

# **Investment Update**

As of July 13, 2023

# Transfer Status

- All transferrable assets received and reconciled for Participating Police Pension Funds.
- Participation: 97% of non-litigant funds, 99% of assets
  - 10 non-litigant funds (~\$74M) did not transfer assets
  - One of those funds (~\$11M) is scheduled to transfer 8/1/23 (no change from June meeting)
  - 15 litigant funds (~\$1.2B)
- Evaluating requirements and framework for resolving non-transferable assets.

# Investment Operational Highlights

- Invoicing
  - State Street custody has been paid for services through December 2022. They continue to work on 2023 custody. We expect improved timeliness as data channels and review processes are established.
  - RhumbLine invoicing is current through June, SSGA through May.
- June Cash Management
  - 146 contributions totaling \$61 million, 148 withdrawals totaling \$32 million
  - 818 total users from 306 funds (little changed)
  - Shifting cash management responsibility from Investments to Accounting
- Reporting
  - Valuation adjustments for EMD, MBS, and accounting incorporated into May participant monthly reports, resolving all outstanding valuation issues.
  - Preparing to shift the NRS reporting portal from monthly to daily updates
- Asset allocation glidepath implementation
  - May – transferred \$90M from Core Bonds to Non-US Equity
  - June – transferred \$90M from Cash to US Equity

# Performance Summary

<b>Final</b>	<b>2Q22</b>	<b>3Q22</b>	<b>4Q22</b>	<b>1Q23</b>	<b>12 Mo.</b>
IPOPIF Pool	-10.4%	-4.8%	+6.8%	+4.3%	-5.1%
Policy Benchmark	-10.4%	-5.0%	+6.6%	+4.3%	-5.3%
Broad Benchmark	-13.6%	-6.6%	+8.4%	+5.8%	-7.6%

<b>Preliminary</b>	<b>April</b>	<b>May</b>	<b>June</b>	<b>2Q23</b>	<b>FY23</b>
IPOPIF Pool	0.9%	-1.4%	3.2%	2.7%	8.8%
Policy Benchmark	0.8%	-1.3%	3.1%	2.6%	8.4%
Broad Benchmark	1.0%	-1.4%	4.1%	3.7%	11.0%

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

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

# Asset Allocation 7/11/23

Account	Current		Target		Variance	
	\$M	%	\$M	%	\$M	%
<b>Growth</b>	<b>4,920</b>	<b>52.4%</b>	<b>5,450</b>	<b>58.0%</b>	<b>(530)</b>	<b>-5.6%</b>
RHUMBLINE US LARGE*	1,881	20.0%	2,161	23.0%	(281)	-3.0%
RHUMBLINE US SMALL	457	4.9%	470	5.0%	(13)	-0.1%
SSGA NON-US DEVELOPED*	1,484	15.8%	1,691	18.0%	(208)	-2.2%
SSGA NON-US DEVELOPED SC	453	4.8%	470	5.0%	(17)	-0.2%
SSGA EM EQUITY	645	6.9%	658	7.0%	(13)	-0.1%
<b>Income</b>	<b>1,469</b>	<b>15.6%</b>	<b>1,504</b>	<b>16.0%</b>	<b>(35)</b>	<b>-0.4%</b>
SSGA HIGH YIELD	919	9.8%	940	10.0%	(21)	-0.2%
SSGA EM DEBT	550	5.9%	564	6.0%	(14)	-0.1%
<b>Inflation Protection</b>	<b>808</b>	<b>8.6%</b>	<b>846</b>	<b>9.0%</b>	<b>(37)</b>	<b>-0.4%</b>
SSGA TIPS	271	2.9%	282	3.0%	(11)	-0.1%
SSGA REITS	364	3.9%	376	4.0%	(12)	-0.1%
PRINCIPAL US PROPERTY	173	1.8%	188	2.0%	(15)	-0.2%
<b>Risk Mitigation</b>	<b>2,200</b>	<b>23.4%</b>	<b>1,598</b>	<b>17.0%</b>	<b>603</b>	<b>6.4%</b>
IPOPIF CASH	302	3.2%	94	1.0%	208	2.2%
SSGA ST GOV-CREDIT	1,358	14.4%	1,222	13.0%	136	1.4%
SSGA CORE BONDS	541	5.8%	282	3.0%	259	2.8%
<b>Transition account</b>	<b>0.12</b>	<b>0.0%</b>	<b>-</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>
<b>Total Investment Pool</b>	<b>9,397</b>	<b>100.0%</b>	<b>9,397</b>	<b>100.0%</b>	<b>-</b>	<b>0.0%</b>

\* Allocations to US Large Cap and Non-US Developed equity will be increased gradually at CIO discretion.

# Key Investment Initiatives (1)

Initiative	Status
Revise Short-term Asset Allocation (STAA)	New STAA approved by Board in April. 8% to be shifted gradually from Risk Mitigation to Public Equity. May - 1% (\$90M) moved from short-term debt to International Equity. June – 1% moved from cash to US Equity.
Investment Staff Recruitment of two additional investment officers (4 total)	Received 42 applications. Salary range approved in June following compensation study. Screening and first-round interviews completed. Peoria interviews scheduled for late July.
International Equity Small Cap search	Search discussed at the June Board meeting. RFP draft to be provided for Board review. Search request to be reviewed again at this meeting. Targeting selection at the October Board meeting, but this will be tight.
Evaluation of potential for Multi-Asset Credit allocation	Potential for higher returns in the income portfolio by using a manager that invests across multiple credit asset classes. CIO has decided not to proceed. Market analysis did not result in compelling justification for added complexity. Shift focus to Bank Loans.

# Key Investment Initiatives (2)

Initiative	Status
Bank Loan Search	3% long-term allocation, but no current exposure. Currently evaluating manager universe and developing RFP.
Private Market Investments (equity, credit, real estate, infrastructure)	Conducted numerous education meetings across spectrum of consultants and managers. Verus provided private markets education at June Board meeting. Planning request for private markets consultant search, following investment officer recruitment.
Transfer outstanding assets	All transferrable assets received and reconciled for Participating Police Pension Funds. One \$11M fund to transfer on Aug. 1. Nothing else in pipeline.
Develop plan for addressing non-transferrable assets	Working with Verus and Counsel to evaluate IPOPIF requirements and to develop a framework for resolving non-transferable assets.

# Key Investment Initiatives (3)

Initiative	Status
Develop Investment Communication Materials	Developed 2022 Transfer Performance Summary Developed stakeholder presentation Continuing to build out additional information
Develop compliance review and reporting matrix	Completed review of source documents to capture all requirements. Developing review and reporting structure.
Develop long-term asset allocation implementation plan	Completed brainstorm project list. Next - organize and formalize using project planning processes, tools, and exhibits to show path and progress. Prioritizing search initiation.

# Preliminary Agenda Planning

7/21/23	9/15/23	10/13/23	12/15/23	March 2024
International small cap search request		Intl. small cap recommendation	US small cap search request	US small cap recommendation
	Bank Loan search request		Bank Loan recommendation	Next Credit search request
			Private Markets consultant Search Request	Private Markets Consultant Recommendation
	Principal US Property Account Review		Custodian Review	Investment Consultant Review
Quarterly: Investment Update, Performance Review, Compliance Review, Investment Implementation Status				

# Preliminary Search Queue

## Public Markets

- Equity
  - International/Global Small Cap
  - US Small Cap
  - Emerging Markets
  - Evaluate Large Cap
- Credit
  - Bank Loans
  - High Yield
  - Emerging Markets
- Risk Mitigation
  - Need allocation and structure review

## Private Markets

- Specialty Consultant?
- Secondary funds for early exposure and vintage diversification
- Equity
- Credit
- Real Estate
- Infrastructure