

ILLINOIS POLICE OFFICERS' PENSION INVESTMENT FUND APRIL NEWSLETTER

The Board of Trustees of the [Illinois Police Officers' Pension Investment Fund](#) (IPOPIF) had a very busy and productive meeting on April 14, 2023. The team at IPOPIF is seeing light at the end of the transfer process tunnel with Kent Custer, chief investment officer, reporting that 324 of the 357 local Article 3 participating pension funds (PPF) have fully transferred and reconciled pension assets valued at approximately \$9.1 billion to the IPOPIF consolidated fund. A total of four funds were still in the transfer process from 2022 but making progress. A May 1 asset transfer is scheduled for an additional four PPFs representing \$38 million.

The 15 local funds, representing approximately \$1.2 billion, are not yet scheduled to transfer due to ongoing legal proceedings. Ten funds have not transferred assets to IPOPIF.

Investment Update

CIO Custer also discussed key investment initiatives during the April 14 meeting. They included:

- Developing long-term asset allocation implementation plan. The investment team is now evaluating project planning, processes, tools, and exhibits to show path and progress.
- Revising the short-term asset allocation to begin shifting towards the approved long-term asset allocation. A new short-term asset allocation was approved during the April meeting.
- Seeking two additional investment officers to work from the Peoria office. The board approved the hires during the meeting. Experience in the private markets sector will be preferred.
- Evaluating small-cap equity and multi-asset class credit for a potential search recommendation. The staff is currently gathering information and planning the evaluation.
- Gathering information in preparation for potential private markets consultant search. There have been three informational meetings with additional sessions to be scheduled.

Asset Allocation Revision

In discussing the short-and long-term asset allocation changes, Custer noted that given the 2022 equity correction, up vs. down risk is now more balanced thereby supporting an allocation shift toward long-term targets.

The initial short-term allocation was established to accommodate the IPOPIF transition and the subsequent buildout of diversified strategies, including private market investments. Initial allocations to public equities were 8% underweight to long-term allocations, reflecting awareness of heightened valuation risk in late 2021 as IPOPIF prepared to begin the asset transition.

Given the market corrections experienced in recent months, Custer said he views the opportunity and risk for equities to be in better balance. The rationale for the tactical underweight has weakened and there is an increased risk of missing out on equity upside. The balancing allocation reductions would come from cash and Core Fixed income being reduced to long-term targets and a reduction from Short-term Gov/Credit.

Monthly Reports

Staff are continuing to develop the monthly participant fund reports. In March, staff incorporated feedback from local Article 3 participating pension funds and added details on unitization on the cover sheet. Expense summary information was added earlier in the year.

“[Monthly flash](#)” investment performance reports for January, February, and March 2023, as well as all of 2022, are posted on the IPOPIF website and the NRS portal. Northeast Retirement Systems (NRS), a subcontractor for State Street, IPOPIF's custodial bank, performs the unitization and creates the monthly reports. Additional functionality will be added to the NRS portal, allowing daily tracking and transaction verification.

A comprehensive performance review from our investment consultant, Verus, covering the fourth quarter can be found [here](#) with the detailed report on IPOPIF fund performance beginning on page 23.

As the report details, performance has been in line with the Policy Benchmark, which includes a weighted average of the asset class benchmarks and is used to evaluate the implementation of the asset allocation, reflecting the utilization of passive (index) investment managers. Relative to the Broad Benchmark, a 70/30 mix of global stocks and bonds and is used to evaluate the asset allocation, the 3.6% outperformance since 4/1/22 reflects IPOPIF's conservative short-term allocation, which is underweight to growth assets and served to mitigate performance volatility during the 2022 market correction.

The cash management platform (eCFM) is working well with access provided to 285 participant funds.

IPOPIF Open House

On April 13, the IPOPIF hosted an open house at our Peoria offices. Among guests were members of the Peoria City Council, who presented the IPOPIF team with a proclamation welcoming us to the city.



Among coverage of the evening were these articles published by WMBD, [Illinois Police Pension Investment Fund opens new office in Peoria](#) and [\\$10 billion pension fund announces headquarters in Downtown Peoria](#), and

Looking Ahead

As we look towards completing the transfer of assets from member Article 3 funds, the IPOPIF team will be looking towards expanding our outreach to our key stakeholders – the police officers serving and protecting all Illinois downstate and suburban municipalities and their beneficiaries as well as the local government officials who employ them.

In the second quarter, we hope to begin hosting webinars during which IPOPIF's investment staff and our outside investment consultants from Verus Advisory, will review quarterly investment reports, asset allocations, etc. and answer questions.

In the interim, as noted above, [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.

As always, if you have any questions and would like to speak with a member of the IPOPIF team, feel free to call us at 309-280-6464 or email us at info@ipopif.org.

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