

# ILLINOIS POLICE OFFICERS' PENSION INVESTMENT FUND

456 Fulton Street, Suite 402, Peoria, 61602 | (309) 280-6464

IPOPIF

Phil Suess  
Chairperson

Paul Swanlund  
Vice-Chairperson

Lee Catavu  
Secretary

Mark Poulos  
Treasurer

Brad Cole  
Trustee

Shawn Curry  
Trustee

Elizabeth Holleb  
Trustee

Daniel Hopkins  
Trustee

Michael Inman  
Trustee

## ILLINOIS POLICE OFFICERS' PENSION INVESTMENT FUND BOARD OF TRUSTEES REGULAR MEETING MINUTES

FRIDAY, MARCH 17, 2023 AT 9:00 A.M.

A regular meeting of the Board of Trustees of the Illinois Police Officers' Pension Investment Fund was held at the Twin Towers Plaza located at 456 Fulton Street, Conference Room 420, Peoria, IL 61602, and via the Zoom digital platform. The meeting was held in accordance with the Gubernatorial Disaster Proclamation issued on 03-03-23 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:** Phil Suess  
Paul Swanlund  
Lee Catavu (*Zoom*)  
Brad Cole (*Zoom*)  
Elizabeth Holleb (*Zoom*)  
Daniel Hopkins (*Zoom*)

**TRUSTEES ABSENT:** Shawn Curry  
Mark Poulos  
Michael Inman

**STAFF PRESENT:** Richard White, Executive Director  
Kent Custer, Chief Investment Officer  
Gina Tuczak, Finance Director/Assistant Executive Director  
Steve Yoon, Investment Officer  
Barb Meyer, Investment Officer  
Kate Cobb, Administrative Analyst

**OTHERS PRESENT:** Rick Reimer, General Counsel, Reimer Dobrovolny & LaBardi PC (*Zoom*)  
Taylor Muzzy, Fiduciary Counsel, Jacobs Burns Orlove & Hernandez, LLP (*Zoom*)  
Scott Whalen, General Investment Consultant, Verus Advisory, Inc. (*Zoom*)  
AJ Weber, Chief Financial Officer, Lauterbach & Amen, LLP (*Zoom*)  
Allie Rysell, Plan Administrator, Foster & Foster, Inc.  
Members of the Public

**CALL TO ORDER:** Chair Suess called the meeting to order at 9:07 a.m.

**ROLL CALL:** As reflected above.

**MOMENT OF SILENCE:** *Chicago Police Officer Andres Vasquez-Lasso, End of Watch March 1, 2023:* A moment of silence was observed in honor of fallen Chicago Police Officer Andres Vasquez-Lasso.

**INVESTMENTS:** *Investment Update:* CIO Custer reviewed his Investment Update presentation with the Board dated March 9<sup>th</sup>. He reviewed the transfer schedule, a graph illustrating the status of open pension

fund transfers, and the list of non-transferring pension funds. As of March 8<sup>th</sup>, 322 participating pension funds have fully completed asset transfers to IPOPIF. CIO Custer discussed the status of six open transfers and plans for transferring four additional funds on May 1<sup>st</sup> with assets totaling approximately \$38 million. CIO Custer reviewed the asset allocation and rebalancing with the Board. As of March 8<sup>th</sup>, the allocation was 49.9% Growth, 15.8% Income, 8.7% Inflation Protection, and 25.6% Risk Mitigation. He summarized the updates made to the monthly participant pension fund reports. The investment activities were discussed with the Board. All questions were answered by CIO Custer.

Trustee Cole discussed a press release that was issued on March 16<sup>th</sup> regarding the Fund's exposure to Silicon Valley Bank (SVP). CIO Custer indicated that IPOPIF had minimal exposure to SVP, Signature Bank, and Silvergate Capital Corporation. As of February 28<sup>th</sup>, the IPOPIF's exposure to SVP, Signature Bank, and Silvergate Capital Corporation totaled \$1.2 million, which represented 0.014% of the Fund's total assets. All questions were answered by CIO Custer.

*Quarterly Performance Review – Scott Whalen, Verus:* Mr. Whalen presented the Investment Performance Review for the period ending December 31, 2022. He provided introductory comments and summarized the Executive Summary and Investment Landscape. The beginning market value was \$5.7 billion, asset transfers and net cash flow totaled \$2.3 billion, income totaled \$34 million, and the net asset changes totaled \$403 million, bringing the ending market value of the portfolio to \$8.4 billion as of December 31, 2023. Mr. Whalen reviewed the Total Fund Asset Allocation History charts, the Asset Allocation vs. Policy targets, the Total Fund Executive Summary and discussed the variances with the Board. The total investment return for the three months ended December 31, 2022 was 6.7% gross of fees. The total return since the inception date of April 1, 2022, was (8.8%) gross of fees, outperforming the Policy Index and Broad-Based Policy Index. All questions were answered by Mr. Whalen and CIO Custer.

Trustee Cole requested an additional one-page report that could be shared with the participating pension funds and employers. Mr. Whalen reviewed the third bullet point in the Executive Summary and discussed the development of a one-page report that would provide a snapshot of the 2022 investment performance. Trustees Suess, Cole, and Holleb provided feedback on the information that could be reflected in the one-page report. CIO Custer informed the Board that staff would work with Verus to draft a one-page report as requested. He hopes to distribute the draft report to the Board for review by the end of the month. All questions were answered by Mr. Whalen and CIO Custer.

*2023 Investment Planning:* CIO Custer summarized his Investment Planning Overview presentation with the Board dated March 17<sup>th</sup>. He discussed the key investment initiatives, basic strategy, asset allocation, and conceptual allocation glidepath in detail.

*Approve Short-Term Asset Allocation Recommendation:* CIO Custer reviewed a memorandum dated March 9<sup>th</sup> regarding the "Asset Allocation Recommendation" and provided background information on the proposed changes. CIO Custer recommended that 8% is moved from Risk Mitigation to Growth, with 5% allocated to US Large Cap and 3% allocated to International Developed. He indicated that Cash would be reduced by 2.0%, Short-Term Govt/Credit reduced by 2.0%, and Core Fixed Income reduced by 4.0%. The new short-term asset allocation would be 58% Growth, 16% Income, 9% Inflation Protection, and 17% Risk Mitigation. The recommended rebalancing ranges were reviewed with the Board. CIO Custer recommended Board approval of his proposed revisions to the short-term asset allocation and updated rebalancing ranges to be implemented, at his discretion, by the end of the fiscal year.

Trustee Cole inquired if additional asset allocation changes would be required to reach the long-term asset allocation goal. CIO Custer reviewed the Conceptual Allocation Glidepath, which depicts the nine-year path to the long-term asset allocation. CIO Custer noted that the Conceptual Allocation Glidepath is not a governing document, and the asset allocation changes would be somewhat event driven by the development of private markets.

Chair Suess noted that the proposed short-term asset allocation mirrors year zero on the Conceptual Allocation Glidepath. He indicated that there is flexibility as to how quickly the Fund moves toward the long-term allocation. He discussed the proposed short-term asset allocation and noted that there is a benefit to increasing the equity allocation, as recommended by staff. Trustee Holleb recommended that the Conceptual Allocation Glidepath is used as a fluid document and recommendations are presented to the Board as opportunities in the market are identified by staff with support from Verus. CIO Custer discussed several short-term investment initiatives and the strategy for 2023.

Trustee Cole advised the Board that he is not comfortable voting on the recommended asset-allocation. He would like staff to prepare a long-term allocation plan that includes steps to get to the long-term plan, and the impact of those steps as it relates to the hiring of staff and consultants. A motion was made by Trustee Swanlund and seconded by Trustee Hopkins to approve the recommendation proposed by Mr. Custer as outlined on page 81 in the agenda packet and Mr. Custer's March 9<sup>th</sup> memorandum, with the expectation that the changes will be implemented by June 30<sup>th</sup> at the discretion of the Chief Investment Officer. The motion failed due to the lack of supermajority approval.

AYES: Trustees Suess, Swanlund, Catavu, Holleb, and Hopkins

NAYS: Trustee Cole

ABSENT: Trustee Curry, Inman, and Poulos

Chair Suess advised the Board that the agenda item would be revisited at the next meeting.

**GOVERNMENTAL LIAISON'S REPORT:** This agenda item was not discussed.

**ADMINISTRATION AND OPERATIONS:** *Human Resources – Approve Revisions to Staffing Positions for Fiscal Year 2023 Budget and Approve Recruitment:* Executive Director White reviewed a memorandum dated March 17<sup>th</sup> regarding the "Personnel Staffing Revisions" with the Board. Staff requested the following updates to the Fiscal Year 2023 Budget, as indicated on page 86 of the packet:

- Include:
  - Two Senior Accountant positions
  - Two Administrative Analyst positions
  - One Information Technologist position
  - One Communications Analyst position
  - Four Investment Officer positions
- Remove:
  - One Accountant position
  - One Executive Assistant position
  - One Investment Analyst position

The details of the requested revisions to the organization's staffing were reviewed in detail. Executive Director White, CIO Custer, and Finance Director Tuczak answered questions from the Board

regarding the proposed staffing positions. Executive Director White summarized the financial functions that have been moved in-house.

Trustee Holleb noted that the organizational structure and transition plan have not been presented for Board discussion. With the addition of staff, she would like to see where the Fund would see savings on the contractual side. She requested a transition plan for reducing reliance on outside contractual services for finance and investment functions. Trustee Cole agreed with Trustee Holleb's comments.

Chair Suess recommended Board approval of the recommended staffing revisions. He stated that the hiring of staff is critical to the success of the organization and he would like to move forward with the request as proposed. Trustee Cole inquired if all the requested positions will be Peoria-based, in-office positions. Executive Director White advised the Board that the intent is to recruit for Peoria-based positions. However, staff will not limit their search to only Peoria-based positions, and flexible work schedules may be considered to ensure the best candidates are hired for each position. Trustee Holleb summarized her comments made at the Audit and Budget Committee meeting. She advised the Board that she would not feel comfortable approving the request for additional staff at this time. A motion was made by Trustee Hopkins and seconded by Trustee Swanlund to approve the revisions to the posted staffing positions in the revised Fiscal Year 2023 Budget and to approve the recruitment, as indicated on page 86 of the packet. Motion carried by roll call vote.

AYES: Trustees Suess, Swanlund, Catavu, Cole, and Hopkins

NAYS: Trustee Holleb

ABSENT: Trustee Curry, Inman, and Poulos

*Finance – Approve Fiscal Year 2023 Budget Revisions:* This item was briefly discussed under the Human Resources agenda item. Further discussion will be held at the next meeting.

*Approve Prepayment of Illinois Finance Authority (IFA) Loan Balance:* Executive Director White provided opening remarks regarding the IFA loan payment schedule. Finance Director Tuczak reviewed a memorandum dated March 17<sup>th</sup> regarding the "IFA Loan Repayment" with the Board. She reviewed the details of the Estimated Payment Calculation report dated February 23, 2023 with the Board and reviewed the Audit and Budget Committee's recommendation to the Board. A motion was made by Trustee Holleb and seconded by Trustee Hopkins to prepay the IFA loan at the next scheduled installment payment, which is on or before April 3<sup>rd</sup>, the first business day after March 31<sup>st</sup>. Motion carried by roll call vote.

AYES: Trustees Suess, Swanlund, Catavu, Cole, Holleb, and Hopkins

NAYS: None

ABSENT: Trustee Curry, Inman, and Poulos

*Ratify Warrants #60 and #61:* The Board reviewed warrants #60 and #61. A motion was made by Trustee Hopkins and seconded by Trustee Holleb to approve warrants #60 and #61. Motion carried by roll call vote.

AYES: Trustees Suess, Swanlund, Catavu, Cole, Holleb, and Hopkins

NAYS: None

ABSENT: Trustee Curry, Inman, and Poulos

*Approve Monthly Financial Statements – December 2022 and January 2023:* This agenda item was not discussed.

*Administrative Status Update:* This agenda item was not discussed.

**MEETING MINUTES:** This agenda item was not discussed.

**LEGAL UPDATES:** This agenda item was not discussed.

**CLOSED SESSION:** Closed session was not needed.

**PUBLIC COMMENT:** Chair Suess advised the public that Trustee Hopkins will need to leave the meeting at 11:30 a.m. The Board must adjourn the meeting to the impending loss of a quorum. Chair Suess inquired if there were any public comments. There were no comments from the public.

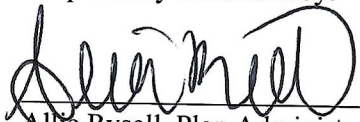
**ADJOURNMENT:** A motion was made by Trustee Hopkins and seconded by Trustee Swanlund to adjourn the meeting at 11:31 a.m. Motion carried by roll call vote.

AYES: Trustees Suess, Swanlund, Catavu, Cole, Holleb, and Hopkins


NAYS: None

ABSENT: Trustee Curry, Inman, and Poulos

Respectfully submitted by:

  
\_\_\_\_\_  
Allie Rysell, Plan Administrator  
Foster & Foster, Inc.

Approved by:

  
\_\_\_\_\_  
Phil Suess, Board Chairperson

  
\_\_\_\_\_  
Lee Catavu, Board Secretary

Date Approved by the Board of Trustees:

June 9, 2023

*The next Board meeting of the Illinois Police Officers' Pension Investment Fund will be held on April 14, 2023 in accordance with Governor Pritzker's Executive Order in effect on the date and time of the meeting and Public Act 101-0640.*