

Investment Update

As of April 14, 2023

Transfer Status

- 324 funds fully transferred and reconciled
- 4 funds still in process from 2022
 - Three funds – Received most assets but waiting on residual assets
 - One fund – Received all assets, finalizing CPA report
- 4 funds (~\$38M) scheduled to transfer 5/1/23
 - Initial documentation complete
 - Received asset lists for all funds
 - Asset certification to begin 4/10/23
- 15 litigant funds (~\$1.2B)
- 10 funds (~\$74M) did not transfer assets to IPOPIF

Asset Allocation 4/13/23

Account	Current		Target		Variance	
	\$M	%	\$M	%	\$M	%
Growth	4,552	50.2%	4,538	50.0%	14	0.2%
RHUMBLINE US LARGE	1,648	18.2%	1,634	18.0%	14	0.2%
RHUMBLINE US SMALL	424	4.7%	454	5.0%	(30)	-0.3%
SSGA NON-US DEVELOPED	1,392	15.3%	1,362	15.0%	30	0.3%
SSGA NON-US DEVELOPED SC	452	5.0%	454	5.0%	(2)	0.0%
SSGA EM EQUITY	636	7.0%	635	7.0%	1	0.0%
Income	1,443	15.9%	1,452	16.0%	(9)	-0.1%
SSGA HIGH YIELD	904	10.0%	908	10.0%	(4)	0.0%
SSGA EM DEBT	539	5.9%	545	6.0%	(5)	-0.1%
Inflation Protection	785	8.6%	817	9.0%	(32)	-0.4%
SSGA TIPS	271	3.0%	272	3.0%	(1)	0.0%
SSGA REITS	337	3.7%	363	4.0%	(26)	-0.3%
PRINCIPAL US PROPERTY	177	1.9%	182	2.0%	(5)	-0.1%
Risk Mitigation	2,296	25.3%	2,269	25.0%	27	0.3%
IPOPIF CASH	301	3.3%	272	3.0%	29	0.3%
SSGA ST GOV-CREDIT	1,354	14.9%	1,362	15.0%	(7)	-0.1%
SSGA CORE BONDS	641	7.1%	635	7.0%	5	0.1%
Total Investment Pool	9,077	100.0%	9,077	100.0%	-	0.0%
Transition Pool	31					
Participant Fund Accounts	0					
Grand Total	9,108					

Performance Highlights 2022

Quarter Ended 12/31/22	4Q22	Since 4/1/22
IPOPIF Investment Portfolio	6.8%	-9.0%
Policy Benchmark*	6.6%	-9.3%
Broad Benchmark**	8.4%	-12.6%

- Performance has been in line with the Policy Benchmark reflecting the utilization of passive (index) investment managers.
- Relative to the Broad Benchmark, 3.6% outperformance since 4/1/22 and 1.6% underperformance in 4Q22 reflect IPOPIF's conservative short-term allocation, which is underweight to growth assets and served to mitigate performance volatility during the 2022 market correction.
- Passive investment management fees are 0.013%/yr.
- Detailed report available on the IPOPIF website ([link](#))

*The Policy Benchmark includes a weighted average of the asset class benchmarks and is used to evaluate implementation of the asset allocation.

**The Broad Benchmark is a 70/30 mix of global stocks and bonds and is used to evaluate the asset allocation.

Performance Highlights 2023

Preliminary	January	February	Since 4/1/22
IPOPIF Investment Portfolio	5.2%	-2.2%	-6.4%
Policy Benchmark	5.2%	-2.2%	-6.6%
Broad Benchmark	6.2%	-2.9%	-10.0%

- Performance remains in line with the Policy Benchmark reflecting the utilization of passive (index) investment managers.
- IPOPIF's conservative short-term allocation, which is underweight to growth assets, continues to mitigate performance volatility and outperform the Broad Benchmark over the long term.
- Monthly reports available on the IPOPIF website ([link](#))

*The Policy Benchmark includes a weighted average of the asset class benchmarks and is used to evaluate implementation of the asset allocation.

**The Broad Benchmark is a 70/30 mix of global stocks and bonds and is used to evaluate the asset allocation.

Key Investment Initiatives (1)

Initiative	Status
Develop long-term asset allocation implementation plan	Investment overview developed and reviewed at March Board meeting. Will now evaluate project planning processes, tools, and exhibits to show path and progress.
Revise Short-term Asset Allocation	April Board Agenda Item.
Investment Staff Recruitment	Seeking two additional investment officers to work from the Peoria office. Private market experience preferred. Held planning meeting with HR. Confirming Board approval.
Evaluate small cap equity and multi-asset class credit (MAC) for search recommendation	Staff gathering information and planning the evaluation.

Key Investment Initiatives (2)

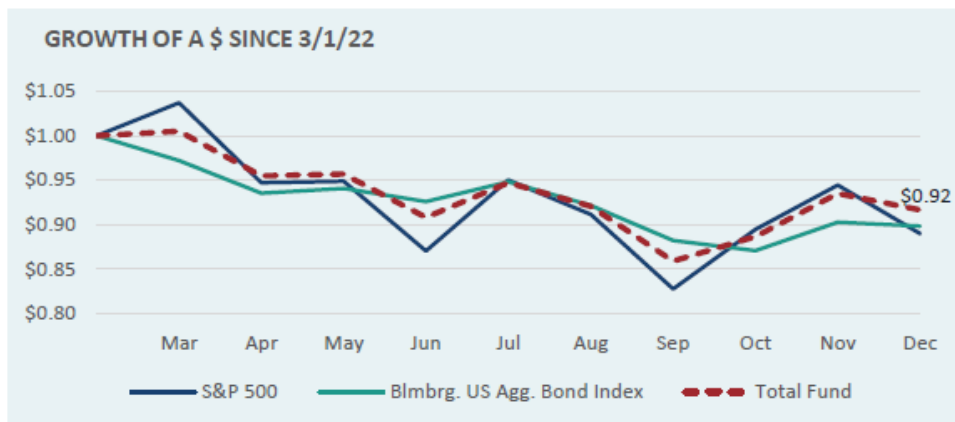
Initiative	Status
Gather information in preparation for potential private markets consultant search recommendation	Three informational meetings. More to come.
Transfer outstanding assets	Progress on residual 2022 assets. May 1 transfer on track.
Develop plan for addressing non-transferrable assets	Some annuity information collected. PPF communication needed. Verus to assist with evaluation.
Develop Investment Communication Materials	Developed 2022 Transfer Performance Summary. Broader materials to be developed.
Develop compliance review and reporting matrix	Compliance items being tracked/completed. Review and reporting matrix to be developed.

March Operational Review

- Transfers – Closed out 8 delayed transfers, including reconciliation and final AUP reports
AUP: CPA agreed upon procedures
- Invoicing
 - Received custody invoices through 12/31/22 and initiated review. Takes time due to verify all elements of fee structure.
 - Substantial progress on SSGA invoicing. All 2022 investment management invoices (n=106) have been reviewed and paid.
- Cash Management
 - 238 PPF eCFM transactions and 5 PPF cash LODs
PPF: Participating Police Pension Fund, LOD: Letter of Direction
 - Approved 20 additional funds and 58 users for eCFM access
 - eCFM access up to 285 funds and 757 users
- Conducted Fund rebalancing to deploy excess cash
- FY24 budget preparation
- Evaluation of reporting adjustments related to EMD and MBS
- Reviewed and posted February Participating Fund reports and IPOPIF investment report.

2022 IPOPIF Performance by Tranche

- 2022 was a difficult year for investments across asset classes:
 - The S&P 500 fell 18.1% for the full year and 11.0% for the 10 months beginning March 1st (when the Member Fund transfers began); and
 - Core bonds fell 13.0% and 10.1%, respectively, over the same time periods.
- The Total Fund was down 8.4% from the date of the first scheduled transfer (3/1/22) through year-end, reflecting general market trends but outperforming US stocks and bonds as a result of broader diversification. The Total Fund also modestly exceeded its Policy Benchmark* (by 40 basis points, or 0.4%, since inception).



Tranche	Scheduled Transfer Date	Individual Member Fund Returns			Benchmark Return
		High	Low	Median	
1	1-Mar	-8.2%	-8.9%	-8.5%	-8.8%
2	1-Apr	-8.4%	-9.6%	-8.8%	-9.3%
3	3-May	-1.6%	-5.6%	-3.5%	-4.5%
4	1-Jun	-1.3%	-5.7%	-4.5%	-4.6%
5	24-Jun	4.6%	0.5%	1.7%	1.2%
6	1-Aug	-1.4%	-4.2%	-3.4%	-2.9%
7	1-Sep	12.5%	-2.8%	-0.6%	-0.6%
8	3-Oct	9.2%	4.0%	6.9%	6.6%
9	1-Nov	3.7%	0.9%	2.9%	3.8%
10	1-Dec	-0.8%	-6.5%	-2.9%	-1.9%

- The since-inception performance for each Member Fund is dependent on the market return available from the time of transfer through year-end.
- The range of returns across tranches varies due to market volatility.
- The variance of returns within an individual tranche is primarily driven by the performance of transferred assets prior to transition to the target portfolio. Partial receipts can result in a larger variance, potentially offset in the legacy portfolio.
- Returns are shown gross-of-fees. Investment management fees for the IPOPIF are approximately 3 basis points (or 0.03%) on an annualized basis.

*The Policy Benchmark is calculated using representative index returns for each asset class in the IPOPIF strategic asset allocation, weighted by asset allocation targets.

Transition Management Review

- Portfolio Transitions have been very successful
- \$8.7 Billion transitioned through February 2023
- Implementation Shortfall: \$2.8 million
 - Amount transition portfolio lagged the target portfolio
- Commissions: \$1.5 million (hit cap in September)
- Total Cost \$4.3 million, 4.9 basis points (bps) (0.049%) vs. weighted average estimate of 8.0 bps

Asset Type	Market Value	In-Kind Value	In-Kind %
Mutual Funds	\$4,189	0	0%
ETFs	559	0	0%
Stocks	579	374	65%
Bonds	2,969	482	16%

Dollars in Millions

Preliminary Agenda Planning

6/9/23	9/15/23	12/15/23	March 2024
Small cap search request	Small Cap search recommendation	High-yield search request	High-yield search recommendation
	Multi-asset credit (MAC) search request	MAC search recommendation	Bank Loan search request
Private Markets Education	Private Markets Strategic Plan & Search Request	Private Markets Search Recommendation	
Service Provider Review TBD	Principal US Property Account Review	Service Provider Review TBD	Service Provider Review TBD
Quarterly: Investment Update, Performance Review, Compliance Review, Investment Implementation Status			