



Illinois Police Officers' Pension Investment Fund

Board of Trustees Meeting Minutes

Friday, July 19, 2024

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

Board of Trustees:

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

Attendees:

IPOPIF Staff:

- Richard White, Executive Director
- Kent Custer, Chief Investment Officer
- Greg Turk, Deputy Chief Investment Officer
- Barbara Meyer, Investment Officer
- Steve Yoon, Investment Officer
- Amy Zick, Senior Accountant
- Kate Cobb, Administrative Analyst

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

Others Present:

- Rick Reimer, General Legal Counsel, Reimer, Dobrovolny & Labardi PC
- Taylor Muzzy, Fiduciary Legal Counsel, Jacobs Burns Orlove & Hernandez, LLP
- Scott Whalen, Verus
- Tim McEnery, Verus
- Samantha Grant, Verus
- Greg Kiesewetter, Cook Castle Associates, LLC
- Megan Holford, Lauterbach & Amen (Zoom)
- Kim Shepherd, Shepherd Communications (Zoom)
- Members of the Public (Zoom)

Agenda

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

Call to Order

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

Roll Call

2.1- Roll Call: Discussion and Potential Action:

A roll call was conducted. Eight (8) Trustees were present. One (1) Trustee was absent. A quorum was established with the required number of six (6) Trustees present in the meeting room.

Board of Trustees:

Present:

- Philip Sues, Chairperson
- Paul Swanlund, Vice Chairperson
- Mark Poulos
- Brad Cole
- Daniel Hopkins
- Michael Inman
- Scott Bowers
- Elizabeth Holleb

Absent:

- Lee Catavu (Trustee Catavu was present in the meeting via Zoom but did not attend or record any votes due to the requirements of the Open Meetings Act.

All individuals present are reflected in the list of attendees.

General Legal Counsel Reimer recommended a motion to nominate a Board Secretary Pro Tem at this Board of Trustees meeting to record roll call and voice votes on all board actions, due to the absence of the Secretary Trustee Catavu.

A motion was made by Trustee Inman and seconded by Trustee Swanlund to nominate Trustee Hopkins as the Board of Trustee Pro Tem Secretary for the Board of Trustee Meeting today, July 19, 2024.

Motion carried by a voice vote.

Ayes- 8

Nayes- None

Absent- 1

Board of Trustees

3.1- Board of Trustees Meeting Minutes- June 14, 2024:

Executive Director White presented the Board of Trustees Meeting Minutes from June 14, 2024, to the Board of Trustees and recommended they be approved. Executive Director White answered all questions.

A motion was made by Trustee Hopkins and seconded by Trustee Poulos to approve the Board of Trustees Meeting Minutes from June 14, 2024.

Motion carried by roll call vote.

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

Nayes- None

Absent- Trustee Catavu

3.2- Ethics Training: Discussion and Potential Action:

Attorney Reimer, General Legal Counsel, conducted annual ethics training with the Board of Trustees, and all present staff of the Fund. A minimum number of training hours is required annually, Board member training to “develop and maintain an adequate level of knowledge and understanding of relevant issues” is also noted in the Education and Training Policy (PP-2023-05).

General Legal Counsel Reimer presented an update and refresher course on Basic Ethics for the Board of Trustees. The Ethics Policy was also presented for review and supportive information. The Board of Trustees are to receive a training certificate for the training course that was conducted today.

Attorney Reimer answered all questions.

Investments

4.1- Investment Update Report: Discussion and Potential Action:

Chief Investment Officer (CIO) Custer briefed the Board of Trustees on investment performance, cash flow, asset allocation, and rebalancing activity.

The IPOPIF investment pool was up 4.4% in 2024 through May compared to the +4.5% for the Policy Benchmark and 4.8% for the Broad Benchmark. The preliminary June estimate of 0.9% would increase IPOPIF FY24 performance to 11.7%. Initial active manager contributions have been mixed but positive overall; +\$4.7 million net of \$1.4 million of fees.

The largest of the US stocks continue to lead earnings growth and valuation expansion (higher price to earnings) has magnified returns. IPOPIF took advantage of the Russell 1000 index reconstitution on June 28, to trim US large-cap gains and top off international equity and US TIPS. The new 3% allocation to US Treasury Bonds was funded gradually from

Short term bonds and is now complete. The new Emerging Market Equity (EME) ex China index fund is being funded gradually from the existing EME fund and will continue in 3Q24. Recent allocation adjustments have been beneficial as Emerging Market Equity (EME) ex-China and US Treasuries outperformed Emerging Market Equity and Short-Term Debt. Rhumbline activity was related to the annual Russell index reconstitution on June 28, 2024.

Net cash flow appears to be stabilizing near zero. There is a recent pattern of modest net outflows early in the quarter and net inflows at the end of the quarter.

Current investment manager searches are on track. Emerging Market Debt (EMD) Semifinalist interviews with Staff and Verus were conducted on July 11 and July 12. Board interviews and selection are planned for the September Board meeting. The Emerging Market Equity (EME) ex-China manager search is proceeding. They are seeing robust manager engagement on the inHub RFP platform. Proposals are due by August 16, 2024. Final interviews and selection are targeted for the October 18, 2024, Board of Trustees meeting.

We have seen significant progress on preparations for the October 1 transition. Most outstanding police pension funds have provided the required documentation and investment contact information. In September the asset certifications will be created and distributed to those funds that are preparing to transfer. October 1, 2024, is the date of the asset transfer for those same funds, and on October 31, 2024, the reconciliations will be complete, and receipts will be provided to the transferring pension funds. In November, the first monthly reports will be available for all current funds, and the newly transferred funds.

CIO Custer answered all questions.

4.2- Special Investment Principles: Discussion and Potential Action:

CIO Custer discussed with the Board of Trustees interest in investment and policy considerations relating to investment in or contracting with businesses that have supported activities that are contrary to the interests of IPOPIF, such as anti-police or anti-pension initiatives or organizations. Work was done in early 2022 by Staff, Verus, and Fiduciary Counsel, which was presented to the Board at the April 2022 meeting and revisited at the April 12, 2024, meeting. The Board referred this matter to the Governance Committee for further consideration. This topic was then reviewed by the Governance Committee at their meeting on May 17, 2024. Chairperson Suess discussed with the Board of Trustees what the Governance Committee previously deliberated on regarding those organizations that are

anti-police or anti-pension. He stated that the greatest impact may be through proxy voting. A proxy voting service provider should be considered.

Related investment objectives for consideration were presented to the Board of Trustees. Those objectives include revision of the Investment Policy Statement, Investment Services Procurement Policy and a template to reference or incorporate the Statement of Principle. A draft revision of the Investment Services Procurement Policy was presented to the Board of Trustees for consideration.

The Board of Trustees discussed changing the wording of the Statement of Principle and requested to bring it back to the Board of Trustees at the September meeting with revisions for additional consideration.

4.3- Private Markets- Implementation Overview: Discussion and Potential Action:

CIO Custer and Tim McEnergy, Verus, briefed the Board of Trustees on the Private Markets Implementation Strategy. Private market investments are subject to additional risks, including illiquidity, lower transparency, less regulatory oversight, and a wider range of outcomes vs. traditional public market investments. While these risks should be compensated with higher returns, robust implementation is required to avoid disappointing results.

CIO Custer and Verus believe that the full implementation of private market investments will require additional consulting support, beyond current contractual limitations. CIO Custer asked Verus to develop an implementation framework that could be initiated under the current contract and expanded in the future. Their preliminary implementation strategy was provided to the Board of Trustees for review.

Mr. McEnergy briefed the Board of Trustees on the private market preliminary implementation plan for the Fund. This plan included short-term and long-term strategies and goals. The phased approach, presented by Verus, will allow IPOPIF to initiate exposure and gain experience using proven providers and then build on this base to enhance returns and reduce fees. The IPOPIF long-term asset allocation includes a 20% weight to private market investments including 7% to private equity, 5% to private credit, 5% to real estate, and 3% to infrastructure. A secondary strategic plan will be presented in September for further implementation of this strategy.

Mr. McEnergy answered all questions.

Mr. Custer stated his view that IPOPIF should move forward with a search for a private credit platform using the Verus implementation framework. With the recent addition of Greg Turk, we are evaluating the applicability of this framework for private equity, real estate, and infrastructure. Addition implementation plans for private markets are targeted for the September Board meeting.

4.4- Private Credit Investments- Education: Discussion and Potential Action:

Tim McEnergy, Verus, conducted educational training for the Board of Trustees on Private Credit.

Mr. McEnergy covered the IPOPIF policy targets regarding growth, real assets, income, manager selection, and risk mitigation. He also discussed an implementation plan for private credit as well as the lifecycle of private market cash flow.

Mr. McEnergy answered all questions.

4.5- Private Credit Search Request: Discussion and Potential Action:

The Board of Trustees established the Procurement of Investment Services Policy, PP-2021-07, so that all decisions to procure Investment Services will be made with respect to the principles of competitive selection, full disclosure, objective evaluation, and proper documentation.

The long-term asset allocation dedicates 5% to the Private Credit (PC) asset class. IPOPIF currently has zero (0) exposure to private credit, as the asset class is not available in passive strategies. Private credit is expected to provide return diversification and enhancement to the broader credit portfolio, offset by higher fees and illiquidity. Private market investments are executed through well-defined capital commitments which will require IPOPIF to fund a series of “capital calls” on demand. Funding for private credit investments is expected to come primarily from the current passive credit exposures to high-yield and emerging markets debt.

Steve Yoon, Investment Officer, outlined the private credit investment search that is being recommended to the Board of Trustees including portfolio construction, scope of services, objective, potential platforms, process, preferences, timeline, and fees.

A motion was made by Trustee Hopkins and seconded by Trustee Holleb to approve the search for an active investment manager for private credit (PC) investments.

Motion carried by roll call vote.

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

Nayes- None

Absent- Trustee Catavu, Swanlund

Lunch Break

Chairperson Suess called for a recess for lunch at 11:45 A.M.

At 12:22 P.M. the IPOPIF Board of Trustees Meeting general session reconvened.

Administration

6.1- Insurance Policies and Coverages: Discussion and Potential Action:

Executive Director White briefed the Board of Trustees on the recent renewals of the insurance coverage policy for FY2025. IPOPIF has received commercial insurance coverage through Cook Castle Associates, LLC. since 2020 for services through a competitive bid process and has included annual renewals of the policies since then.

The Contract Committee reviewed the insurance coverages with Mr. Greg Kiesewetter, CIC, Cook Castle Associates, Inc., at their May 17, 2024, meeting. The Committee recommended by a vote of 3-Aye, 0-No, and 1-absent to recommend that the Board of Trustees approve the insurance policies with increases in coverages as provided by Cook Castle, Inc. Among the reasons for increasing coverages included the growth in investment assets under management, the increase in full-time staff, and the increased cyber risk in society.

The Fiduciary Liability coverage to be considered at this meeting is an increase in the aggregate amount of liability from the current coverage level of \$10M to \$15M with the continued retention amount of \$50,000. The annual premium increase for the increased coverage would be \$104,885 versus \$81,386 for the current coverage. As the Contract Committee recommended increased coverage, the increased premium is included in the FY 25 Budget. The recommendation for increased coverage is primarily due to the current and projected increased size of the trust fund assets which are projected to reach over \$11 billion during fiscal year 2025.

Mr. Kiesewetter answered all questions.

A motion was made by Trustee Poulos and seconded by Trustee Hopkins to approve Fiduciary Liability Insurance Coverage: Additional limit option of \$15,000,000 with a retention of \$50,000 for the term of July 1, 2024, to June 30, 2025.

Motion carried by roll call vote.

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

Nayes- Trustees Inman and Cole

Absent- Trustee Catavu

6.2- Employee Handbook: Discussion and Potential Action:

Executive Director White discussed with the Board of Trustees that the Governance Committee reviewed the Employee Handbook revisions at their May 17, 2024, meeting and voted 3-0 (with one trustee absent) in favor of recommending that the Board of Trustees approve the Employee Handbook with the revisions, as presented.

Four revisions were presented for approval: Revisions incorporating changes to State law, including the Illinois Paid Leave for All Workers Act, Personnel Records Review Act, Victim's Economic Security and Safety Act, and the Family Bereavement Act. Revisions to paid time off (PTO) to 20 days for year 1 through year 4. Revisions to PTO to 25 days for year 5 and beyond. Revisions to PTO accrual to two years.

The final request would be to apply these revisions to all current employees of IPOPIF.

A motion was made by Trustee Inman and seconded by Trustee Hopkins to approve the Employee Handbook, as revised as of July 19, 2024.

Trustee Holleb inquired about the carry-over and pay-out of an employee upon departure from IPOPIF regarding the maximum accrual and the way the policy is written.

It was requested that Taylor Muzzy, Fiduciary Counsel, research the item regarding the legal requirement and that this topic be brought back up to the Board of Trustees at a subsequent meeting.

Trustee Inman and Trustee Hopkins withdrew the motion and second.

6.3- Contract Approval- Shepherd Communications: Discussion and Potential Action:

Shepherd Public Relations, LLC. (formally Shepherd Communications) has provided communication services to the Fund since 2021. The scope of this engagement is for Shepherd PR to provide strategic communication, planning, and execution that is primarily focused on media relations and coverage, which has been the primary focus of this engagement since its inception. Additionally, Shepherd has prepared the newsletter and articles for the Fund for the past year, as well. Shepherd has performed these communication services very well and has been relied upon by me and CIO Custer in our communications, press releases, and media relations over the past year.

A review of Shepherd Public Relations, LLC is being provided to the full Board of Trustees as a component of the contract extension for Shepherd Public Relations, LLC. The review is very positive and did not result in any suggestions for improvement nor did the evaluation result in any suggestions for change.

Executive Director White answered all questions.

A motion was made by Trustee Hopkins and seconded by Trustee Poulos to approve a one-year contract with Shepherd Public Relations, LLC, and authorize the Executive Director to execute the contract.

Motion carried by roll call vote.

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

Nayes- None

Absent- Trustee Catavu

6.4- Operations Update Report: Discussion and Potential Action:

Executive Director White briefed the Board of Trustees on current and upcoming events. Currently, the Trustee election is preparing for the end of the nomination period on July 31, 2024, and the nomination challenge period to begin on August 7, 2024, and concluding on August 23, 2024. Ballots for the Trustee election are to be mailed out on September 16, 2024.

There is an upcoming Special Board of Trustees Meeting tentatively scheduled for August 23, 2024, and a regular Board of Trustees Meeting scheduled to take place on September 13, 2024.

Executive Director White answered all questions.

General Legal Counsel

7.1- General Legal Counsel Report: Discussion and Potential Action:

Rick Reimer, General Legal Counsel, did not provide a verbal report to the Board of Trustees.

Fiduciary Legal Counsel

8.1- Fiduciary Legal Counsel Report: Discussion and Potential Action:

Taylor Muzzy, Fiduciary Legal Counsel, did not provide a verbal report to the Board of Trustees.

Public Comment

10.0- Public Comment:

An opportunity for public comment was provided at 1:08 P.M. No comments were heard, and no discussion was provided.

Closed Session (if necessary)

9.1- Closed/Executive Session- Appointment, employment, compensation, discipline, performance, or dismissal of Executive Director and Chief Investment Officer (5 ILCS 120/2(c)(1): Discussion and Potential Action:

Attorney Reimer reviewed the need for a motion to enter a closed session.

A motion was made by Trustee Inman and seconded by Trustee Hopkins to enter into a closed session 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.

Motion carried by roll call vote.

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

Nays- None

Absent- Trustee Catavu

The Board of Trustees entered into closed session at 1:10 P.M.

A motion was made by Trustee Poulos and seconded by Trustee Bowers to return to an open session.

Motion carried by roll call vote.

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

Nayes- None

Absent- Trustee Catavu

The Board of Trustees returned to open session at 1:35 P.M.

A roll call was conducted. Eight (8) Trustees were present. One (1) Trustee was absent. A quorum was established with the required number of six (6) Trustees present in the meeting room.

Board of Trustees:

Present:

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

Absent:

- Lee Catavu

Attorney Reimer noted that the Board of Trustees took no actions in closed session and there is nothing to report.

Adjournment

11.0- Adjournment:

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

Motion carried by a voice vote.

Ayes- 8

Nayes- None

Absent- 1

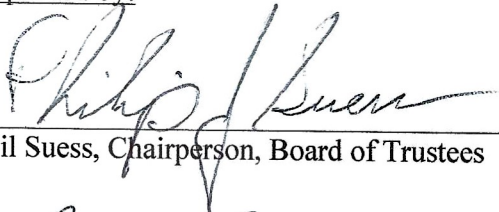
Meeting adjourned at 1:36 P.M.

Respectfully submitted by:



Kate Cobb, Administrative Analyst

Approved by:



Phil Sues, Chairperson, Board of Trustees



Lee Catavu, Secretary, Board of Trustees

Date Approved by the Board of Trustees: September 13, 2024