

ILLINOIS POLICE OFFICERS' PENSION INVESTMENT FUND

OCTOBER-NOVEMBER NEWSLETTER

The Illinois Police Officers' Pension Investment Fund (IPOPIF) is currently in the midst of defining the organization's vision for the future and developing a strategic plan to achieve long-term goals. At its essence, a strategic plan documents the established goals of the organization and those actions necessary to achieve them. It includes mission and vision statements, values that guide the organizations, long-term goals, objectives, and performance measures. Separate action plans detail the steps needed to achieve the stated objectives.

During its September 15, 2023, meeting, the Board adopted a mission statement, a vision statement, core values and organizational goals as listed below. The Board of Trustees approved the strategic plan objectives that support the approved goals for the IPOPIF at the October 13, 2023, meeting. The objectives will be presented again at the December meeting, along with an anticipated timeline of how goals and objectives will be reached as well as the development of action plans for each objective.

Mission:

- Build and maintain the long-term stability of the investment fund to enable our partners to meet financial obligations and fund pension benefits for participants and beneficiaries.

Vision:

- To be a high performing and trusted provider of institutional investment services to our members, beneficiaries, employers, and taxpayers.

Core Values:

- Accountability: We will take reasonable steps to ensure that the financial condition of one participating police pension fund will have no negative effect on the financial condition of any other participating police pension fund.
- Stewardship: As fiduciaries we discharge our duties solely in the best interest of the participants and beneficiaries of the participating police pension funds and protect their financial assets.
- Excellence: We conduct ourselves with distinction to deliver high quality services.
- Trust: We act with integrity and honesty to provide clear, accurate and timely information fostering a culture of transparency.
- Respect: We treat everyone with civility, courtesy, and dignity to foster collaboration and cooperation.

Organizational Goals

- Investment Goal: Generate net returns that exceed the actuarial rate of return.
- Governance Goal: Ensure good governance by implementing best practices for accountability and transparency.
- Management Goal: Effectively and efficiently administer the fund to achieve desired results.

- Stakeholder Relations Goal: Maintain constructive communication and partnerships with employers, participating police pension funds, their participants, and beneficiaries.

Investment News

Now that we have completed the transition of the vast majority of assets -- primarily into passive mandates, our investment team is hard at work developing and implementing a robust investment program. Among recent highlights are:

- An experienced investment professional started as an investment officer in October. See the "Staff Spotlight" section to learn more.
- Our International Equity Small Cap search is nearing completion with a recommendation to the board expected during the December 15 meeting.
- 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 Board meeting.
- Working with our investment consultant Verus, staff will review IPOPIF's Investment Policy and asset allocation during the 4th quarter and will recommend changes in the 1st quarter of 2024.
- We continue implementation planning for investing in Private Markets and expect to present a plan to the board in March 2024.
- Rebalancing transfers to move toward the short-term asset allocation approved by the Board in April are being implemented gradually and are expected to be completed by the end of 2023. As of the end of October, all asset classes are within target allocation ranges.

Investment Reporting

Monthly investment reports through September 2023 for each of the 333 Article 3 Fund that have transferred [are posted on the IPOPIF website](#).

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. The downward pressure continued through October but reversed sharply in early November as recent comments from the Federal Reserve and signs of employment softening have resulted in interest rates pulling back from recent highs.

Regional Stakeholders Meeting

The second in a series of Regional Stakeholders Meetings On October 17, took place in Bloomington-Normal on October 17. IPOPIF Trustee Lee Catavu, a participant representative sergeant who serves with the Aurora Police Department, joined the attendees who included participants and beneficiaries of Article 3 participating police pension funds as well as representatives of the area municipalities that employ police officers.



Future Regional Stakeholders Meetings are scheduled for February 21, 2024 in Naperville, May 8, 2024 in Quincy, July 10, 2024 in Rock Island and October 23, 2024 in Rockford. Meeting times and location will be announced closer to the date of each meeting. Email info@ipopif.org for more information.

Board of Trustee Election

Trustee Shawn 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.

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 seat. The nomination period for candidates opened on June 26, 2023, and closed on August 4, 2023. Two candidates filed nomination papers which qualified them for the special election. The required nomination review and challenge period was completed on August 17, 2023, without any challenges to the nomination process. The candidates were:

- **Scott W. Bowers**, Peoria Police Department. Scott is a 23-year veteran of the Peoria Police Department and has served on his police pension board since 2012.
- **Steve Witnik**, Franklin Park Police Department. Steve is a sergeant who also serves as president of the police pension board.

The IPOPIF Board of Trustees appreciated the interest, commitment and participation by Sergeant Witnik and Officer Bowers in the special election process.

Election ballots were mailed 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.

The election results were that 2,019 valid ballots were counted, and 2 ballots were unexercised. There were zero invalid ballots. The election internal controls used by the election vendor were audited by Ryan, Hodgins & Associates, CPAs and no issues were discovered. The results of the election are:

- **Scott W. Bowers:** 1,488 ballots cast 73.7%
- **Steve Witnik:** 531 ballots cast 26.3%

The election results will be certified by Board of Trustees at their December 15, 2023, meeting and newly elected Trustee Bowers will be seated at the same meeting. Trustee Bowers will serve the remainder of this term of office which runs through December 2024.

Staff Spotlight

The investment team continues to grow under the leadership of Chief Investment Officer, Kent Custer. On Monday, October 23, Dean Hagan joined the fund as an investment officer, reporting to Kent. Dean's initial areas of concentration will be private markets and strategic analysis.

Dean most recently was an independent consultant for a registered investment advisory firm providing research and analysis on mutual funds and portfolio models. Previous to that Hagan served as director, University Investments, for the University of Illinois where he was responsible for oversight and monitoring of the University's \$2.7 billion externally managed investment pools. His primary focus centered on the \$625 million endowment pool strategy and asset class implementation. His broad asset class experience included public and private equity, hedge funds, and real estate. His previous positions with the University of Illinois include director of Investments and assistant director, Cash Management and Investments. He was with the University of Illinois for more than two decades joining the institution in 1996. Before the University of Illinois, Hagan was a portfolio manager at Banc One Investment Advisors and a financial analyst at Marine Investment Management Company.

In announcing that Dean had joined IPOPIF, Kent said, "Dean is a seasoned investment professional with more than 25 years of experience managing a multi-asset endowment portfolio consisting of traditional and alternative asset classes including private equity, hedge funds, real estate and farmland," Custer noted. "He has a proven investment performance track record including top quartile returns in peer universes. We are delighted he has decided to join our team of investment professionals at IPOPIF."

Dean noted that he's "excited to be joining the top-notch team at the Illinois Police Officers' Pension Investment Fund as it begins expanding the asset classes and strategies in which it invests. It's truly a unique opportunity to join a large pension fund as it moves from transitioning assets to exploring new investment vehicles."

Litigation Update

On October 24, the Illinois Supreme Court issued its oral argument schedule for the November term and set the case involving the Illinois Police Officers' Pension Investment Fund for argument on Tuesday, November 21, 2023. Oral arguments begin at 9:00 am. The case is the third and last case on the call.

Per the Clerk of the Court: "Guests are welcome to observe oral arguments in person or via live stream at Supreme Court Docket & Briefs | Illinois Courts by clicking on the hyperlink next to the case title on the Court's website. These hyperlinks are usually available a few days prior to oral arguments."

Looking Ahead

As we begin to look towards the end of 2023 and the start of a new year, IPOPIF continues to work on the design and implementation of a world-class investment program always mindful that thousands of police officers and their families across the state are relying on us to ensure they have the retirement benefits they have earned.

We are delighted when officers and members of the public attend our IPOPIF Board and Committee meetings. Please reference the [Calendar tab](#) under "Meetings" header to review upcoming meeting information. The link to the Zoom call is included in the [meeting agendas](#) which also are posted on our website.

The IPOPIF team will be sending communications, in advance of the Article 3 Fund's January quarterly meetings, to the Authorized Agents of approximately 100 of the Article 3 funds with a request for updating contact information for the fund and pension board members. Please look for this communication in your email inbox.

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

Links to Key Resources

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