



Illinois Police Officers' Pension Investment Fund

Audit & Budget Committee Meeting Minutes

Friday, May 17, 2024, at 12:00 P.M.

A regular meeting of the Audit & Budget Committee of the Illinois Police Officers' Pension Investment Fund was conducted at the Twin Towers Building, Suite 420, 456 Fulton Street, Peoria, IL. 61602. Members of the public were invited to participate remotely or in person.

Attendees (3)

Audit & Budget Committee Members:

- Paul Swanlund, Chairperson
- Elizabeth Holleb
- Phil Suess

Absent:

- Daniel Hopkins

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

Others present:

- Taylor Muzzy, Fiduciary Legal Counsel, Jacobs Bums Orlove & Hernandez, LLP
- Rick Reimer, General Legal Counsel, Reimer, Dobrovlny & Labardi PC (Zoom)
- Members of the Public (Zoom)

Agenda

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

Call to order:

The meeting was called to order at 12:00 PM by Chairperson Swanlund.

Roll Call

A roll call was conducted. 3 Trustees were present and 1 was absent. A quorum was established with the 3 required number of Trustees present.

Audit & Budget Committee:

- Paul Swanlund, Chairperson
- Elizabeth Holleb
- Phil Suess

Audit & Budget Committee Members Absent:

- Daniel Hopkins

All individuals present are reflected in the list of attendees.

Minutes

3.1- Meeting Minutes- February 9, 2024: Discussion and Potential Action: The Audit & Budget Committee minutes were reviewed from February 9, 2024, and discussed by the members of the Committee. Executive Director White answered all questions.

A motion was made by Trustee Holleb and seconded by Trustee Suess to approve the Audit & Budget Committee Meeting minutes from February 9, 2024, as presented.

Motion was carried by a roll call vote.

Ayes: Trustees Holleb, Suess, Swanlund

Nays: None

Abstain: None

Absent: Trustee Hopkins

Agreed Upon Procedures

4.1- AUP Update: Discussion and Potential Action:

The Memorandum of Understanding (MOU) between the State of Illinois, the Department of Insurance, Public Pension Division, and the Illinois Police Officers' Pension Investment Fund (IPOPIF) were signed by Chairperson Suess on April 12, 2024, and Ann Gillespie, the new Director of the Department of Insurance on April 24, 2024. Such MOU includes two provisions:

1. That per 40 ILCS 5/1A-104(a) and (b) of the Illinois Pension Code (Code), the Department or the Fund, "as appropriate," shall examine and audit the Article 3 pension funds once every three years. As the resources to undertake the mandate will then be under the control and management of the Fund, the Fund shall undertake this mandate after the transition period.
2. That per 40 ILCS 5/1A-112, the Department and the Fund understand that after the transition period, the Article 3 pension funds shall no longer pay an annual compliance fee to the Department and instead the Fund shall pay an annual compliance fee to the Department in the amount of \$8,000.00.

Fund staff continues to work with the Independent CPA firms hired by the Board to finalize the engagement letters to perform these Agreed Upon Procedures. Fund staff has also been in communication with the Illinois Department of Insurance regarding timeframes of their most recent examinations completed on each Article 3 Fund.

Chief Financial Officer (CFO) Tuczak answered all questions.

Budget: Fiscal Year 2025

5.1- Fiscal Year 2025 Budget Review: Discussion and Potential Action:

CFO Tuczak provided the Audit & Budget Committee with a Fiscal Year (FY) 2024 summary budget report that included expenses from Administrative Operations, Investment Operations, and Board of Trustees and Meetings. The report compared the final adopted FY 24 budget, actual expenses at May 1, 2024, expected expenses for FY 24, and a proposed FY 25 budget.

CFO Tuczak discussed the proposed FY 25 budget and significant changes from the final adopted FY 24 budget. Most significant, CFO Tuczak recommended a change from the prior budget presentations with respect to the Investment Management fees.

Committee discussion included the recommendation to separate the investment management fees to a separate report that includes all investment management fees regardless of fee payment method, and including fees that are paid directly from commingled funds. This would improve transparency and recognizes that investment management fee

volatility from market movement cannot be controlled by the budgeting process. The expense is controlled at the time the manager is hired. After discussion, the Committee requested that all investment management fees be included in the annual budget.

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

A motion was made by Trustee Holleb and seconded by Trustee Suess to recommend the presentation of a final draft to the Board of Trustees Meeting on June 14, 2024, with all requests and changes.

Motion was carried by a roll call vote.

Ayes: Trustees Holleb, Suess, Swanlund

Nays: None

Abstain: None

Absent: Trustee Hopkins

Valuation and Cost Rule

CFO Tuczak briefed newly proposed revisions to Administrative Rule AR 2022-01, Valuation and Cost Rule. The last revision of this administrative rule was approved by the Board on September 9, 2022. Some provisions of the current rule proved challenging to implement. Revisions are needed to provide a path for feasible implementation of the equitable allocation of transitions.

CFO Tuczak recommended changes to the Valuation and Cost Rule that would provide for a one time 'true up' or final transfer allocation for the costs and the Loan payments to be completed based on all assets held by the IPOPIF for each participant fund based on their balance on December 31, 2024. Participant funds with an amount due in the final transfer allocation would be assessed an interest charge based on the return of the IPOPIF portfolio.

The Committee stressed the intent to equitably allocate costs to all participant funds and requested that communications with participant funds on the final process and results be developed and distributed at the appropriate time.

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

A motion was made by Trustee Holleb and seconded by Trustee Suess to recommend the presentation of a final draft of the Valuation and Cost Rule (AR 2022-01) to the Board of Trustees Meeting on June 14, 2024.

Motion was carried by a roll call vote.

Ayes: Trustees Holleb, Suess, and Swanlund

Nayes: None

Abstain: None

Absent: Trustee Hopkins

Closed Session (If necessary)

A closed session was not held.

Public Comment

An opportunity for public comment was provided at 1:11 P.M. No comments were heard, and no discussion was provided.

Adjournment

A motion was made by Trustee Suess and Trustee Holleb to adjourn the Audit & Budget Committee meeting at 1:11 P.M.

Motion was carried by a roll call vote.

Ayes: Trustees Holleb, Suess, Swanlund

Nayes: None

Abstain: None

Absent: Trustee Hopkins

Respectfully submitted by:



Kate Cobb, Administrative Analyst

Approved by:



Paul Swanlund, Chairperson, Audit and Budget Committee

Date Approved by the Audit and Budget Committee: