ethical and objective manner and with the highest level of confidentiality.
- n. Use computer software to compose spreadsheets, graphs, flowcharts, calculations, and time reports, etc.

5. Qualifications

- a. Graduation from an accredited university or college with a bachelor's degree in finance, accounting, business, or related field of study preferred, and
- b. Certified Public Accountant (CPA) designation preferred but not required.
- c. Certified Internal Auditor (CIA) certification is preferred but not required.
- d. Seven to ten years of experience in government, public accounting or auditing, pension fund administration, or an investment management institution
- e. Experience working in professional services or public pension industry.
- f. Highly proficient in Microsoft Office Suite including Outlook, Word, Teams, and Excel.
- g. Highly detail-oriented and self-motivated.
- h. Strong organizational skills
- i. Any combination of education, training and/or experience that could likely provide the desired knowledge and abilities.

**C. POLICY REVIEW**

1. The Policy is subject to change in the exercise of the Board's judgement.
2. The Board of Trustees will review this policy at least every two (2) years to ensure that it remains relevant and appropriate and consistent with state and federal laws and regulations.
3. In the event of legislative changes to the pertinent sections addressed in this policy, the Board will review the policy as appropriate.
4. This policy was adopted by the Board of Trustees on February 10, 2023.
5. This policy was revised by the Board of Trustees on January 19, 2024, to include audit responsibilities.





IPOPIF

## ILLINOIS POLICE OFFICERS' PENSION INVESTMENT FUND

### MEMORANDUM

TO: IPOPIF BOARD OF TRUSTEES

FROM: RICHARD WHITE, EXECUTIVE DIRECTOR  
KENT CUSTER, CHIEF INVESTMENT OFFICER  
REGINA TUCZAK, FINANCE DIRECTOR

RE: STRATEGIC PLAN 2024-2026

DATE: JANUARY 19, 2024

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**RECOMMENDATION:** APPROVE STRATEGIC PLAN 2024-2026

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Strategic Planning is an important process which provides an opportunity for an organization to define the aspiring vision and mission for the organization, to establish core values and to develop and overarching plan for the organization to ensure that all components of the organization are working on achieving realistic goals and objectives.

As a new organization, the Strategic Plan will greatly enhance the functionality of the organization, ensuring that the approved strategies are closely aligned with the mission and core values of the Fund, provide oversight and financial accountability regarding the activities of the Fund, and communicate with our stakeholders about the implementation of the pension code responsibilities of the Fund.

Importantly, the Strategic Plan will provide the Board of Trustees with the knowledge necessary to provide oversight and governance to the Fund and accountability to the stakeholders, Article 3 participating police pension funds, municipalities, and the public.

The Board of Trustees and staff worked collaboratively to define the culture and characteristics to which IPOPIF aspire and the vision to be a high performing and trusted provider of institutional investment services to its members, beneficiaries, employers, and taxpayers.

The Plan details the strategic goals for Investments, Governance, Management, and Stakeholder Relations and the objective defining these outcomes and strategies to achieve these goals.

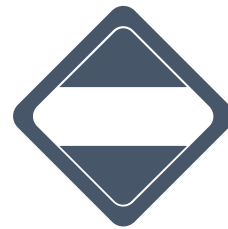
The Strategic Plan covers the periods of 2024 through 2026 and will be reviewed annually by the Board of Trustees, particularly during the development of the annual budget to link the plan with the resources and tool necessary to achieve the goals. The Board of Trustees will also receive status reports regarding the goals and objectives on a quarterly basis throughout the plan term.

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### **STRATEGIC PLAN: OBJECTIVE ACTION PLANNING**

Implementation and monitoring of the individual action plans will be an ongoing process to begin in the first quarter of 2024. Executive staff will be responsible for the development of the objective action plans that will define the responsibilities and timelines for the accomplishment of the objective. Each strategic objective plan will delineate the scope and key outputs for the objective, the approach to achieving the objective, the desired outcome and performance measures for the objective. The specific action plan will contain a schedule and milestones for the deliverables, define roles and responsibilities, critical success factors and constraints, and list resource needs necessary to achieve the strategic objective. The action plans will be developed and implemented throughout the Strategic Plan period. Attached for review is a sample objective action plan for the **GOVERNANCE GOAL: Ensure good governance by implementing best practices for accountability and transparency.**

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**Illinois Police Officers'**  
**PENSION INVESTMENT FUND**

# STRATEGIC PLAN

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# 2024-2026

# INTRODUCTION

This IPOPIF 2024-26 Strategic Plan outlines the vision, mission, core values, strategic goals and objectives of IPOPIF. The Plan builds on the diligent work of the Board of Trustees and staff conducted since the inception of IPOPIF on December 18, 2019.

The Board and staff worked collaboratively to define the culture and characteristics to which IPOPIF aspire and the vision to be a high performing and trusted provider of institutional investment services to its members, beneficiaries, employers, and taxpayers. The Plan details the strategic goals for Investments, Governance, Management and Stakeholder Relations and the objectives defining those outcomes and strategies to achieve those goals.

Details of the activities for each objective to accomplish the established goals are defined in separate action plans.

# VISION

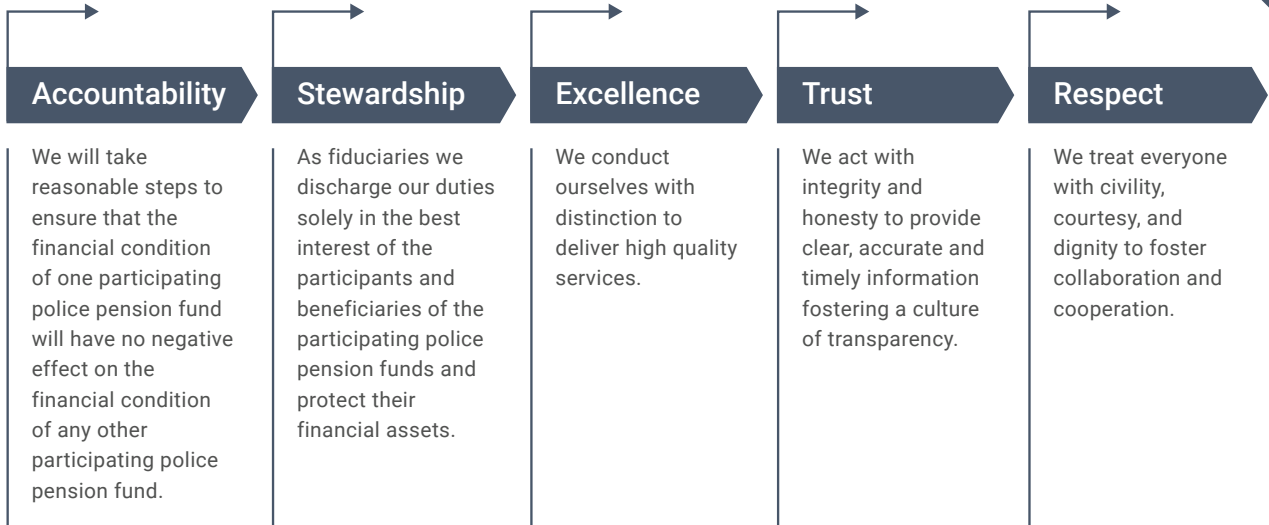
To be a high performing and trusted provider of institutional investment services to our members, beneficiaries, employers, and taxpayers.



# MISSION

Build and maintain the long-term stability of the investment fund to enable our partners to meet financial obligations and fund pension benefits for participants and beneficiaries.

# OUR CORE VALUES



# STRATEGIC GOALS



# INVESTMENT GOAL

Generate net returns that exceed the assumed actuarial rate of return.

## OBJECTIVES

01

### Review and revise the asset allocation and Investment Policy Statement

Outcomes:

- Changes to the asset allocation expected to provide improved returns
- Staff and Board understanding of the risks associated with the strategic asset allocation

02

### Develop investment plans for private market asset classes

Outcomes:

- Investment implementation plans for the private market asset classes

03

### Conduct investment manager searches

Outcomes:

- Understanding and conviction in the manager structure for each asset class
- Passive management when there is not high conviction in alpha potential
- Selection of high-conviction active managers

04

### Develop compliance monitoring and reporting framework

Outcomes:

- Timely compliance with all requirements

05

### Expand investment communications

Outcomes:

- Improved communication materials and delivery leading to broader knowledge and more effective monitoring of IPOPIF investments

06

### Resolve non-transferable assets

Outcomes:

- Article 3 Authorized Agent understanding of non-transferable assets resolution process
- Full transfer of all investment assets to IPOPIF, subject to investment prudence

# GOVERNANCE GOAL

Ensure good governance by implementing best practices for accountability and transparency.

## OBJECTIVES

01

### Good governance policy and procedures

Outcomes:

- Board policies and procedures that promote transparency, accountability, and oversight
- Fund policy plan review schedule to ensure that policies are in-line with current legal, ethical, and governance standards

02

### Enhance effectiveness of the Board and Organization

Outcomes:

- Enhanced board meeting effectiveness and efficiency
- Implementation of best practices for board effectiveness
- Board trustee member list of desired characteristics and competencies
- Compliance with legal and Fund policies

# MANAGEMENT GOAL

Effectively and efficiently administer the fund to achieve desired results.

## OBJECTIVES

01

### Determine desired outputs and services of finance and accounting operations

Outcomes:

- ◆ A comprehensive catalogue of all outputs and services provided by the finance and accounting operations pertaining to all areas of responsibility, including the following subject matters:
  - ◇ Financial statements (monthly, ACFR, annual report, PAFR)
  - ◇ Budget (content of document, timing of amendments)
  - ◇ Actuarial reports
  - ◇ Cash management
  - ◇ Agreed-upon procedures for Article 3 Funds
  - ◇ Other accounting information

02

### Develop, design and document internal controls, policies and procedures to support outputs and services pertaining to finance and accounting operations

Outcomes:

- ◆ Comprehensive documentation of process flows, job responsibilities, and policies that accomplish the outputs and services expected of finance and accounting operations
- ◆ Internal checklists and tracking tools that can be used by staff to ensure practical application of internal controls and consistency of procedures



# MANAGEMENT GOAL

Effectively and efficiently administer the fund to achieve desired results.

## OBJECTIVES

03

### Evaluate current resources and long-term needs to support outputs and services of the finance and accounting operations

Outcomes:

- More effective utilization of existing resources and/or additional training on existing resources
- Staff development with best utilization of skills and competencies
- Determination if current software applications (general ledger, payroll, etc.) are the most effective and cost efficient for operational needs
- Opportunities for more effective utilization of external service providers with services or products not currently in use
- If applicable, recommendation of any resource changes or alternative resources or staff to support operational needs

04

### Implement the information technology roadmap to align technology with best practices and team resources to achieve organizational goals

Outcomes:

- Fund team and Board members have appropriate technology to successfully accomplish their tasks and assignments in an efficient manner
- Protect the fund and stakeholders from malicious actors that use technology to hack and disrupt IT operations
- Address gaps identified in the IT assessment

05

### Complete the human resources plan to assess people, benefits, succession planning needs to support IPOPIF and regulatory requirements

Outcomes:

- Retention of staff members
- Team member materials, handbooks and processes meet regulatory and policy compliance
- Employee performance standards
- Professional development of staff members

# STAKEHOLDER RELATIONS GOAL

Maintain constructive communication and partnerships with employers, participating police pension funds, their participants, and beneficiaries.

## OBJECTIVES

01

**Effectively provide information to participating pension funds, participants and beneficiaries, municipalities, and other stakeholders**

Outcomes:

- Building of trust
- Timeliness of information
- Better informed participants and beneficiaries

# GOVERNANCE GOAL

Ensure good governance by implementing best practices for accountability and transparency

## OBJECTIVES

01

### Good governance policy and procedures

Outcomes:

- Board policies and procedures that promote transparency, accountability, and oversight.
- Fund policy plan review schedule to ensure that policies are in-line with current legal, ethical, and governance standards.

02

### Enhance Effectiveness of the Board and Organization

Outcomes:

- Enhanced board meeting effectiveness and efficiency
- Implementation of best practices for board effectiveness
- Board trustee member list of desired characteristics and competencies.
- Compliance with legal and Fund policies.

## Strategic Objective

<b>Objective Name:</b>	<b>GOOD GOVERNANCE POLICY AND PROCEDURES</b>
<b>Strategic Goal:</b>	<b>GOVERNANCE GOAL:</b> Ensure good governance by implementing best practices for accountability and transparency
<b>Objective Lead:</b>	Richard White, Executive Director
<b>Objective Background &amp; Purpose:</b>	<p>Build and maintain a governance structure including policies and procedures consistent with a large public pension plan to meet the highest fiduciary, investment, and actuarial standards.</p> <p>The basis of a strong governance structure is generally composed of principle elements including adherence to laws and rules; accountability; consistency; participation; consensus; transparency; responsiveness; inclusiveness; equity; effectiveness; and efficiency. The aim of this objective is to have a more robust Board governance that will result in greater accountability and transparency and strengthen the competency of the Board and staff through the comprehensive review of the current policies and implementation of best practices.</p>

## Scope & Key Outputs

- Development of a Board governance document policy plan to keep track of the adoption and a review schedule to ensure that policies are current and in-line with current legal, ethical, and governance standards.
- Comprehensive review and update of Board governance documents including policies and procedures that promote transparency, accountability, and oversight.
- Gap analysis based on research of best practices and all legal requirements.
- Recommendations on policies to be updated and best practices.

### Approach

The approach to building and maintaining a governance structure including effective policies and procedures will be conducted in steps. Step 1: Staff will begin with compiling all current policies into Board Governance Manual and developing a tracking process of the policies. Step 2: Staff will conduct a comprehensive review of all board governance documents with legal counsel to identify and prioritize the list of policies that need updating or best practices. Step 3: Staff will conduct research to identify best practices from comparable public pension plans; conduct a gap analysis; and prepare recommendations to the Governance Committee/Board to address any gaps. Step 4: Based on an approved prioritized list of policies, staff will develop the policies that require updating and best practices that need to be adopted for Committee/Board approval. Step 5: Upon approval of the policies, staff will implement, train, and evaluate the effectiveness of each policy.

### Desired Outcomes

- Governance policy and procedure plan that describes appropriate policies for the Fund.
- Governance policy and policy tracking document to include schedule of adoption and review.
- Governance policy and procedure gap analysis to include policies and procedures that are needed to ensure good governance of the Fund.

### Performance Measures

- Progress against the milestone and deliverables schedule.
- Completion of outcomes before the Governance Committee and Board of Trustees.

### Action Plan

#### High-Level Schedule and Milestones

ID	Milestone/Deliverable	Target Completion Date
1	Governance Policy and Procedure Document Plan – list of current policies	February 2024
2	Governance Policy and Procedure Tracking Document -list of current policies	February 2024
3	Governance Committee Review and Recommendations	May 2024
4	Governance Policy and Procedure Gap Analysis Report	May 2024
5	Board of Trustee Review and Approvals of updated and new policies	Various – TBD

Additional details of the task and activities of the plan are attached.

### Critical Success Factors

- The workload and schedule of Executive Team and Legal Team will be a critical component of the timely completion of this objective.

### Constraints (optional)

- The workload and schedule of Executive Team and Legal Team will be a critical component of the timely completion of this objective.

### Roles and Responsibilities

Team Member	Role	Responsibilities
1. Richard White	Executive Director	<ul style="list-style-type: none"> <li>• Lead project</li> <li>• Assign tasks</li> <li>• Oversight and coordination</li> <li>• Research and development</li> </ul>
2. Kent Custer	Chief Investment Officer	<ul style="list-style-type: none"> <li>• Review and recommendations</li> <li>• Research and development</li> </ul>
3. Regina Tuczak	Chief Financial Officer	<ul style="list-style-type: none"> <li>• Review and recommendations</li> <li>• Research and development</li> </ul>
4. Kate Cobb and Samantha Lambert	Administrative Analyst	<ul style="list-style-type: none"> <li>• Research and development</li> <li>• Administrative tasks</li> </ul>
5. Rick Reimer	General Legal Counsel	<ul style="list-style-type: none"> <li>• Review and recommendations</li> </ul>
6. Taylor Muzzy	Fiduciary Legal Counsel	<ul style="list-style-type: none"> <li>• Review and recommendations</li> </ul>
7. Jason Franken	Actuary	<ul style="list-style-type: none"> <li>• Review and recommendations</li> </ul>

### Resource Needs

- Miscellaneous office and administrative technology and equipment
- Internet and technology

### Date of Action Plan

December 8, 2023



**GOVERNANCE GOAL**  
**Objective : Good governance policy and procedures**  
**Objective Lead: Richard White**  
**Project Start Date: January 2024**

ID	Task	Lead	Start Date	Est. Effort	Status	% Complete	Comments/Dependencies
<b>1.0</b>	<b>Develop governance policy and procedure document plan and tracking</b>	<b>Richard White</b>					
1.1	Assemble all policies into one Board Governance Manual	Kate Cobb/Samantha Lambert	1/1/2024	1/24/2024	Started		A. Electronic filing (Teams) B. Hard paper copy
1.2	Prepare list of current policies	Kate Cobb/Samantha Lambert	1/1/2024	1/24/2024	Started		A. Electronic filing (Teams) B. Hard paper copy
1.3	Determine dates of adoption, last revision and review period for each policy	Kate Cobb/Samantha Lambert	1/1/2024	1/24/2024	Started		A. Electronic filing (Teams) B. Hard paper copy
1.4	Develop governance policy and procedure tracking documents	Kate Cobb/Samantha Lambert	1/1/2024	1/24/2024	Started		A. Electronic filing (Teams) B. Hard paper copy
	Develop Governance Committee Agenda Item and Materials	Richard White	1/22/2024	1/11/2024	Not started		Planned for Governance Committee meeting on February 9, 2024.
<b>2.0</b>	<b>Review policies to be updated</b>	<b>Richard White</b>					
2.1	Review Current Board governance documents	ED/COO/COO/Legal	1/1/2024	4/26/2024	Not started		Multiple policies which will have their own development timelines.
2.2	Consult with faculty and general counsels to discuss current policies that need updating and best practices	ED/COO/COO/Legal	1/1/2024	4/26/2024	Not started		Multiple policies which will have their own development timeline.
2.3	Develop priority list of the current policies to be revised	Richard White	2/1/2024	4/26/2024	Not started		
<b>3.0</b>	<b>Conduct gap analysis</b>	<b>Richard White</b>					
3.1	Conduct research of Board Governance of comparable public pension plans to identify best practices.	Richard White	2/13/2024	4/26/2024	Not started		
3.2	Review applicable legal statutes concerning governance of POPF.	Legal	2/13/2024	4/26/2024	Not started		
3.3	Compare POPF's Board Governance documents to best practices and legal requirements to identify gaps in current policies, process, procedures and structure.	ED/COO/COO/Legal	2/13/2024	4/26/2024	Not started		
3.4	Prepare gap analysis report and recommendations to the Governance Committee and Board to address any gaps and prioritized list of the policies that should be updated or adopted.	Richard White	4/26/2024	5/1/2024	Not started		
<b>4.0</b>	<b>Development of policies</b>	<b>Richard White</b>					
4.1	Upon approval of the recommendations from the gap analysis and priority list by the Committee/Board, develop policies in priority order	Richard White	5/20/2024	6/5/2024	Not started		
4.2	Draft policies	ED/COO/COO/Legal	TBD	TBD	Not started		Multiple policies which will have their own development timelines.
4.3	Review policies with legal and update as needed	ED/COO/COO/Legal	TBD	TBD	Not started		Multiple policies which will have their own development timelines.
4.4	Develop Governance Committee Agenda Item and Materials	Richard White	5/1/2024	5/8/2024	Not started		Governance Committee meeting scheduled for May 23, 2024
4.5	Adoption of policy by Committee/Board	Richard White	5/20/2024	6/5/2024	Not started		Board of Trustee meeting scheduled for June 24, 2024
<b>5.0</b>	<b>Implementation, training and evaluation of approved policies</b>	<b>Richard White</b>					
5.1	Conduct training for Board and key staff members on the new policies, as necessary.	ED/COO/COO/Legal	TBD	TBD	Not started		
5.2	Implement policies and monitor implementation.	ED/COO/COO/Legal	TBD	TBD	Not started		
5.3	Update the Board Governance Manual.	Richard White	TBD	TBD	Not started		
5.4	Review, evaluate and modify the policies according to each policy's review cycle.	ED/COO/COO/Legal	TBD	TBD	Not started		

**Status descriptions:**  
 Not Started  
 In Progress  
 Delayed  
 Complete

**Illinois  
Police  
Officers'  
Pension  
Investment  
Fund**

**Administration/Operations  
Update**

**Richard White,  
Executive Director**

**IPOPIF Board Meeting  
Friday, January 19, 2024**



# COMMUNICATIONS

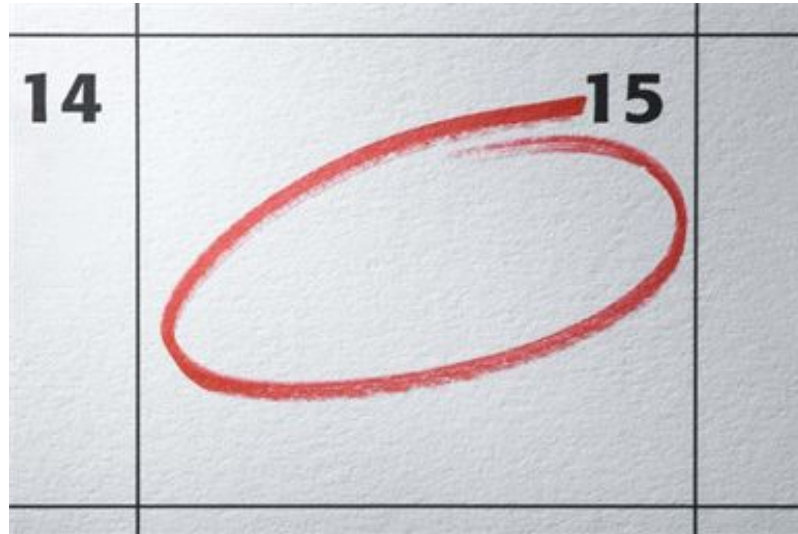
- **Article 3 Police Pension Funds**
  - Monthly investment reports through **December 2023** for each of the Article 3 funds have been posted to the Website.
  - Reports continue to be available to Funds via on-line portal.
  
- **Newsletter**
  - December 2023 newsletter published December 29, 2024
  
- **Annual Comprehensive Financial Report**
  - ACFR distributed to Board of Trustees, IDOI, and posted to IPOPIF website on December 27, 2023.
  
- **Public Meetings and Presentations**
  - Rockford Police Pension Fund Meeting – January 18
  - Melrose Park Police Pension Fund Meeting – January 15
  - NAPO Pension and Benefits Seminar – January 28-30

# REGIONAL STAKEHOLDER MEETING

**WEDNESDAY,  
February 21, 2024  
1:00 PM – 5:00 PM**

Chicago Marriott Hotel  
1801 North Naper Blvd.  
Naperville, IL

# BOARD AND COMMITTEE MEETINGS



## Committee Meetings:

**Friday**

**February 9, 2024**

**Twin Towers**

## Board of Trustees:

**Friday,**

**March 8, 2024**

**Marriott Pere Marquette**

**Illinois  
Police  
Officers'  
Pension  
Investment  
Fund**

**Administration/Operations  
Update**

**Richard White,  
Executive Director**

**IPOPIF Board Meeting  
Friday, January 19, 2024**

ILLINOIS POLICE OFFICERS' PENSION INVESTMENT FUND

IPOPIF

**MEMORANDUM**

TO: IPOPIF Board of Trustees  
FROM: Richard White, Executive Director  
RE: Closed Session Item  
DATE: January 19, 2024

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Should the Board of Trustees desire to enter into Closed Session, the following motions are suggested for Board action to enter into and return from Closed Session:

**ITEM CLOSED SESSION MOTION:**

A motion was made by Trustee \_\_\_\_\_ and seconded by Trustee \_\_\_\_\_ to enter into closed session at \_\_\_\_\_ AM/PM in accordance with the exception under 5 ILCS 120/2(c)(1) to discuss the appointment, employment, compensation, discipline, performance, or dismissal of specific employees and specific individuals and under 5 ILCS 120/2(c)(21) to conduct semi-annual review of closed session minutes.

**OPEN SESSION MOTION:** Motion to resume open session.

**IPOPIF****ILLINOIS POLICE OFFICERS' PENSION INVESTMENT FUND****MEMORANDUM**

**TO:** IPOPIF BOARD OF TRUSTEES  
**FROM:** RICHARD WHITE, EXECUTIVE DIRECTOR  
**RE:** EXECUTIVE DIRECTOR - GOALS AND OBJECTIVES  
**DATE:** JANUARY 19, 2024

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The Board of Trustees began the process of developing a Strategic Plan in July 2023 and will formally adopt a Strategic Plan at the January 19, 2024, Board Meeting. The Strategic Plan defines goals and objectives for the organization and assigns the implementation of these goals and objectives to the Executive Team who will further distill these goals and objectives into action plans that will define the steps, timelines, obstacles, and measurable outcomes for each goal and objective. The Strategic Plan serves as the basis for day-to-day activities of the Executive Team which is to implement the formally adopted goals and objectives of the plan and to do so in accordance with the Fund's adopted Mission and Vision Statements and Core Values

In conjunction with the formal Strategic Plan, the Board of Trustees have requested additional information regarding goals and objectives disassociated from the Strategic Plan but additionally specific to the Executive Director and Chief Investment Officer.

**A. INVESTMENTS**

- Work closely with the Chief Investment Officer and Chief Financial Officer to ensure completion of the transition of assets process and procedures for those remaining Litigant and Non-transferred funds, subsequent to the conclusion of the litigation matter currently under advisement by the Illinois Supreme Court. Completion date; December 31, 2024.
- Work closely with the Chief Investment Officer providing administrative and operational support to the Investment Team to assist, as necessary, with the implementation of the Strategic Plan Goals and Objectives. Completion date: Fiscal Year 2026.

**B. GOVERNANCE**

- Administer the Fund and coordinate with the Chief Investment Officer, Chief Financial Officer, General Legal Counsel and Fiduciary Legal Counsel to ensure Fund policies, procedures, and practices comply with appropriate statutes, and appropriate regulatory compliance. Completion date: Fiscal Year 2026.

**C. MANAGEMENT**

- Establish, document and implement processes for review of service providers. Completion date: June 2024.
- Manage expenses to approved Fiscal Year 2024 budget. Completion date: July 2024.
- Create and maintain an organizational personnel succession plan. Completion date: September 2024.
- Coordinate with Chief Financial Officer and Chief Investment Officer to ensure the Fund receives a 'clean audit opinion' that is delivered within 6 months of the close of the fiscal year. Completion date: December 31, 2024.
- Ensure team member annual performance reviews are completed. Completion date: December 31, 2024.
- Plan, organize, manage, monitor and implement the successful election of Board of Trustees to be seated in January 2025. Completion date: January 2025.
- Provide leadership and administrative guidance to the Board of Trustees, IPOPIF team and contracted service providers. Completion date: Fiscal Year 2026.
- Develop measurement metric to define appropriate level of organizational expenses on a year-to-year basis. Completion date: Fiscal Year 2026
- Ensure fund team and Board members have appropriate technology to successfully accomplish their tasks and assignments in an efficient manner. Completion date: Fiscal Year 2026.
- Ensure implementation of the strategic plan goals and objectives which are assigned to the Executive Director. Completion date: Fiscal Year 2026.
- Ensure professional development of team members. Completion date: Fiscal Year 2026.

**D. STAKEHOLDER RELATIONS**

- Implement point of contact program with participating police pension funds. Completion date: July 2024.
- Develop and implement an ongoing communication plan to member, beneficiaries, municipalities and stakeholders. Completion date: January 2025.
- Provide relevant, appropriate, and timely information to maintain an effective working relationship with the Board of Trustees, IPOPIF team, service providers, stakeholders, municipal, and legislative bodies, media, police pension funds, and interested parties. Completion date: Fiscal Year 2026.
- Speak on behalf of IPOPIF to effectively promote the Fund. Completion date: Fiscal Year 2026.