

AUGUST 2022 NEWSLETTER

Welcome to the August issue of the [Illinois Police Officers' Pension Investments Fund's](#) (IPOPIF) newsletter. Our hope is that this newsletter provides our readers with timely information and updates on the key milestones the IPOPIF has reached and activities underway that are important to them. We welcome any suggestions for topics our readers would like to see covered. If you have a suggestion or comment, please email us at newsletter@ipopif.org.

Transfer of Assets from Local Article 3 Funds Continues

As of June 30, 2022, 120 local Article 3 pension funds have transferred \$3 billion in assets to the IPOPIF consolidated fund. As mentioned in our previous newsletter, while enforcement of Public Act 101-0610 as to plaintiffs in the case was stayed, Article 3 local police pension funds may still voluntarily comply with the statute as the case continues.

As we also noted in our last newsletter, based on calls from Article 3 local funds interested in completing the transfer process, on June 29, 2022, a [memorandum](#) with reassigned transfer dates of August 1, September 1, October 3, or November 1, 2022, was sent to the 220 Illinois Article 3 police pension funds that were not among the plaintiffs, but had delayed the transfer of investment assets to IPOPIF. In that memo, we made it clear that in order to comply with the consolidation statute and, importantly, to minimize transition costs and risks, postponement of the transfer dates is not feasible and further reassignments of dates will not be considered.

The memo also made clear to the funds that had delayed their transfer of assets that they each were required to provide the IPOPIF with the name and contact information for their Authorized Agents and that investment data feeds needed to be established at least one month prior to the assigned transfer date.

Numerous previous communications sent to all plans detailed the transfer process and requirements. A summary "Road Map" of the process may be found [here](#). The IPOPIF [website](#) also has detailed information about the IPOPIF as well as a [communications page](#) where Article 3 fund officials can access helpful documents, such as [Frequently Asked Questions – Transfer of Assets](#), [Exhibit A](#) and [Exhibit B](#) (for download), the required exhibits for the transfer of assets, and a memorandum on [cash management procedures](#).

As we continue with the asset transfers, we thought it would be helpful to provide an overview of what we need from the Article 3 funds set to transfer their assets in September and October.

September 1, 2022 Transfer Date

The Article 3 pension funds participating in the September 1 tranche retain the sole fiduciary and statutory responsibility for the management of its pension assets until the start of business on the transfer date of September 1, 2022. At the start of business on the transfer date, statutory and fiduciary responsibility for the investment of pension fund assets identified on the Certified Investment Asset List shifts exclusively to IPOPIF. Once the funds are under our purview, the IPOPIF shall promptly and prudently invest all such pension fund assets. IPOPIF will provide a receipt for the transfer to the consolidated pension fund within 30 days of the transfer date.

Local pension funds will continue to have sole fiduciary and statutory responsibility for the management of any assets included on the Non-Transferable Asset List until such time as IPOPIF determines a prudent method for transferring such assets to the IPOPIF

October 3, 2022, Transfer Date

The Article 3 funds assigned to this tranche will receive the notice of the Certified Public Accountants (CPAs) that have been assigned to each pension fund in the upcoming weeks. The notice details the next steps in the preparation of the transition of assets process, including the preparation of the Certified Investment Asset Lists (CIAL).

Actuarial Valuation Report Update

As we outlined in our last newsletter, Foster & Foster was retained as the Fund's actuary in December 2021. The preparation of an annual actuarial statement for each of the Article 3 police pension funds at their respective fund's fiscal year end is a requirement of the Illinois Pension Code. In accordance with the new consolidation statute, it is anticipated that the IPOPIF will assume this responsibility for the Article 3 funds for the Fiscal Year 2022. Illinois Department of Insurance (IDOI) previously has been responsible for the completion of these reports. It is important to note that the reporting requirements for the Article 3 funds to the IDOI remain the same and the information used to prepare the actuarial valuation reports will be obtained by the IPOPIF through the IDOI.

The reports prepared by the IDOI were limited in scope based on restraints with the system used. Foster & Foster will expand the 3-page IDOI report into a more robust document. One key component of the new report is that it is Actuarial Standards of Practice (ASOP) compliant and reflects laws and regulations issued to date pursuant to the provisions of Article 3, Illinois Pension Code, as well as applicable federal laws and regulations. In our opinion, the assumptions used in this valuation, as adopted by the IPOPIF board, represent reasonable expectations of anticipated plan experience. The report will not contain GASB 67/68 results, and the preparation of these reports remain under the jurisdiction of the Article 3 fund.

After the transition, IPOPIF's actuary sets the "floor" for the municipalities' municipal contribution amount. It is important to note that the IPOPIF actuarial valuation report will provide each Article 3 fund with the 'statutorily required minimum contribution' funding requirement based on the current pension code provisions.

IPOPIF Investment Program

The IPOPIF Board adopted our [Investment Policy Statement](#) on December 17, 2021. This "Investment Policy Statement" (IPS or Policy) provides objectives, guidelines, procedures, and performance standards for the investment of the assets of the Fund. The Policy represents the formal document governing the investment of the Fund's assets.

As noted in the statement, our investment objectives are:

1. To ensure the assets of the Fund are invested with the care, skill, prudence, and diligence that a prudent person acting in a like capacity would undertake.
2. To earn a long-term, net-of-fees, investment return that meets or exceeds the actuarial assumed rate of return and the return of the Policy Benchmark consistent with the risk level expected from the asset allocation.
3. To ensure the assets of the Fund are invested in a manner that minimizes and controls the costs incurred in administering and managing the assets.

As of July 5, 2022, the assets in the IPOPIF consolidated fund have been allocated to portfolios managed by RhumbLine Advisors and State Street Global Advisors. For those interested in additional details, a complete investment update is available [here](#).

IPOPIF participant monthly reports for June 2022 are still being finalized as of this writing and we anticipate these reports being available in the very near future. All other questions can be directed to info@ipopif.org or 331-472-1080.

Board of Trustees Election Process

As provided for in the statute, the Board of Trustees administers the election for the permanent trustees. (40 ILCS 5/22B-116). The initial election for the permanent Board of Trustees was conducted in 2020 and the trustees were seated as of January 8, 2021. The statute also provides that the terms of office for the elected trustees shall be four-year terms of office. The initial election of trustees provided for certain trustees to serve two-years terms of office which will line up the terms of office to accommodate a two-year election cycle whereby a portion of the trustees will face election for four-year terms of office. The upcoming election is the first in what will be a regular two-year election cycle for the IPOPIF Board of Trustees.

If you are interested in running for one of the open seats or wish to know more about the election, please refer to the [Trustee Election page](#) on our website for additional information.

IPOPIF August Board of Trustee Meeting

The next scheduled meeting of the IPOPIF Board of Trustees is scheduled for Friday, August 12, 2022. The meeting will be conducted remotely via the Zoom platform. For information about the remote meeting and the agenda, please refer to the [meetings page on our website](#). There is a portion of the meeting dedicated to opening the floor to comments from interested parties.

Looking Ahead

With 220 Article 3 funds set to transfer their assets during the next five months, there is much to be accomplished. Along with the top-notch investment, accounting and other financial services professionals we have engaged to assist with the transfer process, the IPOPIF team will continue working with Article 3 funds from across the state on ensuring the timely and efficient transfer of their assets to the IPOPIF.

As has been the case, members of our team will remain in contact with the leadership of the local Article 3 funds via phone, email and in person answering their questions and providing them with information about our statutory mandate and the transfer of assets process.

As we move ahead, never doubt our commitment to the mission of providing a dignified retirement for participants and their beneficiaries. Always keeping them in mind, we continually strive to achieve the best risk-adjusted returns possible through the prudent investment of contributions and investment income.

If you have any questions and would like to speak with a member of the IPOPIF team, feel free to call us at 331-472-1080 or email our executive director, Richard White, at rwhite@ipopif.org.