

ILLINOIS POLICE OFFICERS' PENSION INVESTMENT FUND
BOARD ADMINISTRATIVE RULE

RULE NUMBER: AR -2022-01
SUBJECT: VALUATION AND COST RULE
EFFECTIVE DATE: January 28, 2022
AMENDED: September 9, 2022

INDEX

- Section A. Definitions
 - Section B. Calculation of Net Asset Value
 - Section C. Allocation of Income, Costs, and IFA Loan Repayment
-

Section A. Definitions

- 1) "Net Asset Value" or "NAV" is the value of each Pension Fund's assets minus the value of each Pension Fund's share of IPOPIF liabilities.
- 2) "Board" means the IPOPIF Board of Trustees.
- 3) "Costs" means all IPOPIF expenses, except investment management fees.
- 4) "Custodian" means the custodial bank holding all IPOPIF investment assets.
- 5) "Extraordinary Costs" means those Costs that IPOPIF incurs in connection with the transfer of assets of Late-Transferring Participating Police Pension Funds that IPOPIF would not have incurred if the Late-Transferring Participating Police Pension Funds had transferred assets during the Transition Period.
- 6) "IFA Loan" means the loan agreement entered into between IPOPIF and the Illinois Finance Authority (IFA).
- 7) "IPOPIF" means the Illinois Police Officers' Pension Investment Fund.
- 8) "Late-Transferring Participating Police Pension Fund" means a Participating Police Pension Fund that does not transfer assets during the Transition Period.
- 9) "Participating Police Pension Fund" means a pension fund established pursuant to Article 3 of the Illinois Pension Code.
- 10) "Pension Fund Account" means the specific custody account established by the Custodian and assigned to each Participating Police Pension Fund.

- 11) "Transition Period" means the period ending on December 31, 2022, or such later date as may be established by law or by the Board.

Section B. Calculation of Net Asset Value

- 1) The Custodian shall calculate the Net Asset Value for each Participating Police Pension Fund on a daily basis.
- 2) The initial NAV for each Participating Police Pension Fund will be determined based on the Custodian's valuation of the assets transferred from the Participating Police Pension Fund to IPOPIF on the Transfer Date, as defined in AR-2021-02.
- 3) Each Participating Police Pension Fund's NAV will include:
 - a) Cash and securities held in the Pension Fund Account;
 - b) Percentage ownership or units of IPOPIF investment pool(s);
 - c) After the Transition Period, NAV will also include:
 - (i) The percentage share of the outstanding balance of the IFA Loan, if any, calculated as the custodied assets of the Participating Police Pension Fund (the sum of amounts (a) and (b) above) divided by the total custodied assets of all Participating Police Pension Funds; and
 - (ii) A receivable representing the estimated pro-rata portion of the liability for the outstanding balance of the IFA Loan in Subsection (i), above, attributable to Late-Transferring Participating Police Pension Funds that have not yet transferred based upon asset data compiled by the Illinois Department of Insurance. The receivable and applicable share of the IFA Loan repayment will be re-calculated and made equitable in a timely manner as remaining Late-Transferring Participating Police Pension Funds transfer assets; and
 - (iii) A receivable representing a pro-rata portion of Costs paid with custodied assets attributable to Late-Transferring Participating Police Pension Funds that have not yet transferred based upon asset data compiled by the Illinois Department of Insurance. The receivable and applicable share of the payment of Costs will be re-calculated and made equitable in a timely manner as remaining Late-Transferring Participating Police Pension Funds transfer assets; and
 - (iv) A receivable representing interest on the pro-rata portion of IFA Loan repayments and Costs as described in Subsections (ii) and (iii), above, attributable to Late-Transferring Participating Police Pension Funds that have not yet transferred based upon asset data compiled by the Illinois Department of Insurance. Interest shall accrue at IPOPIF's actual rate of return, calculated monthly and reduced to a daily rate for each month, starting the day after the conclusion of the Transition Period until the day assets are transferred to IPOPIF. If investment return is negative for the time period described in the preceding

sentence a credit will be given for that time period that reduces their portion of such liabilities (to no less than \$0). The receivable shall be credited on a pro-rata basis to Participating Police Pension Funds and Late-Transferring Participating Police Pension Funds that have previously transferred assets; and

- (v) A receivable representing Extraordinary Costs, if any, attributable to each Late-Transferring Participating Police Pension Fund to be credited on a pro-rata basis to Participating Police Pension Funds and Late-Transferring Participating Police Pension Funds that have previously transferred assets.

Section C. Allocation of Income, Costs, and IFA Loan Repayment

- 1) Income, Costs, and IFA Loan repayment will be allocated based on each Participating Police Pension Fund's percentage share of the total NAV of all Participating Police Pension Funds as of the end of the day prior to the income, Cost, or IFA Loan repayment transaction.
- 2) Costs will be paid first with funds obtained from drawdowns on the IFA Loan and, if necessary, thereafter using funds from the total consolidated IPOPIF investment portfolio.
- 3) Repayment of the IFA Loan and the payment of Costs will be allocated to each Participating Police Pension Fund, including Late-Transferring Participating Police Pension Funds, in a manner consistent with Section B of this Rule.
- 4) Investment management fees incurred before and after the Transition Period will be allocated in a manner consistent with Section B of this Rule on a pro rata basis only for the time that Participating Police Pension Fund assets were invested by IPOPIF.
- 5) Extraordinary Costs shall be equitably allocated to the Late Transferring Pension Funds as determined by IPOPIF.

Version History

1/28/22	Original
2/17/22	Amendment
9/9/22	Amendment