

ILLINOIS POLICE OFFICERS' PENSION INVESTMENT FUND
BOARD ADMINISTRATIVE RULE

RULE NUMBER: AR -2022-01
SUBJECT: VALUATION AND COST RULE
EFFECTIVE DATE: January 28, 2022
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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) "Custodian" means the custodial bank holding all IPOPIF Investment Assets.
- 3) "IFA Loan" means the loan agreement entered into between IPOPIF and the Illinois Finance Authority (IFA).
- 4) "Participating Police Pension Fund" means a pension fund established pursuant to Article 3 of the Illinois Pension Code.
- 5) "Pension Fund Account" means the specific custody account established by the Custodian and assigned to each Participating Police Pension Fund.
- 6) "Transition Costs" means all IPOPIF operating expenses, except investment management fees, incurred prior to the conclusion of the transfer of substantially all Participating Police Pension Fund assets to the IPOPIF, as determined by the Board of Trustees.
- 7) "Statutory Transition Period" means the period ending on June 30, 2022, or such later date as may be established by law.

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 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 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 substantially all Participating Pension Fund assets have been transferred to IPOPIF, as determined by the Board of Trustees, NAV will include the percentage share of the outstanding balance of the IFA Loan, calculated as the custodied assets of the Participating Police Pension Fund (the sum of amounts 1 and 2 above) divided by the total custodied assets of all Participating Police Pension Funds.
- 4) Income, expenses, Transition 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 or expense transaction.

Section C. Transition Costs

- 1) Transition Costs incurred prior to the conclusion of the Statutory Transition Period 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.
- 2) After the conclusion of the Statutory Transition Period, the total amount of the loan outstanding with the IFA, and any Transition Costs not paid with funds from the IFA Loan, will be paid using funds from the total consolidated IPOPIF investment portfolio, and such payments will be allocated to each Participating Police Pension Fund in a manner consistent with Section B of this Rule.
- 3) Investment management fees incurred before and after the conclusion of the Statutory 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 Pension Fund assets were invested by IPOPIF.

Section D. Transfers after the Statutory Transition Period

In the event a Participating Police Pension Fund transfers assets after the conclusion of the Statutory Transition Period, IFA Loan repayment and Transition Costs will be equitably allocated as if that Participating Police Pension Fund had transferred assets as of the last day of the Transition Period, in a manner consistent with Section B of this Rule. IPOPIF will estimate and

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accrue the amounts due, which will be reconciled and made equitable after substantially all Participating Pension Fund assets have been transferred to IPOPIF, as determined by the Board of Trustees.