

December 28, 2022

The Honorable J.B. Pritzker
Governor, State of Illinois
Office of the Governor
207 State House
Springfield, IL 62706

VIA EMAIL/U.S. MAIL

Dear Governor Pritzker:

This letter is submitted in fulfillment of the reporting requirements of section 1-109.1, subsection 8 of the Illinois Pension Code (40 ILCS 5/1-109.1(8)).

The Illinois Police Officers' Pension Investment Fund ("IPOPIF" or the "Fund") was created by Illinois Public Act 101-0610 to consolidate the 357 Article 3 police pension funds. The Fund began asset consolidation transfers in March 2022. Through September 30, 2022, 216 funds had transferred investment assets to IPOPIF totaling \$6.4 billion (including assets in transition). All currently planned transfers are scheduled to be completed by December 31, 2022.

The IPOPIF Board of Trustees (the "Board") adopted its Investment Policy Statement (IPS) on December 17, 2021, which includes the MWDBE¹ Investment Manager Utilization Policy, the Minority Broker-Deal Policy, Fiduciary Diversity Policy, and the Businesses Diversity Policy, collectively attached herein as Exhibit A. These policies and goals will be reviewed annually by the Board.

The attached disclosures were compiled based IPOPIF Investment Portfolio holdings as of September 30, 2022, totaling \$5.2 billion (not including assets in transition) and brokerage activities from March 1 through September 30, 2022. In summary:

- 22% of IPOPIF's assets were invested with MWDBE investment managers (Exhibit B).
- 12% of IPOPIF's equity assets within separately managed accounts were traded with MWDBE broker/dealers (Exhibit C).
- 0.9% of IPOPIF's fixed income assets within separately managed accounts were traded with MWDBE broker/dealers (Exhibit C).
- 2.2% of IPOPIF's ownership in equity commingled fund strategies were traded with MWDBE broker/dealers
- 0.02% of IPOPIF's ownership in fixed income commingled fund strategies were traded with MWDBE broker/dealers

¹ 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.

While IPOPIF efforts to date have focused primarily on asset consolidation, actions have been initiated to increase the utilization of Emerging and MWDBE Investment Managers:

- IPOPIF's Investment Portfolio is mostly (97%) made up of index strategies in accordance with the short-term asset allocation outlined in the IPS. However, in anticipation of moving to the long-term asset allocation with more active investment management, IPOPIF investment staff conducted 26 meetings with MWDBE investment managers from January 1, 2022, through September 30, 2022. This constituted 41% of all meetings investment staff completed with prospective asset managers during that time frame.
- In 2022, IPOPIF staff attended conferences with the objective to increase visibility of IPOPIF with MWDBE investment managers. These included conferences hosted by the National Association of Securities Professionals (NASP), the Association of Asian American Investment Management (AAAIM), and the Texas TRS/ERS Emerging Manager Conference
- Staff periodically reminded IPOPIF's existing investment managers and a transition manager assigned to the consolidation project of IPOPIF's MWDBE Brokerage Policy.
- IPOPIF has increased its staff size from four in 2021 to seven in 2022. Currently, four of the seven IPOPIF staff, or 57%, are either women or minority.

Thank you for the opportunity to present this report. Please let us know if any further information is desired.

Sincerely,

Richard A. White, Jr.

Richard A. White, Jr.
Executive Director

Kent F. Custer

Kent F. Custer, CFA
Chief Investment Officer

CC: The Honorable Emanuel "Chris" Welch, Speaker of the House
The Honorable Don Harmon, Senate President
The Honorable Dan McConchie, Senate Republican Leader
The Honorable Tony McCombie, House Republican Leader

Exhibit A

PP-2021-08: IPOPIF Investment Policy Statement

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.

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 another state's or a city's certification.

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.

Exhibit B

MWDBE Investment Manager Utilization

March 1 - September 30, 2022

MWDBE Managers	Address	\$	%
RhumbLine Advisors*^	265 Franklin Street, 21st Floor, Boston MA 02110	1,176,725,108	22.4%
Total		\$ 1,176,725,108	22.4%

* Represents "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.

^ Represents managers with more than \$10,000,000,000 in assets under management.

Classifications	Target	\$	%
Minority	9%	-	-
Women	9%	1,176,725,108	22.4%
Disabled	2%	-	-
Total	20%	\$ 1,176,725,108	22.4%

Exhibit C

MWDBE Brokerage Utilization within Separately Managed Accounts

March 1 - September 30, 2022

Asset Classes	Target	\$	%
Equity	20%	\$ 12,736.56	12.1%
Fixed Income	20%	6,771,118	0.9%

Classifications	Equity	Fixed Income
Minority	11%	0.3%
Women	-	0.6%
Disabled	1%	-