

ILLINOIS POLICE OFFICERS' PENSION INVESTMENT FUND

BOARD ADMINISTRATIVE RULE

RULE NUMBER: AR -2022-01
SUBJECT: VALUATION AND COST RULE
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Section A. Definitions

- 1) "Net Asset Value" or "NAV" is the value of each Participating Police Pension Fund's assets.
- 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) "Final Transfer" means the final transfer of investment assets from a Participating Police Pension Fund on or about October 1, 2024, but no later than December 31, 2024.
- 7) "Final Transfer Allocation" shall be the value of each Participating Police Pension Fund's assets as calculated on December 31, 2024.
- 8) "IFA Loan" means the loan agreement entered into between IPOPIF and the Illinois Finance Authority (IFA).
- 9) "IPOPIF" means the Illinois Police Officers' Pension Investment Fund.

- 10) "Late-Transferring Participating Police Pension Fund" means a Participating Police Pension Fund that does not transfer assets during the Transition Period.
- 11) "Participating Police Pension Fund" means a pension fund established pursuant to Article 3 of the Illinois Pension Code.
- 12) "Pension Fund Account" means the specific custody account established by the Custodian and assigned to each Participating Police Pension Fund.
- 13) "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.

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.

After transfer of investment assets, and initial NAV determination, 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) The Final Transfer Allocation described below.
- 2) Subsequent to the Final Transfer, IPOPIF will determine the Final Transfer Allocation for each Participating Police Pension Fund, which shall include each of the following:
 - a) A pro-rata allocation based on the balance of the sum of amounts under Subsections 1(a) and 1(b) above for each Participating Police Pension Fund as of December 31, 2024, divided by the sum of total amounts under Subsections 1(a) and 1(b) above of all Participating Police Pension Funds as of December 31, 2024. This allocation will be applied to:
 - (i) The IFA Loan payment made on January 3, 2023,
 - (ii) The IFA Loan payment made on April 3, 2023.
 - (iii) Costs paid using funds from the total consolidated IPOPIF investment portfolio for the period January 1, 2023, through December 31, 2024.

- b) For each Participating Police Pension Fund whose allocation under Subsection 2a) above is greater than the amounts paid by such Participating Police Pension Fund as of December 31, 2024, such amount shall be deemed a shortfall due and owing to IPOPIF. The shortfall shall be charged to such Participating Police Pension Fund as soon as reasonably practical after January 1, 2025, and allocated pro-rata to each Participating Police Pension Fund whose allocation under Subsection 2a) above is less than the amounts paid prior to December 31, 2024, which shall be deemed a reimbursement due and owing to such Participating Police Pension Fund.
- c) The shortfall due and owing to IPOPIF under Subsection 2b) shall accrue interest 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 through December 31, 2024. 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 shortfall (to no less than \$0). The interest allocation shall be credited on a pro-rata basis to Participating Police Pension Funds with a reimbursement due and owing under Subsection 2b) above. Such interest expense shall be charged to each Participating Police Pension Fund with a shortfall and credited to each Participating Police Pension Fund with a reimbursement due as soon as reasonably practical after January 1, 2025.
- d) Extraordinary Costs, if any, attributable to each Late-Transferring Participating Police Pension Fund shall be (i) equitably allocated to each Late Transferring Participating Police Pension Fund as determined by IPOPIF; and (ii) credited on a pro-rata basis to Participating Police Pension Funds that transferred assets prior to the Final Transfer and paid such Extraordinary Costs.

Section C. Allocation of Income, Costs, IFA Loan Repayment, Investment Management Fees, and Transfers After the Final Transfer

- 1) Income 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 transaction.
- 2) Costs will be paid first with funds obtained from drawdowns on the IFA Loan and thereafter using funds from the total consolidated IPOPIF investment portfolio.
- 3) Prior to the Final Transfer, 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 Cost or IFA Loan repayment transaction. After the Final Transfer, Costs and IFA Loan repayment 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) After the Final Transfer, IPOPIF reserves the right to evaluate future asset transfers and contributions from Participating Police Pension Funds and to equitably allocate Costs and Extraordinary Expenses in a manner consistent with Section B of this Rule.

Version History

1/28/22	Original
2/17/22	Amendment
9/9/22	Amendment
9/13/24	Revised