

Shawn Curry
ChairpersonDaniel Hopkins
Vice-ChairpersonPaul Swanlund
SecretaryElizabeth Holleb
TreasurerLee Catavu
TrusteeMark Poulos
TrusteeMichael Inman
TrusteePhil Suess
TrusteeBrad Cole
Trustee

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

FRIDAY, APRIL 8, 2022 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 2022-10 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
Elizabeth Holleb
Lee Catavu
Mark Poulos
Michael Inman
Phil Suess
Brad Cole
Paul Swanlund (*joined at 12:20 p.m.*)

TRUSTEES ABSENT: Daniel Hopkins

OTHERS PRESENT: Richard White, Executive Director
Kent Custer, Chief Investment Officer
Steve Yoon, Investment Officer
Shaun Ivey, Administrative Analyst
Rick Reimer, General Counsel, Reimer Dobrovolny & LaBardi PC
Joe Burns, Fiduciary Counsel, Jacobs Burns Orlove & Hernandez, LLP
Stephanie Masson, Chief Financial Officer, Lauterbach & Amen, LLP
AJ Weber, Chief Financial Officer, Lauterbach & Amen, LLP
Scott Whalen, General Investment Consultant, Verus Advisory
Brian LeFevre, RFP Audit Services Candidate, Sikich
Jason Franken, Actuary, Foster & Foster, Inc.
Paul Baugher, Actuary, Foster & Foster, Inc.
Allie Rysell, Plan Administrator, Foster & Foster, Inc.
Members of the Public

CALL TO ORDER: Chairperson Curry called the meeting to order at 9:01 a.m.

ROLL CALL: As reflected above.

MEETING MINUTES: *Review/Approve February 10, 2022 Regular Board Meeting Minutes:* The Board reviewed the draft minutes from the February 10, 2022 Board meeting. A motion was made by Trustee Inman and seconded by Trustee Holleb to approve the February 10, 2022 Board meeting minutes. Motion carried by roll call vote.

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

Review/Approve March 11, 2022 Board Meeting Minutes: The March 11, 2022 regular Board meeting minutes were tabled to the next meeting for review and approval.

ACTUARIAL: *Review/Adopt Actuarial Return Assumptions:* CIO Custer reviewed his memorandum dated April 1, 2022 regarding the "Actuarial Return Assumptions" with the Board. He summarized the discussions held at the January, February, and March Board meetings regarding the actuarial assumed rate of return. At the March 11th meeting, Foster & Foster indicated that their data suggests that a range of 6.75% to 7.25% is within a reasonable range for the investment return assumption. Foster & Foster recommended an assumption range of 6.75% to 7.0%. CIO Custer recommended that the Board approve an assumed rate of return between 6.75% and 7.25%, with a specific recommendation to set the assumed rate of return at 6.75%.

CIO Custer reinforced his recommendation that was presented at the March 11th meeting. He recommended that the Board approve an assumed rate of return of 6.75%. A robust discussion was held regarding the investment return assumption. The Board discussed Foster & Foster's experience study regarding actuarial assumed rate of return, the data provided in Verus' projections, and CIO Custer's recommended action. All questions were answered by CIO Custer, Mr. Franken, and Mr. Baugher. A motion was made by Trustee Catavu and seconded by Trustee Poulos to approve an assumed rate of return of 6.5%. The motion failed.

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

A motion was made by Trustee Cole and seconded by Trustee Suess that the Board establish a 7.0% actuarial rate assumption based on the following information: the Chief Investment Officer's range that was offered which was 6.75 to 7.25%, the Actuary's range that was offered which was 6.75% to 7%, and the average return of 130 of the largest public pension systems in the country that was at 6.99%. The motion failed.

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

Chairperson Curry indicated that he was not confident that the Board could reach a consensus regarding the approval of the assumed rate of the return at this meeting. He tabled further discussion regarding this matter to the May 13th meeting.

Mr. Franken and Mr. Baugher left at 10:12 a.m.

AUDITOR SERVICES: *Discuss/Retain Auditor Services Firm:* Executive Director White reviewed a memorandum dated April 8, 2022 regarding the "Auditing Services RFP – Retention of CPA Firm" with the Board. The RFP was approved and issued at the February 10, 2022 Board meeting. The Audit

and Budget Committee interviewed all responding candidate firms at their March 28, 2022 meeting and recommended that the Board select Sikich as the Fund's auditing firm to conduct the annual audits and transition audit. Executive Director White informed the Board that the Committee determined that sufficient information was received and a presentation by Sikich to the Board was not necessary. Upon approval, Staff would complete the Engagement Letter with Sikich and the agreed-upon procedures would be developed for the transition audit.

A summary of Sikich's RFP response and a copy of their proposal were included in the agenda packet for the Board's review. Executive Director White stated that Mr. LeFevre was present to answer any questions from the Board. He also noted that Trustee Suess is the only Audit and Budget Committee member present and inquired if he would like to provide additional information to the Board for consideration. Trustee Suess stated that Executive Director White's memorandum summarized the Committee's discussion. He indicated that the Committee narrowed down their decision to two firms, Sikich and Baker Tilly, following the conclusion of the CPA interviews. The Committee viewed both firms as equivalent and were confident that either firm could provide the scope of services required. Trustee Suess indicated that the Committee's decision came down to the fees, and the prices offered by Sikich were significantly lower. The fee schedule for annual auditing services was proposed as follows: \$27,500 for FY2022; \$57,500 for FY2023; \$59,800 for FY2024; \$62,200 for FY2025; and \$64,700 for FY2026. The estimated cost for the transition audit for the fiscal year 2022 was \$13,750.

Trustee Holleb inquired how the Board would proceed if the agreed-upon procedures for the transition audit significantly changed since the fee provided in their proposal was an estimate. Executive Director White stated that final agreed-upon procedures and fees would be brought back to the Board for review. Trustee Cole indicated that the list of all responding CPA firms was not included in the memorandum and requested clarification on the other two responding firms. Executive Director White stated that the other responding firms were Baker Tilly and KEB. Trustee Cole requested that all bidders are reflected in future RFP memorandums moving forward. A motion was made by Trustee Holleb and seconded by Trustee Cole to retain Sikich for only the financial audit services for FY2022 to FY2026 based on the fees proposed on page 45 of the agenda packet subject to attorney review and approval of the engagement letter. Motion carried by roll call vote.

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

A motion was made by Trustee Suess and seconded by Trustee Poulos to retain Sikich for the transition audit and to return to the Board with the agreed-upon procedures and fee schedule. Motion carried by roll call vote.

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

Mr. LeFevre left at 10:29 a.m.

TRANSITION UPDATE: CIO Custer presented the Transition Status Report to the Board. He stated that 18 local funds participated in the April 1st tranche with assets totaling approximately \$440 million.

He indicated that 15 local funds are scheduled to transfer assets on May 2nd with assets totaling approximately \$473 million. He reviewed the transfer metrics, the May transfer timeline, and future tranche planning. All questions were answered by CIO Custer.

INVESTMENTS: ESG (Environmental, Social, and Governance) Investment Education: Mr. Whalen and Attorney Burns presented the ESG Investment Education to the Board. The presentation topics were focused on ESG concepts, identifying Board priorities, obtaining guidance on implementation issues, and the potential adoption of a formal Statement of Principle. All questions were answered by Mr. Whalen, CIO Custer, and Attorney Burns.

Review/Adopt ESG Statement of Principle relating to investments and/or Investment Policy Statement: The Trustees provided feedback to CIO Custer and Mr. Whalen regarding the ESG Statement of Principle. Chairperson Curry recommended that a committee is established to discuss this matter further. Trustee Cole requested that equal representation of IPOPIF municipal, participant, and beneficiary trustees are appointed to the Committee. Chairperson Curry stated that he does not find any issues with Trustee Cole's request. Chairperson Curry encouraged the Trustees to contact him offline if they are interested in joining this Committee.

Review/Approve Investment Policy Asset Allocation Glidepath: CIO Custer reviewed the revised Investment Policy with the Board. He reviewed language amendments to "Appendix A2-Asset Allocation" which referenced the newly established "Appendix A-4" pertaining to the Asset Allocation Glidepath. CIO Custer indicated that the proposed glidepath would establish the framework for moving to long-term asset allocation and provide staff with the flexibility to accelerate equity exposure during equity market drawdowns. Trustee Holleb indicated that she was not comfortable with the proposed amendments, which would add specificity to remove Board authority regarding asset allocation changes. Trustee Cole agreed with Trustee Holleb's comments. No Board action was taken.

Investment Update: CIO Custer informed the Board that an "Investment Update" agenda item would appear on regularly scheduled meeting agendas moving forward.

BOARD RECESS: The Board took a brief recess at 11:45 a.m. and resumed the meeting at 12:01 p.m. All Trustees were present except for Trustees Hopkins and Swanlund.

ADMINISTRATIONS AND OPERATIONS: *Resolution 2022-01, Amending the Budget for the Fiscal Year 2022:* Executive Director White reviewed a memorandum dated April 8, 2022 regarding the "FY 2022 Budget Amendments" with the Board. He indicated that the revised budget includes the Board approved drawdown of the Illinois Finance Authority loan, reduces total budgeted expenditures from the original budget by (\$363,759), projects revenues in excess of expenditures by \$1,629,750, and projects an approximate cash balance of \$2 million at the end of the fiscal year. Executive Director White informed the Board that the Audit and Budget Committee reviewed the proposed amendments at their March 28, 2022 meeting and recommended Board approval. A motion was made by Trustee Catavu and seconded by Trustee Suess to Adopt Resolution 2022-01 Amending the Budget for the Fiscal Year 2022. Motion carried by roll call vote.

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

Review/Adopt Revised Election Policy (PP-2020-03): Executive Director White reviewed a memorandum dated April 8, 2022 regarding the “Election Policy Revision” with the Board. He provided background information on the policy and reviewed the proposed amendments with the Board. Executive Director White indicated that the Election Committee would review the revised policy at a future meeting if approved by the Board. Trustee Cole reviewed the following recommended amendments for Board consideration:

1. Amendments to ensure language referring to active participants is consistent. The following pages were referenced:
 - Page 3 Section C(1)(b) to reflect active participants
 - Page 4 Section D(1)(b) to reflect active participant trustees
 - Page 5 Section E(3)(b) reflects active participants
 - Active Statement of Candidacy and Candidate Petition to reflect active participant
2. Amendments to ensure language referring to municipalities is consistent. The following pages were referenced:
 - Page 15 Section K(1)(a) to reflect municipality only
 - Page 18 Section O to reflect municipality only

A motion was made by Trustee Poulos and seconded by Trustee Catavu to approve the revised Election Policy with the recommended changes. Motion carried by roll call vote.

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

Review/Approve Request for Proposal for Auxiliary Legal Counsel Services: Executive Director White reviewed a memorandum dated April 8, 2022 regarding the “Auxiliary Legal Services – Request for Proposal” with the Board.

Trustee Swanlund joined the meeting at 12:20 p.m.

Executive Director White reviewed the proposed supplemental legal services and indicated that the primary scope of services for this position would be to assist the IPOPIF with matters pertaining to Board of Trustee Elections, as defined in the Election Policy. Executive Director White stated that the Auxiliary Legal Counsel role is referred to as “Conflict Counsel” in the Election Policy. The Board discussed the proposed RFP and scope of services. Trustee Cole recommended that the RFP is amended to only include Auxiliary Legal Counsel services pertaining to Board Elections. Trustee Suess agreed with Trustee Cole’s recommendation and did not see a need to hire another attorney to provide supplemental and fiduciary legal counsel services. Chairperson Curry informed the Board that he did not see any issue with the proposed RFP and scope of services and recommended Board approval as presented. A motion was made by Trustee Cole and seconded by Trustee Holleb to approve the RFP limiting the scope for Auxiliary Legal Counsel to the role referred to as “Conflict Counsel” in the Election Policy. The motion failed. Further discussion will be held at a future meeting.

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

Executive Director's Status Update Report: Executive Director White provided a verbal update to the Board regarding various administrative matters. He noted that the Governmental Liaison's Report was included in the agenda packet for review. Executive Director White reminded the Board that the Statements of Economic Interest are due by May 2nd. The Board discussed the changes to the Statement of Economic Interest form with Attorney Reimer and Trustee Cole. Trustee Cole stated that the IML posted a Fact Sheet on their website pertaining to the Statements of Economic Interest Forms. He stated that a copy of the document would be sent to legal counsel and Executive Director White.

Executive Director White discussed holding in-person meetings in the future. Chairperson Curry informed the Board that he would like to conduct the next meeting in person. All Committee meetings would be held via Zoom if permitted by way of a disaster declaration.

TREASURER'S REPORT: Treasurer Holleb provided a memorandum dated April 4, 2022 regarding the "Treasurer's Report – IPOPIF Board Meeting, April 8, 2022" to the Board for review in advance of the meeting.

Monthly Financial Report – Review/Approve February 2022 Financials: The Monthly Financial Report for the period ending February 28, 2022 was provided to the Board to review in advance of the meeting. A motion was made by Trustee Holleb and seconded by Trustee Inman to approve the February 2022 Financial Statement. Motion carried by roll call vote.

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

Summary of Payments – Review/Approve Warrant #39: The Board reviewed Warrant #39 with invoices totaling \$157,444.93 and automatic deductions totaling \$10,561.84. A motion was made by Trustee Catavu and seconded by Trustee Holleb to approve Warrant #39. Motion carried by roll call vote.

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

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

General Legal Counsel's Report: Attorney Reimer recommended that the Board enter closed session to discuss agenda item 9(a)(i) pertaining to IPOPIF participation in the Illinois Municipal Retirement Fund and to conduct the semi-annual review of closed session meeting minutes.

CLOSED SESSION: A motion was made by Trustee Catavu and seconded by Trustee Swanlund to enter closed session pursuant to the 5 ILCS 120/2(c)(1) exception for the purpose of discussing specific

IPOPIF employees and the 5 ILCS 120/2(c)(21) exception to discuss the semi-annual review of closed session meeting minutes. Motion carried by roll call vote.

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

The Board entered closed session at 1:00 p.m.

A motion was made by Trustee Inman and seconded by Trustee Poulos to return to open session at 1:39 p.m. Motion carried by roll call vote.

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

Attorney Reimer indicated that the Board met in closed session in accordance with 5 ILCS 120/2(c)(1) and 5 ILCS 120/2(c)(21) exceptions. The matter was audio and video recorded, and no final action was taken. Attorney Reimer indicated that it is the Board intends to resolve outstanding legal issues related to the IMRF matter. Further discussion would be held at the May 13th meeting.

PUBLIC COMMENT: There were no comments from the public.

ADJOURNMENT: With no further business to discuss, a motion was made by Trustee Cole and seconded by Trustee Holleb to adjourn the meeting at 1:42 p.m. Motion carried by roll call vote.

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

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: June 10, 2022

The next Board meeting of the Illinois Police Officers' Pension Investment Fund will be held on May 13, 2022 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.