

**ILLINOIS POLICE OFFICERS' PENSION INVESTMENT FUND
BOARD OF TRUSTEES REGULAR MEETING MINUTES****FRIDAY, OCTOBER 29, 2021 AT 9:00 A.M.**

A regular meeting of the Board of Trustees of the Illinois Police Officers' Pension Investment Fund was held through the Zoom digital platform in accordance with Executive Order 2021-27 issued by Governor Pritzker and Public Act 101-0640. Members of the public were invited to participate remotely or in person pursuant to the meeting notice and agenda.

TRUSTEES PRESENT: Shawn Curry
Paul Swanlund
Elizabeth Holleb
Michael Inman
Brad Cole
Lee Catavu (*joined at 9:04 a.m.*)
Phil Suess
Mark Poulos

TRUSTEES ABSENT: Daniel Hopkins

OTHERS PRESENT: Richard White, Interim Executive Director
Kent Custer, Chief Investment Officer
Steve Yoon, Investment Officer
Shaun Ivey, Administrative Manager
Rick Reimer, General Counsel, Reimer Dobrovolny & LaBardi PC
Joe Burns, Fiduciary Counsel, Jacobs Burns Orlove & Hernandez, LLP
AJ Weber, Chief Financial Officer, Lauterbach & Amen, LLP
Paul Sachs, Project Architect, Adirondack Investment Advisors
Kim Moynihan, Custodian, State Street
Allie Rysell, Plan Administrator, Foster & Foster, Inc.
Members of the Public

CALL TO ORDER: Chairperson Curry called the meeting to order at 9:02 a.m.

ROLL CALL: As reflected above.

Executive Director White took a moment to honor fallen Officer Tyler Timmons of the Pontoon Beach Police Department. Officer Timmons served in law enforcement for 14 years and was shot and killed in the line of duty on October 26, 2021. A moment of silence was observed in honor of fallen Officer Timmons.

Trustee Catavu joined at 9:04 a.m.

INVESTMENTS: *Transition Status Report:* CIO Custer presented his Investment Update to the Board. He stated that mutual funds are a large part of the asset transition and are valued at

approximately \$4.9 billion. He noted that mutual funds cannot be transferred like stocks or bonds and must be reregistered. Staff is working with State Street, Mr. Sachs, and Mr. Brubaker from Verus to address issues related to the reregistration process. CIO Custer informed the Board that Russell Investments would no longer serve as Fund's Transition Coordinator. Russell withdrew due to the resources and systems needed to effectively manage the mutual fund registrations. Staff discussed this issue with State Street, and a comprehensive solution was developed. CIO Custer recommended the Board approve State Street as the Fund's Transition Manager. He noted that State Street's custodial team would facilitate the asset transfer and mutual fund registrations, and State Street's transition management team would transition legacy assets to target portfolios. The asset allocation implementation plan and investment policy will be reviewed at the next meeting. An update on the transition tranche planning and draft schedule was reviewed with the Board. CIO Custer stated that tranches are tentatively planned for January 3rd, February 1st, and March 1, 2022 with a potential cleanup tranche in April 2022.

Trustee Cole informed the Board that the Illinois Firefighters Pension Investment Fund (FPIF) has experienced issues with obtaining information from some of the local fund managers, and some funds are not ready or willing to transfer on their scheduled date. Trustee Cole recommended that Staff develop plans for additional tranches in May and June 2022 due to logistical issues and the pending litigation. CIO Custer acknowledged Trustee Cole's comments, and Staff will consider modifying the schedule to include additional cleanup tranches.

CIO Custer and Attorney Burns reviewed tasks that are critical to prepare for the initial transfer of assets. Attorney Reimer shared additional logistical concerns related to the quarterly meeting schedule for the local pension boards and the potential delays for the IPOPIF to receive completed documents. CIO Custer acknowledged Attorney Reimer's comments for Staff's consideration.

Trustee Suess discussed the tranche schedule, transition process, and asset allocation timeline with CIO Custer and Ms. Moynihan. He acknowledged Staff's logistical concerns and recommended that the Board considers moving forward with a smaller asset transfer in January to gain experience and work out any kinks before a larger tranche is initiated.

Chairperson Curry acknowledged Staff's logistical concerns and noted that a transfer in January seems somewhat aggressive. He recommended that the initial transfer be delayed to ensure the asset transfers are executed correctly and not expeditiously. He also noted that he does not feel comfortable transitioning assets until the lawsuit is finalized. Chairperson Curry is concerned about the potential for substantial investment losses for the local funds if the act is ruled unconstitutional and the assets must be returned. Attorney Burns stated it is difficult to know when the lawsuit will be finalized. He anticipates that the court's decision at the November 10th hearing will be significant in determining the transfer timeline and whether there will be any barrier that could prevent Staff from initiating the first tranche. Chairperson Curry recommended that the Board consider delaying the first tranche to February due to logistical concerns and Attorney Burns' comments concerning the litigation.

Trustee Holleb agreed with Trustee Suess' comments and is in favor of moving assets in January. She recommended that Staff develops a new schedule for Board consideration that would include a smaller initial tranche. Chairperson Curry addressed Trustee Holleb's comments and stated that he would feel comfortable moving assets in January depending on the court's decision after the November 10th hearing. He is hesitant to move any assets while there is still pending litigation.

Trustee Cole reiterated comments that he made at a previous Legislative Committee meeting. He stated that Fund needs to begin the transfer of assets as soon as possible to ensure the Fund has adequate time to complete the transfer. He is opposed to delaying the transfer of assets due to the pending litigation because there could always be pending litigation. He fully supports complying with the June 30, 2022 deadline and supports Trustee Suess' suggestion to begin the transfer with a smaller tranche.

Trustee Cole provided feedback to Staff on the transition process and discussed an issue that occurred when FPIF started transferring assets. He stated that the FPIF notified local fund managers to stop trading once the certified asset list was provided. Several managers continued trading, which caused bookkeeping issues and required updated certified asset lists. He stated that it is crucial that the local fund managers understand that they need to stop trading once the certified asset list is provided and recommended that Staff send reminders to the managers in an attempt to prevent this from occurring with IPOPIF.

CIO Custer acknowledged the comments from legal counsel and the trustees. A revised tranche schedule will be prepared for the Board's consideration at a future meeting.

Review/Approve Transition Manager: CIO Custer reviewed his memorandum dated Wednesday, October 27, 2021 regarding a "Transition Management Update and Recommendation" with the Board. CIO Custer reiterated earlier comments that he made during his Transition Status Report. He summarized State Street's proposal and reviewed the commission-based fee structure. All questions were answered by CIO Custer and Mr. Sachs. A motion was made by Trustee Cole and seconded by Trustee Suess to approve State Street as a transition manager for the transition of legacy assets from the participating pension funds to IPOPIF's short-term asset allocation with an expectation that Staff targets an initial transfer on January 3rd and contract negotiations are finalized. Motion failed by roll call vote.

AYES: Trustees Holleb, Inman, Suess, and Cole
NAYS: Trustees Curry, Swanlund, Catavu, and Poulos
ABSENT: Trustee Hopkins

A motion was made by Trustee Cole and seconded by Trustee Suess to approve State Street as a transition manager for the transition of legacy assets from the participating pension funds to IPOPIF's short-term asset allocation, subject to finalized contract negotiations. Motion carried by roll call vote. Trustee Holleb requested that the contract agreement with State Street is executed by the next meeting.

AYES: Trustees Curry, Swanlund, Holleb, Catavu, Poulos, Inman, Suess, and Cole
NAYS: None
ABSENT: Trustee Hopkins

The Board continued discussing the timeline to initiate the first transfer of assets and the pending lawsuit. A motion was made by Trustee Cole and seconded by Trustee Suess to direct Staff to establish the schedule for transfers that begins no later than February 1st to be completed by the June 30, 2022 statutory deadline. CIO Custer stated that a meeting will be held with the custodian and transition manager to see if a January 3rd initial transfer could occur, but he is unsure if this is feasible due to logistical concerns. He ensured the Board that Staff is working hard to finalize the transition process and will continue doing so for a February 1st initial transfer date. Trustee Swanlund echoed Chairperson

Curry's earlier comments, that he would rather delay the initial asset transfer to ensure the transfer of assets are executed correctly and not expeditiously. Motion failed by roll call vote.

AYES: Trustees Holleb, Inman, Suess, and Cole
NAYS: Trustees Curry, Swanlund, Catavu, and Poulos
ABSENT: Trustee Hopkins

A motion was made by Trustee Cole and seconded by Trustee Holleb to establish a transfer schedule of all assets to meet the statutory transfer deadline of June 30, 2022. Trustee Catavu inquired how the Board should proceed if the statutorily required transfer deadline is adjusted or changed by the legislature. Attorney Reimer recommended the Board entertain a new motion if the transfer deadline is amended. Trustee Suess noted that the FPIF is proceeding with the transfer of assets and requested legal clarity on what is needed to enable the Board to proceed with the transition. Attorney Reimer stated that the Board has legal authority to proceed with the transfer. He added that CIO Custer requested direction from the Board on the tranche schedule since the statute does not necessarily indicate when the tranches should occur. Attorney Burns noted that there is no court order that prevents the Board from proceeding with the transfer. He reiterated that he would have additional information to share with the Board after the November 10th hearing. He stated that the Board's fiduciary obligations are still in place and agreed with Attorney Reimer's comment that the Board could revisit any motion based on subsequent developments. Motion carried by roll call vote.

AYES: Trustees Curry, Swanlund, Holleb, Catavu, Poulos, Inman, Suess, and Cole
NAYS: None
ABSENT: Trustee Hopkins

COMMITTEE REPORTS: Trustee Suess requested that this item be tabled so he can participate in other agenda items before he needs to leave the meeting.

LEGAL COUNSEL'S REPORT: *General Legal Counsel's Report:* There was nothing new to report.

Fiduciary Counsel's Report - Litigation Committee Update: Chairperson Curry noted that the Litigation Committee would need to enter closed session to discuss the lawsuit.

CLOSED SESSION: A motion was made by Trustee Inman and seconded by Trustee Poulos for the Litigation Committee to enter closed session at 10:24 a.m. pursuant to 5 ILCS 120/(c)11 of the Open Meetings Act for the purposes of discussing pending litigation in the matter of the consolidation lawsuit. Motion carried by roll call vote.

AYES: Trustees Curry, Swanlund, Holleb, Catavu, Poulos, Inman, Suess, and Cole
NAYS: None
ABSENT: Trustee Hopkins

A motion was made by Trustee Poulos and seconded by Trustee Holleb to resume open session at 10:56 a.m. Motion carried by roll call vote.

AYES: Trustees Curry, Swanlund, Holleb, Catavu, Poulos, Inman, and Cole
NAYS: None
ABSENT: Trustees Hopkins and Suess

Trustee Swanlund noted that Trustee Sues left during closed session and will not be returning for the remainder of the meeting. Attorney Burns stated that the Committee discussed the subject of litigation in closed session, and no action is needed.

Fiduciary Counsel's Report – Review/Discuss Employment Agreements: Chairperson Curry noted that the Board would be discussing this item in closed session.

CLOSED SESSION: A motion was made by Trustee Inman and seconded by Trustee Poulos to enter closed session at 10:59 a.m. in accordance with the 5 ILCS 120/2(c)(1) exception of the Open Meetings Act for the purposes of discussing compensation of specific employees of the Fund. Motion carried by roll call vote.

AYES: Trustees Curry, Swanlund, Holleb, Catavu, Poulos, Inman, and Cole
NAYS: None
ABSENT: Trustees Hopkins and Sues

A motion was made by Trustee Poulos and seconded by Trustee Swanlund to resume open session at 12:08 p.m. Motion carried by roll call vote.

AYES: Trustees Curry, Swanlund, Holleb, Catavu, Poulos, Inman, and Cole
NAYS: None
ABSENT: Trustees Hopkins and Sues

Attorney Burns stated that a discussion took place in closed session related to personnel matters, and the Board would like to entertain a motion.

Approve Employment Agreement for Executive Director, Richard A. White, Jr.: A motion was made by Trustee Poulos and seconded by Trustee Swanlund to adopt the Contract Committee's recommended employment agreement with Richard White, with the modification for the contributions required for his 401a and 115 plans be converted to salary, subject to the revised employment agreement is executed by Richard White. Trustee Holleb stated that there are too many provisions in the agreement that she cannot support, so she plans on voting no. Trustee Cole indicated that he does not have any issues finalizing the contracts with the senior employees. However, that does not refer to any opinion he may have regarding the terms that may or may not be included in any of the agreements. He stated that he has issues with the process that has been undertaken, the lack of direction by the Board on critical topics, and the counsel that the Board has received. Motion carried by roll call vote.

AYES: Trustees Curry, Swanlund, Catavu, and Poulos
NAYS: Trustee Holleb, Inman, and Cole
ABSENT: Trustee Hopkins and Sues

Adopt Resolution 2021-005 Approving Amendment to March 26, 2021 Employment Agreement with Kent Custer: No Board action was taken.

PUBLIC COMMENT: There were no comments from the public.

ADJOURNMENT: With no further business to discuss, a motion was made by Trustee Inman and seconded by Trustee Catavu to adjourn the meeting at 12:13 p.m. Motion carried by roll call vote.

AYES: Trustees Curry, Swanlund, Holleb, Catavu, Poulos, Inman, and Cole
NAYS: None
ABSENT: Trustees Hopkins and Sues

Respectfully submitted by:

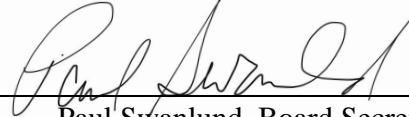


Allie Rysell, Plan Administrator
Foster & Foster, Inc.

Approved by:



Shawn Curry, Board Chairperson



Paul Swanlund, Board Secretary

Date Approved by the Board of Trustees: January 14, 2022

The next Board meeting of the Illinois Police Officers' Pension Investment Fund will be held on Friday, November 12, 2021 at 9:00 a.m. via the Zoom digital platform in accordance with Governor Pritzker's Executive Order in effect on the date and time of the meeting and Public Act 101-0640.