November-December Newsletter

WTTW INVESTIGATIVE REPORT OF POLICE AND FIRE PENSION FUND CONSOLIDATIONS CONCLUDES IT "HELPS EASE BURDEN FOR ILLINOIS TAXPAYERS"

On December 10, 2025, WTTW, the public broadcast station in Chicago, published an investigative article headlined, *From Skepticism to Savings: Suburban Pension Consolidation Helps Ease Burden for Illinois Taxpayers*. Signed by Gov. JB Pritzker in 2019, the Illinois Pension Code (40 ILCS 5/22B-125) was enacted as a mechanism to "increase investing options for local police and fire departments outside Chicago, to decrease the cost of investment advising, and to strengthen pension security."

The article noted that:

- "The sweeping overhaul of Illinois police and firefighter pensions — once mired in lawsuits and distrust — is starting to show some positive returns."
- "Records obtained by WTTW News reveal consolidation efforts are boosting funding and easing the financial strain on communities long burdened by rising pension costs."
- "It isn't a cure-all for local taxpayers, but it's helping keep local public safety funds afloat. Reports show decreased operating costs, and funding around the state has improved for local pensions."
- "Police pensions were more than 63% funded in aggregate, improving about 8% over a similar time period, records show."
- "The returns for the fire and police funds were above the established benchmark for each fund in the past fiscal year, records show."
- "The communities most affected by increasing costs are those with fewer resources. Improved funding becomes possible when new options with higher returns are made available to pensions previously excluded from such investments."

- “One important way for the new law to reduce costs was by centralizing the financial advice and fee structure for each retirement fund. Local police and fire boards previously hired outside financial professionals to guide investment decisions and issue reports.”

Richard White, executive director of IPOPIF, completed a written Q&A with the reporter who pointed out in his article that, “Pooling assets cut costs through better negotiating power and economies of scale, and will benefit the individual funds, according to Richard White, executive director of the police investment fund.”

Please click on the link above to read the entire article and to view its accompanying charts.

Investment Updates

Performance

Momentum from the strong third quarter extended into the fourth quarter, but is waning a bit. The IPOPIF portfolio added 1.5% in October and 0.5% in November, bringing fiscal year 2026 returns (since July) to 7.3% and the 2025 return to 16.6%. International markets are leading in 2025, especially emerging markets (EM), with EM stocks up 34% and EM Debt up 14%.

U.S. Active High-Yield Bond Manager Search

During the December 12 Board meeting, Trustees heard presentations from asset management firms MetLife, Payden & Rygel, and Shenkman. MetLife was chosen and will handle a 2% allocation, or roughly $292 million. The SSgA High Yield Index Fund interim allocation will be reduced from 4% to 2%, serving as the primary source of funding.

Private Equity Search

A private equity search is underway with solid participation from potential managers. Board finalist interviews are scheduled for the January 16, 2026, meeting with selection set for the March 20, 2026, meeting.

General Investment Consultant Search

Progress continues on the general investment consultant search. The Illinois Pension Code requires a consultant search at least every five years. The current RFP search was initiated in June. At the December meeting, the Board selected incumbent Verus and NEPC as finalists to be interviewed at the January 2026 Board meeting. The contract will begin in May 2026. Other semifinalist firms were Callan and Meketa Investment Group. Chief Investment Officer Custer noted that all semifinalist firms fielded strong proposals.

Real Assets and Real Estate Planning and Education

IPOPIF's alternatives investment consultant, Albourne, completed its private markets strategic planning with a presentation focused on Real Estate and Real Assets. Albourne recommended releasing real assets, real estate, and private credit manager searches in 2026. They include:

- Private infrastructure search request, which is anticipated for the January 16, 2026, Board meeting.

- Private real estate search request, which is currently scheduled for the second quarter of 2026.
- Private credit search request, which is anticipated for the third quarter of 2026.

All searches are subject to Board review and approval. Albourne also recommended that real assets and real estate be split up into two separate asset classes, and these initial investments would establish and anchor these two asset classes.

Annual Comprehensive Financial Report

During the December meeting, the Board of Trustees approved the annual comprehensive financial report (ACFR) as of and for the Fiscal Year ended June 30, 2025. In accordance with the Pension Code (40 ILCS 5/22B-125), at least annually, the books, records, accounts, and securities of the IPOPIF are audited by a certified public accountant selected by the board and conducted in accordance with the rules and procedures promulgated by the Governmental Accounting Standards Board. The audit opinion is published as a part of the annual report of IPOPIF, which shall be submitted to the Article 3 local police pension funds and to the Illinois Department of Insurance. Sikich CPA LLC was engaged to perform the audit of the Fund's financial statements as of and for the year ended June 30, 2025.

Agreed Upon Procedures of Article 3 Funds Update

Tranche 1 and 2 final reports of the Agreed Upon Procedures of Article 3 local police pension funds from the independent certified public accounting firms were sent to the Illinois Department of Insurance on February 15, 2026, and August 15, 2025, respectively. Key findings included:

- 92 funds provided information. Four funds did not.
- 14 funds had a perfect report without any findings.
- One fund was paying annual pension benefit $21,523.32, which should have been $42,898.92.
- 60% of the funds do not have enough cash to cover operating expenses.
- Six funds purchased new or reinvested investments that matured after the transfer date.
- 32% of the funds miscalculated the pension payroll deductions or did not post to the correct account.

Tranche 3 (40 Article 3 funds) final reports are underway with an expected February 27, 2026, completion date. Communication letters are due January 20, 2026, for the Tranche 4 (105 Article 3 funds) final reports.

On the Road

Executive Director White presented a Consolidation Update to the Fall Pension Seminar of the Illinois Professional Firefighters Association on November 7. He also presented to the Pekin City Council on Monday, December 8, 2025. Topics he covered included the purpose and objectives for the consolidation of the Article 3 participating pension fund assets, the statutory authority, and the responsibilities of the Fund to ensure that all participating pension funds are treated

equitably. Director White reviewed the asset allocation of the investment trust fund and the performance of the fund since its inception.

The Mayor and City Council expressed their appreciation for Executive White attending the meeting and for the presentation.

IPOPIF Blotter

If you have photos you'd like to see posted on the IPOPIF Blue Line Mugshot page, we are always on the lookout for photos from members of the 352 Article 3 pension plans that are a part of IPOPIF to add. Please send photos in JPEG format to info@ipopif.org.

Roll Call

Monthly investment reports through November 2025 for each of the Article 3 funds are posted to the IPOPIF website here. IPOPIF monthly investment reports are available here.

As the consolidated asset pool that exists for the exclusive purpose of protecting and investing the assets of the pension funds covering police officers serving and protecting all downstate and suburban Illinois municipalities, we want our participants and their beneficiaries to know that they should always feel free to reach out to us at info@ipopif.org.

As noted in previous newsletters and above, key investment information is posted to the IPOPIF website and is reviewed and discussed at the IPOPIF Board meetings. The next Board of Trustees meeting is Friday, January 16, 2025, at 10 am at the Twin Towers Building in Peoria.

Interested individuals may attend the meeting in person or via Zoom. The link to the Zoom call is included in the meeting agendas, which are also posted on our website. The 2026 Board of Trustees and Board of Trustees Committee meeting dates and times are posted here.

Links to Key Resources

- Monthly statement overview
- Monthly financial reports
- Monthly and quarterly investment reports
- Meeting Calendar