

# Illinois Police Officers' Pension Investment Fund Continues Outreach to Stakeholders Across the State

## Spring Newsletter

It's been a busy Spring for the Illinois Police Officers' Pension Investment Fund (IPOPIF) as Executive Director Richard White, Chief Investment Officer Kent Custer and Chief Financial Officer Regina Tuczak traveled the state making informative presentations on IPOPIF's activities and achievements to stakeholders. Presentations were made to:

- Melrose Park Police Pension Fund
- Illinois Certified Public Accounting Society in Springfield
- Illinois Professional Firefighters Association Pension Seminar in Addison
- Illinois Public Pension Fund Association (IPPPA) Pension Conference in Galena.

The next Regional Stakeholder Meeting is set for Rock Island on July 10, 2024, at The Stern Center from 1:00 PM – 5:00 PM. If you are interested in attending please send an email noting that to [info@ipopif.org](mailto:info@ipopif.org).

## April Board of Trustees Meeting

### Litigation Committee Dissolved

With the case challenging the constitutionality of the Pension Code statute that established IPOPIF and the Illinois Firefighters Pension Investment Fund (*The Arlington Heights Police Pension Fund et al., Appellants, v. Jay Robert "JB" Pritzker, Governor, et al., Appellees*) settled and the business of the Litigation Committee completed in conjunction with this matter, the Board of Trustees approved a motion to dissolve the committee.

### Memorandum of Understanding with the Illinois Department of Insurance

The Pension Code noted above also dictated that several functions that were previously handled by the Illinois Department of Insurance (IDOI) for Article 3 Funds are now the responsibility of IPOPIF but do require the use of IDOI resources to complete. To ensure that the roles and responsibilities defined in the pension code and other statutes were formalized, IDOI requested a Memorandum of Understanding (MOU) be signed by both entities that cover obligations and duties between the IDOI and the IPOPIF. The final MOU resulted from extensive discussions between the IPOPIF and the IDOI with the completion of "compliance audits" of Article 3 Funds being a sticking point. Now that the IPOPIF is proceeding with the implementation of these audits, the agreed-upon MOU was approved at the April meeting.

### Strategic Plan Quarterly Review

During the April meeting, the Board of Trustees received the quarterly review of the Strategic Plan. Among the major accomplishments in the first quarter were:

- The Board of Trustees adopted the Strategic Plan for the Fund which was the conclusion of the strategic planning process started last summer.
- Revisions were made to the IPOPIF asset allocation and Investment Policy Statement.
- The Board of Trustee education program on Emerging Markets Equity was completed.
- International small-cap active management and bank loans active management searches were both completed and firms were hired.
- A search was initiated for emerging market debt active management firms and continues.

The plan continues to be developed within time constraints. It is important to note that progress towards accomplishments is being made simultaneous to this continued development. The expected second-quarter deliverables are:

- Fiscal Year 2025 Budget
- Agreed Upon Procedures review for Article 3 Funds
- Private market investment implementation
- Emerging market equity manager search
- Review of non-transferrable assets

### **Three-Year Review of Transition of Assets**

Staff presented a detailed report on the statutory three-year transition of assets period of January 1, 2020, through December 31, 2022, during which time the IPOPIF oversaw the consolidation of investment assets held locally by 333 of the 357 suburban and downstate police pension funds known as the Article 3 participating police pension funds. Asset portfolio transitions were very successful with \$8.7 Billion transferred through February 2023. (The portfolio is now valued at \$10.1billion.) Of note:

- The implementation shortfall amounted to \$2.8 million which represented the amount that the transition portfolio lagged the investment target portfolio.
- Transition commissions were paid in the amount of \$1.5 million. These commissions were capped at this amount under the transition custody agreement.
- The total cost of the transition was \$4.3 million or 4.9 basis points (bps) (0.049%) versus the weighted average estimate of 8.0 bps.

The Board of Trustees was told by IPOPIF staff that the transition of the assets from the litigant pension funds is on track to be completed in October 2024.

## **Investment Activity and Updates**

### **Asset Allocation Adjustments**

Following a review of the asset allocation study presented by staff and consultant, Verus, the Board took action to implement minor adjustments to the target asset allocation. Emerging Market Equity (EME) allocation was reduced by 1% to 6% and Developed International Equity

was increased by 1% to 19%. Subsequently, following Board consideration of China equity exposure, the Board directed that the EME portfolio be gradually transitioned to eliminate China exposure.

Additionally, the Board approved an investment in the State Street Global Advisors (SSGA) US Treasury Fund with a target allocation of 3% of the total fund. This investment will be funded from a 3% reduction in the allocation to short-term bonds.

### **Special Investment Principles**

The Board is again reviewing policy initiatives to potentially address companies that have supported activities that are contrary to the interests of IPOPIF, such as anti-police or anti-pension initiatives or organizations. This topic was discussed at the April Board meeting and at the May Governance Committee meeting. The topic is expected to be revisited at the July 19, 2024, Board meeting.

### **Funding and Rebalancing**

Following Board approval of active investment managers for international small-cap equities and bank (leveraged) loans, staff funded the new mandates gradually.

- International Small Cap (ISC)
  - ISC funding transactions were completed on April 2, 2024.
  - Acadian Asset Management received \$65 million on March 5, 2024, and \$56 million on March 13, 2024, for a total of \$251 million.
  - LSV Asset Management and WCM Investment Management received their second tranches of \$65 million for each strategy on April 1, 2024, for a total of \$125 million each.
  
- Bank Loans
  - Second tranches of \$50 million to Ares Management Corporation and \$100 million to Aristotle were funded on April 1, 2024. That brings the total to \$100 million for Ares and \$200 million for Aristotle.

### **Investment Performance Update**

The investment portfolio was up 4.1% in the first quarter, led by US large-cap stocks. The Russell 1000 index fund, (23% weight) was up 10.3% on solid earnings and expanding valuation multiples. The fund returned 13.5% for the prior twelve months, driven by strong returns in both stocks (+19.6%) and income (+11.5%, high yield and emerging market bonds).

### **In Other News...**

Monthly investment reports through April 2024 for each of the Article 3 funds are posted to the IPOPIF website [here](#). IPOPIF monthly investment reports are available [here](#).

If you are a member of one of the 357 Article 3 pension plans that are a part of IPOPIF, be sure to send us a photo of your agency for our [Blue Line Mugshot](#) page. Please send photos in jpeg format to [info@ipopif.org](mailto:info@ipopif.org).

As the consolidated asset pool that exists for the exclusive purpose of protecting and investing the assets of the pension funds covering police officers serving and protecting all downstate and suburban Illinois municipalities, we want our participants and their beneficiaries to know that they should always feel free to reach out to us at [info@ipopif.org](mailto:info@ipopif.org).

As noted in previous newsletters and above, key investment information is posted to the IPOPIF website and is reviewed and discussed at the IPOPIF Board meetings which are open to the public and available via Zoom. Check for meeting dates and times [here](#). The link to the Zoom call is included in the [meeting agendas](#) which also are posted on our website.

#### **Links to Key Resources**

- [Monthly statement overview](#)
- [Monthly financial reports](#)
- [Monthly and quarterly investment reports](#)
- [Meeting Calendar](#)