



We hope that you are enjoying the holidays with your friends and family and celebrating the new year ahead. As we close out 2023 and begin moving forward in 2024, we wanted to recap what we believe are major highlights and milestones the [Illinois Police Officers' Pension Investment Fund](#) (IPOPIF) has achieved in the past year.

At the top of our list is the fact that in 2023 IPOPIF completed three additional tranches of transition of assets and holds \$10.0 billion in assets under management (AUM), as of December 28, from 333 local police pensions funds. As we have noted in previous newsletters, Article 3 funds that have not transferred assets are the 15 litigant funds that are suing to challenge the constitutionality of the law, Public Act 101-0610, that established IPOPIF and the Illinois Firefighters Pension Investment Fund (IFPIF) and nine others that have not transitioned. IPOPIF will continue to accommodate transfers of assets from Article 3 Funds as requested.

At its last meeting of the year, the Board of Trustees approved IPOPIF's [Annual Comprehensive Financial Report](#) covering fiscal years ending June 30, 2022 and June 30, 2023. This financial report is designed to provide our Board of Trustees, our beneficiaries, taxpayers, and other stakeholders with a general overview of IPOPIF's finances. Please take the time to read this detailed report, especially the areas that may be of special interest to you.

## **2023 At-A-Glance**

### **First Quarter**

- The Illinois Appellate Court for the Second District ruled in February that Public Act 101-0610 is constitutional. On March 13, 2023, the plaintiffs filed a Petition for Leave to Appeal with the Illinois Supreme Court contending that the Appellate Court erred in finding that Public Act 101-610 does not violate the Illinois Constitution.

- During a special board meeting in February, Trustee Phil Sues, who is the Mayor of Wheaton, was elected chairperson of the board of trustees. Others elected during the board meeting were Trustee Paul Swanlund, vice chairperson; Trustee Lee Catavu, secretary; and Trustee Mark Poulos, treasurer. All terms are for two years.
- On February 10, 2023, a second addendum to the lease agreement between the fund and the City of Peoria, which owns Twin Towers Plaza in Peoria, Illinois where the IPOPIF offices are located, was executed. It extended the initial term of the lease to September 2027. The Fund has concluded all build outs, and the office is open during business hours to provide equal access and service to the Fund's membership located throughout the State of Illinois.
- IPOPIF announced that through investments in the Russell 1000 and Russell 2000 index funds and the US Aggregate Bond index fund as of Feb 28, 2023, exposure to SVB Financial Group, Signature Bank and Silvergate Capital Corp was minimal. Totaling \$1.2 million, the investments represented 0.014% of IPOPIF's total asset value, which at the time was \$8.9 billion.

### **Second Quarter**

- Following the statutory requirements, each year the Board of Trustees approves IPOPIF's annual budget. On June 10, 2022, the Board of Trustees adopted the budget for the 2023 fiscal year in the amount of \$7,914,093. At its meeting on April 14, 2023, it adopted a revised budget of \$6,793,609. The reduction in budgeted expenses reflects the board's diligence and staff's dedication to efficiently operating the fund, while effectively completing the process of receiving and investing the assets from the Article 3 police pension funds in the fiscal year.
- Also at the April meeting, the board approved a change to the short-term asset allocation as part of the process of transitioning the portfolio towards the long-term asset allocation. The revised asset allocation transfers 8% of the portfolio from Risk Mitigation Asset Classes to Growth Asset Classes increased public equity allocations in U.S. Large Cap and International Developed, and reduced allocations to Cash, Short-Term Government Credit, and Core Fixed Income.
- Demonstrating the Board of Trustees' further attention to fiscal responsibility, IPOPIF paid off our loan from the Illinois Finance Authority six months early. This pre-payment in April 2023 saved the consolidated fund, and by extension Article 3 participating Police Pension Funds, an estimated \$295,000 in interest expenses that would have been paid to the state as part of those six remaining payments.
- Trustee Shaun Curry, a participant representative and sergeant with the Peoria Police Department who served as the chair of the IPOPIF board from February 2020 to December 2022, resigned from the IPOPIF Board of Trustees effective May 1, 2023. All local

participating police pension funds were notified and informed that their current participating members were eligible to run for the vacant board seat.

- On May 24, 2023, the Supreme Court granted the Petition filed by plaintiffs asking that the court determine the constitutionality of Public Act 101-0610.
- Our first Regional Stakeholder Meeting was held on Tuesday, June 27, 2023, in Collinsville at the Gateway Convention Center. Trustee Daniel Hopkins, a retired member of the Collinsville Police Department, welcomed the attendees as did Collinsville City Councilman Tony Hausmann. More than 35 individuals attended including participants and beneficiaries of Article 3 participating police pension funds as well as legal counsel for Article 3 funds and representatives of the area municipalities that employ police officers. Well-received presentations covered operations, investments, and finance and were completed by Executive Director Richard White, Chief Investment Officer Kent Custer, and Chief Financial Officer Regina Tuczak, respectively. The presentations were followed by a robust question-and-answer session.
- Pursuant to the pension code, on June 9, 2023, the IPOPIF Board of Trustees approved a special election to take place to fill the vacant Trustee seat. The nomination period for candidates opened on June 26, 2023, and closed on August 4, 2023.
- For the fiscal year ending June 30, 2023, the fund's investment portfolio earned \$62.0 million of interest and dividend income and \$580 million of net appreciation of investment assets. Assisted by positive economic market momentum in 2023, the Fund's investment portfolio earned a money-weighted rate of return of 8.9%. Updated information about the fund's investments, performance, market conditions, and Investment Policy can be found [here](#).
- In accordance with the fund's cash management policy, participating pension funds may withdraw cash from IPOPIF's custodial account with State Street Bank to meet the needs of administering Article 3 police pension funds. The first withdrawals by participating funds occurred in July of 2022 and increased in volume and dollar amount throughout the 2023 fiscal year. A total of 747 cash withdrawal transactions valued at \$166 million were completed in fiscal year 2023.
- Amy Zick joined IPOPIF as a senior accountant in the Finance/Accounting group on June 1, 2023. Amy previously worked at the Livingston County Mental Health Board as a financial officer, where she managed many finance and accounting responsibilities, including preparation of the budget and monthly financial statements, maintaining and reconciling the general ledger, and providing financial information to the Mental Health Board. Amy will be responsible for a variety of specialized duties related to the day-to-day accounting activities for the Fund.

### **Third Quarter**

- The IPOPIF board approved a search for active investment management of global or international small or SMID (small/mid) capitalization stocks.
- Nomination petitions for trustee candidates wishing to fill the unexpired participant representative term were submitted to IPOPIF by August 4, 2023. The required nomination review and challenge period was completed on August 17, 2023, without any challenges to the nomination process. Two candidates filed nomination papers which qualified them for the special trustee election. The candidates, who were certified at the September 15, 2023, board meeting, were Scott W. Bowers of the Peoria Police Department and Steve Witnik of the Franklin Park Police Department.
- During the September board meeting, the board adopted the tentative mission statement, a vision statement, core values, and organizational goals which will be adopted by the Board of Trustees at a future meeting. The Board of Trustees will also be reviewing objectives and action plans for the implementation of the organizational goals which will be developed by the Fund staff.
- A Request for Proposals (RFP) for active investment management of bank loans strategy was issued in mid-September. Board interviews with finalist candidates are planned for the January 2024 board meeting.
- The fund was down 2.4% in the third quarter, in line with the Policy Index, and +1.0% vs. the Broad Index (70% global stocks and 30% global bonds). Long-term interest rates rose during the quarter, closing the gap with short-term interest rates, indicating market expectations that rates will remain “higher for longer.” Higher rate expectations weighed on both stocks and bonds. Most asset classes posted negative returns, but positive returns in IPOPIF allocations to short-term and high-yield bonds mitigated the drawdown.
- Joseph Miller, information technologist, and Samantha Lambert, administrative analyst joined the IPOPIF team providing expertise in information technology, managing IT systems, and providing comprehensive administrative support to the Fund’s executive staff, respectively.

### **Fourth Quarter**

- Ballots for the election of the trustee to serve out the unexpired participant term were sent to 9,333 active members of the Article 3 police pension funds on October 3, 2023. The election date was October 31, 2023. A total of 2,021 ballots were returned for tabulation, which represented a 21.65% return rate. Scott W. Bowers received 73.7% of the vote. The election results were certified by the Board of Trustees at their December 15, 2023, meeting, and newly elected Trustee Bowers was immediately sworn in. Trustee Bowers will serve the remainder of this term of office which runs through December 2024.

- The Board of Trustees approved the strategic plan objectives that support the previously approved goals for IPOPIF at the October 13, 2023, meeting.
- IPOPIF held its second Regional Stakeholder Meeting in Bloomington-Normal on Tuesday, October 17, 2023, from 1-5 pm at the Bloomington-Normal Marriott Hotel.
- On October 24, the Illinois Supreme Court issued its oral argument schedule for the November term and set the case involving IPOPIF for argument on Tuesday, November 21, 2023. Attorneys expect the decision constitutionality of Public Act 101-0610 which is anticipated to be rendered during the first quarter of 2024.
- In a letter to the board dated Nov. 10, 2023, Verus, IPOPIF's institutional investing consultant, noted, "Risk assets experienced a tailwind through the first half of the year, as inflation has shown signs of easing, real earnings growth has moved back into positive territory, and the labor market remains resilient. While strong asset performance has boosted sentiment, continued risks threaten the rebound enjoyed through the first half of the year, including regional bank's fragility, commercial office real estate vacancy, and stubborn inflation. It is also important to remember that rising interest rates tend to impact the economy with a lag. We believe many effects of interest rate rises have yet to be felt and the economy and markets may feel some pain through the latter part of this year and into 2024."
- Following finalist presentations held at the December meeting, the Board of Trustees approved the hiring of three international small-cap equity manager hires. Included were investments of 2.5%, or roughly \$225 million, with core manager Acadian Asset Management and 1.25%, or \$112.5 million, each with growth manager WCM Investment Management and value manager LSV Asset Management The approximately \$450 million allocation is 1.5 times the entire assets of one of the largest Article 3 participating funds.

### **Looking Ahead**

As 2024 unfolds before us, the Board of Trustees and the IPOPIF staff remain committed to continuing to be transparent with stakeholders via ongoing, consistent communications via our website, newsletters, columns in publications read by municipal officials and police officers, regional stakeholder's meetings, news releases, media outreach, etc.

As noted in previous newsletters, key investment information is posted to the IPOPIF website and is reviewed and discussed at the IPOPIF Board meetings which are open to the public and available via Zoom. Check for meeting dates and times here. The link to the Zoom call is included in the meeting agendas which also are posted on our website.

If you have any questions, please feel free to reach out to us at [info@ipopif.org](mailto:info@ipopif.org).

Happy New Year!

## Links to Key Resources

- [Monthly statement overview](#)
- [Monthly financial reports](#)
- [Monthly and quarterly investment reports](#)
- [Meeting Calendar](#)