



**Illinois Police Officers'
PENSION INVESTMENT FUND**

OCTOBER 16, 2023

**REQUEST FOR PROPOSALS
FOR
INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRMS**

**TO CONDUCT AGREED UPON PROCEDURES OF POLICE PENSION FUNDS
ESTABLISHED UNDER ARTICLE 3 OF THE ILLINOIS PENSION CODE**



1. INTRODUCTION

The Illinois Police Officers' Pension Investment Fund ("IPOPIF") hereby issues a request for proposals ("RFP") from qualified independent certified public accountants ("CPA's") that shall perform agreed upon procedures on local Police Pension Funds established under Article 3 of the Illinois Pension Code ("Article 3 Funds") in accordance with Section 1A-104 of the Illinois Pension Code, 40 ILCS 5/1-101, *et seq.* ("Pension Code"). The schedule of each agreed upon procedures engagement shall be such that each Article 3 Fund shall be examined once every 3 years. Procedures to be provided under this RFP shall be for time periods within the calendar years of 2023 to 2026. It is anticipated that the RFP process will be repeated at the end of each three-year cycle.

Public Act 101-0610 provided for the mandatory consolidation of the investment assets of the state's 357 Article 3 Funds into the IPOPIF, resulting in one statewide investment asset pool with approximately \$9.4 billion in assets as of June 30, 2023. IPOPIF's Board of Trustees (the "Board") of IPOPIF confirmed the conclusion of the transition period of investment assets at December 31, 2022.

Prior to the transfer of the investment assets of each Article 3 Fund to IPOPIF, the Illinois Department of Insurance ("IDOI") had the sole responsibility for completing these procedures which were referred to as examinations and investigations. Subsequent to December 31, 2022, IDOI and IPOPIF will coordinate to ensure that each Article 3 Fund is audited every three years by contracting with independent CPA Firms to complete this work.

IPOPIF is conducting this RFP in accordance with applicable provisions of the Pension Code, IPOPIF's Purchasing Policy, and IPOPIF's Ethics Policy, which policies are subject to change and are available on the Fund's website at: <https://www.ipopif.org/governing-documents/policies/>. Respondents shall at all times comply with the Pension Code, IPOPIF's Purchasing Policy, Ethics Policy, and all requirements stated within this RFP.

Respondents to this RFP are responsible for monitoring IPOPIF's website for information pertaining to the RFP, while the RFP is outstanding.

2. ABOUT IPOPIF

Public Act 101-610, which became effective on December 18, 2019, created IPOPIF for the purpose of managing the investments of 357 Article 3 Funds across Illinois. The law stipulates those assets and liabilities of local pension funds will remain under the ownership of each local pension board and that the pension fund assets are combined for investment purposes only, which are managed by IPOPIF. The consolidation of the investment assets of the 357 Article 3 Funds into one statewide investment asset pool has summed to a current portfolio of approximately \$9.4 billion in assets. These Article 3 Funds range in invested asset size from approximately \$1 million to approximately \$300 million.

IPOPIF is governed by the Pension Code, including in particular Articles 1, 1A, and 22B. The Article 3 Funds are governed by the Pension Code, including in particular Articles 1, 1A, and 3.

IPOPIF is governed by an independent and autonomous nine-member Board of Trustees. Members of the Board of Trustees are Chairperson Philip Suess, Vice Chairperson Paul Swanlund, Secretary Lee Catavu, Treasurer Mark Poulos, Brad Cole, Elizabeth Holleb, Daniel Hopkins, Michael Inman, and one vacant position.

More information about IPOPIF can be found at www.ipopif.org

3. SCOPE OF SERVICES

Periodic examinations and investigations consisting of agreed upon procedures of Article 3 Funds are required by Section 1A-104 of the Pension Code. The schedule of each examination shall be such that each Article 3 Fund shall be examined once every three years. This RFP seeks services for the first three-year cycle of calendar years 2023 to 2026. It is expected that several Independent CPA firms that are qualified to perform these services during the first three-year cycle will be selected. IPOPIF may coordinate with IDOI to select and schedule the procedures to be completed in each calendar quarter during the three-year cycle. Each agreed upon procedures engagement is estimated to require 20 to 25 hours to complete, although this is an estimate based on information provided by IDOI and could vary depending on the individual engagement. It is anticipated that each selected vendor will be awarded a minimum of 50 agreed upon procedures engagements.

Section 1A-104 of the Pension Code establishes the following requirements for the examinations and investigations, which will be performed as agreed upon procedures engagements:

40 ILCS 5/1A-104

Sec. 1A-104. Examinations and investigations.

(a) Except as described in the following paragraph with respect to pension funds established under Article 3 of this Code, the Public Pension Division of the Illinois Department of Insurance (the Division) shall make periodic examinations and investigations of all pension funds established under this Code and maintained for the benefit of employees and officers of governmental units in the State of Illinois. However, in lieu of making an examination and investigation, the Division may accept and rely upon a report of audit or examination of any pension fund made by an independent certified public accountant pursuant to the provisions of the Article of this Code governing the pension fund. The acceptance of the report of audit or examination does not bar the Division from making a further audit, examination, and investigation if deemed necessary by the Division.

For pension funds established under Article 3 of this Code: (i) prior to the conclusion of the transition period, the Division shall make the periodic examinations and investigations described in the preceding paragraph; and (ii) after the conclusion of the transition period, the Division may accept and rely upon a report of audit or examination of such pension fund made by an independent certified public accountant retained by the Consolidated Fund (Illinois Police Officers' Pension Investment Fund). The acceptance of the report of audit or examination does not bar the Division from making a further audit, examination, and investigation if deemed necessary by the Division.

The Illinois Department of Insurance (the Department) may implement a flexible system of examinations under which it directs resources as it deems necessary or appropriate. In consultation with the pension fund being examined, the Division may retain attorneys, independent actuaries, independent certified public accountants, and other professionals and specialists as examiners, the cost of which (except in the case of pension funds established under Article 3) shall be borne by the pension fund that is the subject of the examination.

(b) The Division or the Consolidated Fund (Illinois Police Officers' Pension Investment Fund), as appropriate, shall examine or investigate each pension fund established under Article 3 of this Code. The schedule of each examination shall be such that each fund shall be examined once every 3 years.

Each examination shall include the following:

- (1) an audit of financial transactions, investment policies, and procedures;
- (2) an examination of books, records, documents, files and other pertinent memoranda relating to financial, statistical, and administrative operations;
- (3) a review of policies and procedures maintained for the administration and operation of the pension fund;
- (4) a determination of whether or not full effect is being given to the statutory provisions governing the operation of the pension fund;
- (5) a determination of whether or not the administrative policies in force are in accord with the purposes of the statutory provisions and effectively protect and preserve the rights and equities of the participants;
- (6) a determination of whether or not proper financial and statistical records have been established and adequate documentary evidence is recorded and maintained in support of the several types of annuity and benefit payments being made; and
- (7) a determination of whether or not the calculations made by the fund for the payment of all annuities and benefits are accurate.

In addition, the Division or the Consolidated Fund (Illinois Police Officers' Pension Investment Fund), as appropriate, may conduct investigations, which shall be identified as such and which may include one or more of the items listed in this subsection.

A copy of the report of examination or investigation as prepared by the Division or the Consolidated Fund (Illinois Police Officers' Pension Investment Fund), as appropriate, shall be submitted to the secretary of the board of trustees of the pension fund examined or investigated and to the chief executive officer of the municipality. The Director, upon request, shall grant a hearing to the officers or trustees of the pension fund and to the officers or trustees of the Consolidated Fund (Illinois Police Officers' Pension Investment Fund), as appropriate, or their duly appointed representatives, upon any facts contained in the report of examination. The hearing shall be conducted before filing the report or making public any information contained in the report. The Director may withhold the report from public inspection for up to 60 days following the hearing.

A sample Final Report of Examination is included in this RFP as Appendix 3. Respondents are highly encouraged to visit IDOI's Public Pension Division Pension Data Portal (<https://insurance.illinois.gov/Applications/Pension/PensionDataPortal.aspx>) to view multiple Final Reports of Examination for the Article 3 Funds, as reports may vary significantly for each individual engagement.

4. PROPOSAL CONTENT REQUIREMENTS

Each proposal submitted in response to this RFP must contain all of the information and components outlined in this Item 4. To ensure a uniform review process and to obtain the maximum degree of comparability, proposals must be organized in the following manner:

A) Cover Letter of Interest

The proposal must include a cover letter which will be considered an integral part of the proposal package, in the form of a standard business letter. The cover letter must be signed by an individual authorized to bind the respondent (and expressly certifying such authority) and identify the signer's title or position. An unsigned cover letter will be rejected. The cover letter must also include the following:

- i. A statement that (i) the proposal meets all requirements of this RFP, (ii) the proposal is truthful, complete, and free of any material omissions, and (iii) the offer tendered by the proposal will remain in full force and effect until and at any time prior to 120 days following the Proposal Due Date.
- ii. Disclosure of any current business relationships or any current negotiations for prospective business with IPOPIF, or any member of the Board, IPOPIF staff, or their immediate family members, or any vendor currently rendering services to IPOPIF. A list of Trustees, Staff and vendors is attached as Appendix 1.

- iii. An affirmative statement that the respondent is independent of IPOPIF as defined by generally accepted auditing standards.
- iv. Confirmation that the respondent is in compliance with Exhibit A – Certifications, Disclosures and Acknowledgements, and agrees that such certifications, disclosures and acknowledgements may be included in any contract awarded pursuant to this RFP.
- v. A statement that the respondent acknowledges that all documents submitted in response to this RFP shall be subject to disclosure under the Illinois Freedom of Information Act and/or the Illinois Open Meetings Act.
- vi. Identification of all documents provided by the respondent that collectively constitute the respondent’s proposal to this RFP.

B) Firm Responses to Questionnaire

Respondent must provide a response to each question in the Questionnaire attached as Exhibit B to this RFP. Questions should be addressed in the order in which they appear in Exhibit B. Do not change the question numbering.

C) Fee Proposal

Respondent should provide a price **for each agreed upon procedures engagement** that will be conducted over a three-year fiscal period from 2023 to 2026. There are 357 Article 3 Funds that will be subject to the procedures outlined in Item 3 – Scope of Services, above. However, IPOPIF intends to select several firms to perform these services. It is anticipated that each selected vendor will be awarded a minimum of 50 agreed upon procedures engagements, subject to resources, efficiency, and deliverable requirements. Respondents selected to perform these services will be assigned individual Article 3 Funds for which they will perform the agreed upon procedures. If selected, each respondent will communicate directly with the Article 3 Funds on questions regarding materials submitted, issues or testing exceptions; deliver a final report to the Article 3 Fund; and assist and support IPOPIF on any hearings granted by the Department of Insurance to the officers or trustees of the Article 3 Fund, including attendance at the hearing.

For clarity, the following structure should be used in submitting the fee proposal:

Per Agreed Upon Procedures Engagement: \$ _____

If there are circumstances that require additional services, such circumstances should be clearly outlined, and quoted hourly rates should be identified for each level of partner and staff.

D) References

- i. Please provide three references who are clients for whom you have performed work similar to that requested in this RFP. Include the reference name, title, address, telephone, email address, length of the engagement and services provided. If such work has been performed for any Illinois public pension fund, please include the details about such engagements and the respective references.
- ii. Provide a list of all Illinois public pension fund clients retained and lost by your firm in the last five years.
- iii. In providing such information, your firm consents to and hereby releases IPOPIF from any liability that may arise from contacting your references and communicating with such references about your prior or current engagements and soliciting an opinion regarding the work performed.

E) Minimum Qualifications Certification

Respondent must complete the Certification of Minimum Qualifications attached as Exhibit C to this RFP.

5. TIMELINE AND SUBMISSION REQUIREMENTS

Proposal Timeframe

This procurement will be conducted based on the following timeline. Dates below are subject to revision by IPOPIF in its sole discretion. Any updates will be published on IPOPIF’s website, and respondents are responsible for checking the website periodically for such updates.

Date	Action
October 16, 2023	RFP Issued and Distributed
October 27, 2023 October 31, 2023	Deadline for written questions to be submitted to adminrfp@ipopif.org 5 4pm Central Time
November 3, 2023	Issuance of questions and responses, along with any RFP addenda 4pm Central Time
November 20, 2023	Deadline for Submitting Electronic PDF Proposals 4pm Central Time
November 21, 2023	Deadline for Receipt by IPOPIF of Hard Copy Documents of the PDFs Submitted 4pm Central Time
November 21 – December 31, 2023	Review of proposals by IPOPIF staff and interviews of respondents
January 19, 2024	Consideration of proposals and interviews of finalists by the Board
April 2024	Communication to first group of Article 3 Funds subject to Agreed Upon Procedures
May 2024	Agreed Upon Procedures commence

Failure to submit the electronic PDF and the hard copy document after the dates identified above may result in disqualification from further consideration.

Electronic PDF submissions should be submitted via email and include the following subject: “Response to RFP for Article 3 Fund Agreed Upon Procedures – (Name of Respondent)”.

Only one proposal from an individual firm, partnership, corporation, or combination thereof will be considered for procurement of these services.

A proposal may be withdrawn any time prior to the electronic PDF deadline by written notification signed by the individual respondent of the Cover Letter (see Item 4A for requirements).

Proposal Submission

- A) A **PDF copy of the proposal, including all supporting Exhibits should be sent via email** to:

Illinois Police Officers' Pension Investment Fund
456 Fulton Street, Suite 402
Peoria, IL 61602
Email: adminrpf@ipopif.org

Respondent must ensure that the email is successfully transmitted and is not undeliverable due to the size of file attachments.

- B) **In addition, three hard copies of the proposal must be received** at the following address no later than the next business day after the proposal due date:

Illinois Police Officers' Pension Investment Fund
456 Fulton Street, Suite 402
Peoria, IL 61602
Attention: Regina Tuczak

IPOPIF will acknowledge receipt of proposals.

6. PROCUREMENT RULES AND PROCEDURES

The Board has adopted a Purchasing Policy, which together with IPOPIF's Ethics Policy and applicable law will govern this procurement. IPOPIF staff and advisors will oversee the procurement process.

Blackout/Quiet Period

There shall be a quiet period to ensure that the process of selecting the respondent is consistent, accurate, efficient, and fair.

- A) The quiet period shall commence with the posting of the RFP and end when the parties have executed an agreement(s).

- B) Initiation, continuation, and conclusion of the quiet period shall be directly communicated to the Board and IPOPIF staff, publicly communicated, and posted on the IPOPIF website.
- C) During the quiet period, no fiduciary or IPOPIF staff member shall knowingly communicate with any party financially interested in any prospective contract with IPOPIF regarding the contract and the services to be provided under the contract of the selection process.
- D) During the quiet period, no fiduciary or IPOPIF staff member shall accept meals, travel, lodging, entertainment, or any goods or services of value from any respondent.
- E) All authority related to the search process shall be exercised solely by the Board as a whole, and not by individual Board members.
- F) If any Board member or IPOPIF staff member is contacted during the quiet period by a respondent or a party financially interested in a prospective contract with IPOPIF, the Board member or IPOPIF staff member shall refer the respondent or party to the Executive Director or the contact person identified in this RFP.
- G) The quiet period does not prevent Board members from an approved due diligence or conference attendance; however, discussion related to the pending selection shall be avoided during those activities.
- H) The quiet period does not apply to communications that are:
 - i) Part of the process expressly described in the RFP.
 - ii) Part of a noticed Board of Trustee or Committee meeting.
 - iii) Related to services currently provided by the respondent under an existing contract with IPOPIF.
 - iv) Incidental, exclusively social, and that do not involve IPOPIF or its business.
 - v) Within the scope of the Board of Trustee member or staff member's private business or public office wholly unrelated to IPOPIF and that do not involve IPOPIF or its business.
- I) Any respondent who knowingly violates the Procurement Policy will be disqualified from the search process.

Other Information

No person or entity shall retain a person or entity to attempt to influence the outcome of the Board's decision or the procurement of these services for compensation contingent in whole or in part upon the decision or procurement.

No respondent may, at any time, attempt to influence a Board member, IPOPIF staff member or consultant other than by a properly submitted response to this RFP or to a formal request for information or a presentation.

Notwithstanding the quiet period provided for above, the Board through any designated Trustee, the Executive Director, the Finance Director, or Legal Counsel may conduct discussions with respondents to determine in greater detail a respondent's qualifications, and negotiate the various terms of the engagement, including fees.

Discussions may be held before and after the responses to the RFP have been submitted. The Trustees, IPOPIF staff, and General Legal Counsel shall not disclose publicly any information contained in any responses until the presentation of the finalists at a Board meeting.

Consistent with the provisions of this RFP, IPOPIF has designated the following individual to be its authorized contact for this procurement: Regina Tuczak, Chief Financial Officer

Written procedural and substantive questions concerning this RFP must be submitted to the email address adminrfp@ipopif.org on or before **October 31** 27, 2023.

7. REVIEW AND EVALUATION OF PROPOSALS

The Board delegates to IPOPIF staff, and if applicable IPOPIF advisors, the authority to review and determine whether proposals are responsive and contain all required information, and are complete, consistent, and compliant with the minimum requirements of this RFP. In making its determination, the following criteria will be considered, which are not ranked in order:

- A) Ability to perform the requested services.
- B) Clarity, responsiveness, and thoroughness of the RFP response, including required disclosures.
- C) Experience, track record, organizational capability, and reputation of the respondent
- D) Caliber of the team proposed to provide services to IPOPIF, including experience of people assigned, staffing depth, and turnover rates of respondent.
- E) Location of respondent's headquarters, Partner(s) and staff providing the services.
- F) Highest business and ethical standards, reputation and practices, including resolution of conflict of interest matters.

- G) Client references.
- H) Liability coverage.
- I) Competitive pricing.
- J) IPOPIF satisfaction with past service, in the case of respondents that are incumbent providers.
- K) Other factors IPOPIF determines to be relevant.

Evaluations will be performed considering the entirety of each submission, without specific weighting. Selection will not necessarily be awarded to the lowest bidder. The firm(s) selected will be that which best meets IPOPIF's needs, with consideration for price, qualifications, and the other evaluation criteria.

During the evaluation process, respondents may be requested to provide additional information, confirmation of information furnished, clarify contents of their proposal, provide evidence of qualifications, and/or conduct interviews with IPOPIF staff, their advisors, the Audit and Budget Committee, and the Board.

It is anticipated that the Board will conduct finalist interviews at the January 19, 2024, Meeting. Respondents should be prepared to attend this meeting in-person at the Fund's Peoria office. Attendees should include the Partner(s) responsible for the engagement.

8. RFP LIMITATIONS, CONDITIONS AND RESERVATION OF RIGHTS

All proposals and other material submitted in response to this RFP will become the property of IPOPIF.

This RFP does not commit IPOPIF to award an agreement or procure services of any kind.

IPOPIF reserves the right to award an engagement or engagements based upon the proposals received.

IPOPIF may request that respondent clarify the content of a proposal. In addition, IPOPIF reserves the right to waive or permit corrections or deficiencies with any response to this RFP; request submittal of addenda and supplements to data and information previously provided; request that respondents submit "best and final" offers; conduct discussions with respondents whose proposals fall within a competitive range; terminate negotiations at any time and disqualify any respondent that violates the terms of this RFP.

IPOPIF does not bear any obligation to complete the RFP process outlined herein and has no obligation to select any individual(s) or firm(s) to provide the requested services. IPOPIF

reserves the right, without prejudice, to reject any or all offers and discontinue this RFP process without obligation or liability to any potential vendor. IPOPIF will not reimburse any expense incurred by any potential service providers in responding to this RFP.

9. NOTICE REGARDING FREEDOM OF INFORMATION ACT

Each proposal submitted will be subject to the Illinois Freedom of Information Act (5 ILCS 140) "FOIA". The FOIA provides generally that all records in the custody or possession of a public body are presumed to be open to inspection or copying by the public, including news agencies and competitors. A respondent claiming a statutory exception to the FOIA for information within its proposal must identify relevant portions of the proposal as confidential and identify in the email and hard copy transmissions of the proposal that confidential information is included. Further, each page of confidential documentation must be labeled as such. The respondent must also specify which statutory exemption applies for each portion of labeled confidential information. Respondents will not be notified of any FOIA requests regarding their submissions.

EXHIBIT A: CERTIFICATIONS, DISCLOSURES and ACKNOWLEDGEMENTS

In connection with and in consideration of entering into an agreement with the Illinois Police Officers' Pension Investment Fund, the respondent, by submitting a response hereby agrees, certifies, and represents as follows:

1. **Ethics.** Respondent acknowledges and agrees that it will comply with the requirements of the Illinois Governmental Ethics Act (40 ILCS 420), the State Officials and Employees Ethics Act (5 ILCS 430), and the IPOPIF Ethics Policy, which is available at <https://www.ipopif.org/governing-documents/policies/>. The contract with any professional service provider who violates a material provision of the Ethics Policy shall be voidable by IPOPIF.
2. **Bribery.** Respondent certifies that it is not barred from being awarded a contract or subcontract because of a conviction or admission of guilt for bribery or for bribing an officer or employee of the State of Illinois or any other state in that officer or employee's official capacity.
3. **Sarbanes-Oxley.** Respondent certifies that if it has been convicted of a felony under the Sarbanes Oxley Act of 2002, or a Class 3 or Class 2 felony under the Illinois Securities Law of 1953 (815 ILCS 5), at least five years have passed from the date of conviction. Respondent certifies that it (and any subcontractor providing services to IPOPIF, to the extent permitted by this Agreement) is not barred from being awarded a contract under 30 ILCS 500/50-10.5.
4. **Inducement to Staff or Board.** Candidate represents that there has been no discussion or offer of future employment to any IPOPIF employee or member of the Board of Trustees. The Candidate certifies that it will not, at any time, attempt to influence a Trustee, IPOPIF staff member, or consultant other than by a properly submitted response to this RFP or to a formal request for information or a presentation.
5. **Financial Disclosures and Potential Conflicts of Interest.** Respondent certifies that Contractor, its partners, officers, directors, executives, or any other person or entity performing a similar function: (i) are not legally prohibited from contracting with IPOPIF or the State of Illinois, and (ii) have no public or private interest, direct or indirect, and shall not directly or indirectly acquire any such interest, which conflicts or potentially conflicts, in any manner, with the performance of respondent's obligations. Respondent acknowledges and agrees that it has a continuing obligation to disclose to IPOPIF any financial or other interest, public or private, direct or indirect, that may be a potential conflict of interest or which could prohibit respondent entering into a contract with IPOPIF or continuing its performance under any agreement.
6. **Drug-Free Workplace.** Respondent certifies that it will provide a drug free workplace by engaging in the conduct prescribed in Section 3 of the Drug Free Workplace Act, 30 ILCS 580/3.

7. **Bid Rigging/Rotating.** Respondent certifies that it is not barred from contracting with IPOPIF or an agency of the State of Illinois because of a violation of either Section 33E-3 (bid-rigging) or 33E- 4 (bid rotating) of Article 33E of the Criminal Code of 1961, 720 ILCS 5/33E.
8. **No Inducement or Placement Fees.** Respondent certifies that no fees, commissions, or payments of any type have been or will be paid to any third party in connection with this procurement, except as disclosed in any contract.
9. **Revolving Door Prohibition.** Respondent certifies that it is not in violation of the revolving door prohibition under 30 ILCS 500/50-30.
10. **Illinois State Board of Elections Registration.** Respondent certifies that either: (a) it is registered with the State Board of Elections as a business entity pursuant to the Election Code, 10 ILCS 5/1-1, *et seq.*; or (b) it is not required to so register. Respondent acknowledges its continuing obligation to update such registration and agrees that any subsequent agreement is voidable in the event that it fails to comply.
11. **Anti-Competitive Practices.** Respondent acknowledges its obligation to and agrees to report to the IPOPIF's Ethics Officer any suspected collusion or other anti-competitive practice among prospective respondents, employees of IPOPIF, or its consultants.
12. **No Unlawful Discrimination.** To the extent Illinois law is applicable to the respondent, pursuant to 775 ILCS 5/2-105, the respondent agrees to:
 - a) Refrain from unlawful discrimination and discrimination based on citizenship status in employment and undertake affirmative action to assure equality of employment opportunity and eliminate the effects of past discrimination;
 - b) Comply with the procedures and requirements of the Illinois Department of Human Rights' regulations concerning equal employment opportunities and affirmative action;
 - c) Provide such information, with respect to its employees and applications for employment, and assistance as the Illinois Department of Human Rights may reasonably request; and
 - d) Have written sexual harassment policies that shall include, at a minimum, the following information: (i) the illegality of sexual harassment; (ii) the definition of sexual harassment under State law; (iii) a description of sexual harassment, utilizing examples; (iv) the respondent's internal complaint process including penalties; (v) the legal recourse, investigative and complaint process available through the Illinois Department of Human Rights and the Illinois Human Rights Commission; (vi) directions on how to contact the Illinois Department of Human Rights and the Illinois Human Rights Commission; and (vii) Protection against retaliation as provided by Section 6-101 of the Illinois Human Rights Act. A copy of the policies shall be provided to the Illinois Department of Human Rights upon request.

- 13. Public Records/Open Meetings.** Respondent understands and acknowledges that all documents created as part of this RFP, including respondent's submission, shall be considered public records, and shall be made available for inspection and copying as provided in Section 3 of the Illinois Freedom of Information Act (5 ILCS 140/1, *et seq.*).
- 14. IPOPIF Due Diligence.** Respondent acknowledges and agrees that IPOPIF reserves the right to investigate the qualifications and proposal of any respondent under consideration. IPOPIF may require confirmation of information furnished by a respondent and may require additional evidence of qualifications to perform the obligations required by the scope of services in respondent's proposal.
- 15. IPOPIF Right to Modify Procurement.** Respondent acknowledges and agrees that IPOPIF reserves the right to modify the procurement process, with appropriate notice to the respondent; cancel, modify, or withdraw the RFP in whole or in part at any time without incurring any cost obligations or liabilities; waive or permit corrections, irregularities, informalities, or deficiencies to data submitted with any response to this RFP, including allowing proposal revisions or accepting non-conforming proposals; seek clarifications to a proposal and permit submittal of addenda and supplements to data and information previously provided by a respondent; request that respondents submit "best and final" offers; conduct discussions with respondents whose proposals fall within a competitive range; terminate negotiations at any time; reject any and all proposals received at any time; and disqualify any respondent that violates the terms of this RFP.

EXHIBIT B: QUESTIONNAIRE

The following questionnaire must be completed and included with the proposal. Type responses in the same order as the questionnaire.

Provider General Information

1. Title Page - Please provide:
Date:
Subject:
Respondent's Name and Title:
Respondent's contact information (address, telephone, email address)
2. Where is the firm or organization headquartered? Please indicate the complete address of the firm's headquarters. Please note how many offices and employees the firm has, the location of each office, and whether the firm has offices in Illinois. If the firm has an office(s) in Illinois, please include the complete address(es) of the locations, and the number of employees at each location.
3. Please provide a brief history of the firm that includes the size of the organization, year formed, founding members, and significant changes that have taken place, such as mergers, acquisitions, leadership changes, and the evolution of the firm's business strategy.
4. Please provide a chart outlining the firm's organizational/ownership structure, including any parent, affiliated subsidiary company and any business partners. Include the form of business structure (i.e., Individual, Sole Proprietorship, Limited Liability Partnership, Limited Liability Corporation, etc.)
5. How many professionals are dedicated to each area of the practice (accounting/audit, tax, consulting, IT and other)?
6. Provide a current listing of the firm's governmental clients, including Illinois State and municipal entities including the size of the fund and the length of services provided to them by the firm.
7. For the firm's office that will be assigned responsibility for the agreed upon procedures, list the most significant engagements performed in the last five years that are similar to the engagement described in this request for proposals. Indicate the scope of work, date, and engagement partners leading the engagements.
8. How many senior professionals have left or joined your company in the last three years? Is there a succession plan for key employees? What is the turnover of overall professional staff over the last five years?
9. Please provide a copy of your firm's most recent peer review report or external quality review report.

10. Please provide details on the financial condition of the firm, including levels of debt and payoff plans for any debt.
11. Does the firm have a business continuation and disaster recovery plan? Please describe the key features of the plan, including frequency of testing and latest test results. What is the recovery time for a hardware failure? What is the recovery time for a comprehensive disaster?
12. Describe the respondent's security environment. Specifically, cover the physical, digital security, and policy measure safeguards in place to control access to client information and to secure email, web communications, and mobile devices such as phones, tablets, and laptops. Is your database encrypted?
13. Describe your approach to managing and reducing cybersecurity risk and protecting networks and data, including complying with the U.S. Department of Labor's Cybersecurity Program Best Practices, the State of Illinois Cybersecurity Strategy, the National Institute of Standards and Technology Cybersecurity Framework, and industry best practices. Describe the respondent's security environment. Specifically, describe the physical, digital security, and policy measure safeguards in place to control access to client account information.
14. Has the respondent had its security assessed by a third party? If so, when was this last completed and what was the result? If not, will you agree to conduct annual audits?
15. Has the respondent ever experienced a data security breach? If so, describe the incident and the corrective actions.
16. Describe the levels of coverage for cybersecurity insurance, errors and omissions insurance, and any other fiduciary or professional liability insurance the firm carries that is relevant to the services in this RFP. List the insurance carriers supplying the coverage, amount of coverage, and whether any deductibles are involved.
17. Has there been any litigation or regulatory action involving your firm in the last five years? If yes, please attach details.
18. Describe the process of your firm to ensure the quality of service? Describe any benchmarks the firm has developed to evaluate its performance and the performance of its primary/lead CPAs.
19. Does the firm currently advise any Article 3 Fund(s)? If so, how many, and which ones? Please review Appendix 2 for a listing of the 357 Article 3 Funds.

Account Team

20. Please describe the engagement team that would be utilized for the total project.

21. Who will be the overall project lead?
22. Please indicate the lead CPA on the account. Please include their name, office location, business phone, and email address. How many clients do each of the lead CPAs service, and how many of those clients are public defined benefit plans? Please indicate how many staff would be assigned to the engagement and the functions that they would perform. Please indicate their availability to assist with the services requested.
23. Please attach biographies of the primary and backup CPAs who would be assigned to this engagement, including (i) the role of each CPA for this assignment, (ii) the year each CPA joined the firm, (iii) a description of his or her position and current responsibilities, (iv) areas of expertise and experience, (v) education, professional designations and memberships, (vi) relevant publications and presentations, and (vii) the number and names of clients these CPAs currently serve.
24. Please indicate if the engagement team would be conducting services in this RFP virtually or onsite at the Article 3 Fund offices. If any portion of services are to be performed virtually, please describe any audit risks associated with this service platform and how these risks will be managed.
25. Which of the CPAs would attend the meetings of IPOPIF and IPOPIF's Committees if required? If necessary, which of the CPAs would attend any hearings granted by the Department of Insurance to the officers or trustees of an Article 3 Fund?

Article 3 Fund Agreed Upon Procedures Engagements

26. Per the Pension Code, the schedule of each examination shall be such that each fund shall be examined once every three years. There are 357 Article 3 Funds. This RFP is for the first three-year cycle of calendar years 2023 to 2026. The RFP process is anticipated to be repeated at the end of each three-year cycle. Does your firm anticipate any problems with this overall approach? If yes, please disclose the anticipated problems.
27. IPOPIF may coordinate with IDOI to select and schedule the agreed upon procedures to be completed in each calendar quarter during the three-year cycle. Each agreed upon procedures engagement is estimated to require 20 to 25 hours to complete (this is an estimate and could vary depending on the individual engagement). IPOPIF will select a group of independent CPA firms that will be qualified to perform the agreed upon procedures during the first three-year cycle (calendar years 2023 to 2026). It is anticipated that each selected firm will be awarded a minimum of 50 member funds engagements, subject to resources, efficiency, and deliverable requirements. Does your firm anticipate any problems with this overall approach? If yes, please disclose the anticipated problems.
28. Please refer to the Scope of Services defined in Item 3. Does your firm anticipate any issues that would prevent your firm from completing the procedures outlined and delivering a final report in the format detailed in Appendix 3.

29. What is the largest number of Article 3 Fund agreed upon procedures engagements that your firm could perform for any given calendar quarter assuming an estimate of 20-25 hours per engagement and based on the engagement team proposed?
30. It is foreseeable your firm may perform agreed upon procedures for some but not all the calendar quarters or perform a limited number of engagements in one calendar quarter compared to a much larger number in another calendar quarter. Describe the ability to deliver a varying number of agreed upon procedures engagements across several calendar quarters given your firm may be selected to perform services for a subset of the 357 Article 3 Funds.
31. As a part of the report issuance process subsequent to each agreed upon procedures engagement, your firm will be required to work with Article 3 Funds as they develop responses and resolve disputes related to findings, as applicable. In addition, your firm will be responsible for issuance of all final reports on the procedures. Some coordination with the Illinois Department of Insurance may be required. Please describe your approach to completing this portion of the requirements.
32. Provide a list of risk areas IPOPIF should consider as this process is developed and executed as well as any assistance your firm can provide to mitigate these risks.

Other Disclosures

33. Respondent's submission shall contain all required disclosures under the Pension Code and shall include the following:
 - a) Disclosure of the direct and indirect fees, commissions, penalties, and other compensation, including reimbursement for expenses that may be paid by or on behalf of the respondent in connection with the provision of services to IPOPIF.
 - b) A statement that respondent has not retained a person or entity to attempt to influence the outcome of this procurement for compensation which is contingent in whole or in part upon IPOPIF's decision or procurement.
34. The names and addresses of any entity that is a parent of, owns a controlling interest in, the respondent; any entity that is a subsidiary of, or in which a controlling interest is owned by, the respondent; any person who have an ownership or distributive income share in the respondent that is in excess of 7.5%; or serves as an executive officer of the respondent. For purposes of this disclosure, an "executive officer" shall mean any president, director, vice-president in charge of a principal business unit, division, or function (such as investment management, marketing, or administration), and any other employee who performs a policy-making role, regardless of the title given to their position,
35. The names and addresses of any subcontractors for services associated with this RFP, and the expected amount of compensation each will receive under their contract.
36. Please provide a statement that (i) there are no actions, proceedings, or investigations

threatened or pending before any professional regulatory body, tribunal, arbitrator, court, of government authority against or relating to the respondent, or their officers, directors, or senior staff, claiming or alleging a violation of any federal or state law, rule or regulation, breach of contract, or breach of professional standards of care: and (ii) during the ten (10) year period prior to the date hereof, none of the respondent's or affiliates' officers, directors, of senior staff has been found liable for, nor settled, any such violation in any such action, proceeding, or investigation.

Diversity and Inclusion

37. Is the respondent a “Minority-Owned Business, Women-Owned Business, or Business Owned by Person with a Disability” means as those terms are defined in the Business Enterprise for Minorities, Women, and Person with Disabilities Act, 30 ILCS 575/2, as amended? Is the respondent a Qualified Service-Disabled Veteran-Owned Small Business or as Qualified Veteran-Owned Small Business means as defined in 30 ILCS 500/45-57? If so, please provide certification.
38. Disclose the number and the percentage of respondent's staff, by level (staff/senior staff/manager/partner), and area of the organization, who are a minority person, a woman, a veteran, or a qualified service-disabled veteran, or a person with a disability.
39. What is the percentage representation of minority, women, persons with a disability, or veterans of the client service team that would be assigned to IPOPIF?
40. Please provide the number and total dollar value of contracts, oral or written, that your firm has in place with vendors that constitute a (i) Minority Owned Business, (ii) Woman Owned Business, or (iii) Business Owned by a Person with a Disability.

EXHIBIT C: CERTIFICATION OF MINIMUM QUALIFICATIONS

The following form should be completed, signed, and included with the proposal.

(Insert name of firm) represents to the Illinois Police Officers’ Pension Investment Fund that:

Please circle “YES” or “NO” where indicated.

1. Respondent is an independent certified public accounting firm licensed to practice in the State of Illinois and the United States of America. (Yes/No): _____

2. Respondent and its proposed account team have all authorizations, permits, licenses and certifications required by federal and state laws and regulations to perform the services specified in this RFP at the time respondent submits a response to the RFP. (Yes/No): _____

3. Respondent has reviewed *Exhibit A*, titled Certifications, Disclosures and Acknowledgements, (Yes/No): _____

4. Respondent agrees to provide the services as detailed in the Scope of Services section of this RFP and any other requirements as stated in this RFP. (Yes/No): _____

By: _____

Name: _____

Title: _____

Date: _____

APPENDIX 1: LIST OF TRUSTEES, STAFF AND VENDORS

Board of Trustees

Permanent Board Members

Lee Catavu, Police Officer, Aurora Police Department
Brad Cole, Executive Director, Illinois Municipal League
Elizabeth Holleb, Director of Finance, City of Lake Forest
Dan Hopkins, Retired Police Officer
Michael Inman, Mayor, City of Macomb
Mark Poulos, Retired Police Lieutenant
Phil Suess, Mayor, City of Wheaton
Paul Swanlund, Police Officer, Bloomington Police Department
Note: There is one vacant position that represents Active Police Officers.

IPOPIF Staff

Richard A. White, Jr. Executive Director	Barbara Meyer, Investment Officer
Kent Custer, Chief Investment Officer	Joseph Miller, Information Technologist
Regina Tuczak, Chief Financial Officer	Steve Yoon, Investment Officer
Katherine Cobb, Administrative Analyst	Sean Zears, Communications Specialist
Samantha Lambert, Administrative Analyst	Amy Zick, Senior Accountant

List of Professional Consultants and Service Providers

ADP, Inc.	Principal Financial Group
AmeriCALL Communications Company, Inc.	Prospect Sound and Lighting
Barracks Hospitality Group	Reimer, Dobrovolny & Labardi PC
City of Peoria	Shepherd Communications
Comcast Cable Communications Management, LLC	Sikich, LLP
Cook Castle Associates, LLC	State Street Bank & Trust
Foster & Foster Consulting Actuaries, Inc.	State Street Global Advisors
Jacobs, Burns, Orlove & Hernandez, LLP	State Street Global Management
KEB, LLP	Survey and Ballot Systems
Lake Forest Bank & Trust Company, NA	Thomson Reuters
Lauterbach & Amen, LLP	Verus Consulting
Levi, Ray & Shoup, Inc.	Vision M.A.I. Consulting
Pension Technology Group, Inc	MCS Consulting LLC

APPENDIX 2: ARTICLE 3 PARTICIPATING POLICE PENSION FUNDS

ADDISON POLICE PENSION FUND
ALGONQUIN POLICE PENSION FUND
ALSIP POLICE PENSION FUND
ALTON POLICE PENSION FUND
ANNA POLICE PENSION FUND
ANTIOCH POLICE PENSION FUND
ARLINGTON HEIGHTS POLICE PENSION FUND
AURORA POLICE PENSION FUND
BARRINGTON HILLS POLICE PENSION FUND
BARRINGTON POLICE PENSION FUND
BARTLETT POLICE PENSION FUND
BARTONVILLE POLICE PENSION FUND
BATAVIA POLICE PENSION FUND
BEARDSTOWN POLICE PENSION FUND
BELLEVILLE POLICE PENSION FUND
BELLWOOD POLICE PENSION FUND
BELVIDERE POLICE PENSION FUND
BENSENVILLE POLICE PENSION FUND
BENTON POLICE PENSION FUND
BERKELEY POLICE PENSION FUND
BERWYN POLICE PENSION FUND
BETHALTO POLICE PENSION FUND
BLOOMINGDALE POLICE PENSION FUND
BLOOMINGTON POLICE PENSION FUND
BLUE ISLAND POLICE PENSION FUND
BOLINGBROOK POLICE PENSION FUND
BOURBONNAIS POLICE PENSION FUND
BRADLEY POLICE PENSION FUND
BRAIDWOOD POLICE PENSION FUND
BRIDGEVIEW POLICE PENSION FUND
BROADVIEW POLICE PENSION FUND
BROOKFIELD POLICE PENSION FUND
BUFFALO GROVE POLICE PENSION FUND
BURBANK POLICE PENSION FUND
BURNHAM POLICE PENSION FUND
BURR RIDGE POLICE PENSION FUND
CAHOKIA HEIGHTS POLICE PENSION FUND
CAIRO POLICE PENSION FUND

CALUMET CITY POLICE PENSION FUND
CALUMET PARK POLICE PENSION FUND
CAMPTON HILLS POLICE PENSION FUND
CANTON POLICE PENSION FUND
CARBONDALE POLICE PENSION FUND
CARLINVILLE POLICE PENSION FUND
CARMI POLICE PENSION FUND
CAROL STREAM POLICE PENSION FUND
CARPENTERSVILLE POLICE PENSION FUND
CARTERVILLE POLICE PENSION FUND
CARY POLICE PENSION FUND
CASEYVILLE POLICE PENSION FUND
CENTRALIA POLICE PENSION FUND
CHAMPAIGN POLICE PENSION FUND
CHANNAHON POLICE PENSION FUND
CHARLESTON POLICE PENSION FUND
CHATHAM POLICE PENSION FUND
CHERRY VALLEY POLICE PENSION FUND
CHESTER POLICE PENSION FUND
CHICAGO HEIGHTS POLICE PENSION FUND
CHICAGO RIDGE POLICE PENSION FUND
CHILLICOTHE POLICE PENSION FUND
CICERO POLICE PENSION FUND
CLARENDON HILLS POLICE PENSION FUND
CLINTON POLICE PENSION FUND
COAL CITY POLICE PENSION FUND
COLLINSVILLE POLICE PENSION FUND
COLONA POLICE PENSION FUND
COLUMBIA POLICE PENSION FUND
COUNTRY CLUB HILLS POLICE PENSION FUND
COUNTRYSIDE POLICE PENSION FUND
CREST HILL POLICE PENSION FUND
CRESTWOOD POLICE PENSION FUND
CRETE POLICE PENSION FUND
CREVE COEUR POLICE PENSION FUND
CRYSTAL LAKE POLICE PENSION FUND
DANVILLE POLICE PENSION FUND
DARIEN POLICE PENSION FUND

APPENDIX 2: ARTICLE 3 PARTICIPATING POLICE PENSION FUNDS

DECATUR POLICE PENSION FUND
DEERFIELD POLICE PENSION FUND
DEKALB POLICE PENSION FUND
DES PLAINES POLICE PENSION FUND
DIXON POLICE PENSION FUND
DOLTON POLICE PENSION FUND
DOWNERS GROVE POLICE PENSION FUND
DUQUOIN POLICE PENSION FUND
EAST ALTON POLICE PENSION FUND
EAST DUNDEE POLICE PENSION FUND
EAST MOLINE POLICE PENSION FUND
EAST PEORIA POLICE PENSION FUND
EAST ST LOUIS POLICE PENSION FUND
EDWARDSVILLE POLICE PENSION FUND
EFFINGHAM POLICE PENSION FUND
ELBURN POLICE PENSION FUND
ELDORADO POLICE PENSION FUND
ELGIN POLICE PENSION FUND
ELK GROVE VILLAGE POLICE PENSION FUND
ELMHURST POLICE PENSION FUND
ELMWOOD PARK POLICE PENSION FUND
EUREKA POLICE PENSION FUND
EVANSTON POLICE PENSION FUND
EVERGREEN PARK POLICE PENSION FUND
FAIRFIELD POLICE PENSION FUND
FAIRVIEW HEIGHTS POLICE PENSION FUND
FLORA POLICE PENSION FUND
FLOSSMOOR POLICE PENSION FUND
FOREST PARK POLICE PENSION FUND
FOREST VIEW POLICE PENSION FUND
FOX LAKE POLICE PENSION FUND
FOX RIVER GROVE POLICE PENSION FUND
FRANKFORT POLICE PENSION FUND
FRANKLIN PARK POLICE PENSION FUND
FREEPORT POLICE PENSION FUND
GALESBURG POLICE PENSION FUND
GENESEO POLICE PENSION FUND
GENEVA POLICE PENSION FUND

GENOA POLICE PENSION FUND
GILBERTS POLICE PENSION FUND
GLEN CARBON POLICE PENSION FUND
GLEN ELLYN POLICE PENSION FUND
GLENCOE POLICE PENSION FUND
GLENDALE HEIGHTS POLICE PENSION FUND
GLENVIEW POLICE PENSION FUND
GLENWOOD POLICE PENSION FUND
GRANITE CITY POLICE PENSION FUND
GRAYSLAKE POLICE PENSION FUND
GREENVILLE POLICE PENSION FUND
GURNEE POLICE PENSION FUND
HAMPSHIRE POLICE PENSION FUND
HANOVER PARK POLICE PENSION FUND
HARRISBURG POLICE PENSION FUND
HARVARD POLICE PENSION FUND
HARVEY POLICE PENSION FUND
HARWOOD HEIGHTS POLICE PENSION FUND
HAWTHORN WOODS POLICE PENSION FUND
HAZEL CREST POLICE PENSION FUND
HERRIN POLICE PENSION FUND
HICKORY HILLS POLICE PENSION PLAN
HIGHLAND PARK POLICE PENSION FUND
HIGHLAND POLICE PENSION FUND
HIGHWOOD POLICE PENSION FUND
HILLSBORO POLICE PENSION FUND
HILLSIDE POLICE PENSION FUND
HINSDALE POLICE PENSION FUND
HODGKINS POLICE PENSION FUND
HOFFMAN ESTATES POLICE PENSION FUND
HOMewood POLICE PENSION FUND
HOOPESTON POLICE PENSION FUND
HUNTLEY POLICE PENSION FUND
ISLAND LAKE POLICE PENSION FUND
ITASCA POLICE PENSION FUND
JACKSONVILLE POLICE PENSION FUND
JERSEYVILLE POLICE PENSION FUND
JOHNSBURG POLICE PENSION FUND

APPENDIX 2: ARTICLE 3 PARTICIPATING POLICE PENSION FUNDS

JOLIET POLICE PENSION FUND
JUSTICE POLICE PENSION FUND
KANKAKEE POLICE PENSION FUND
KENILWORTH POLICE PENSION FUND
KEWANEE POLICE PENSION FUND
KILDEER POLICE PENSION FUND
LAGRANGE PARK POLICE PENSION FUND
LAGRANGE POLICE PENSION FUND
LAKE BLUFF POLICE PENSION FUND
LAKE FOREST POLICE PENSION FUND
LAKE IN THE HILLS POLICE PENSION FUND
LAKE VILLA POLICE PENSION FUND
LAKE ZURICH POLICE PENSION FUND
LAKEMOOR POLICE PENSION FUND
LANSING POLICE PENSION FUND
LASALLE POLICE PENSION FUND
LAWRENCEVILLE POLICE PENSION FUND
LEMONT POLICE PENSION FUND
LIBERTYVILLE POLICE PENSION FUND
LINCOLN POLICE PENSION FUND
LINCOLNSHIRE POLICE PENSION FUND
LINCOLNWOOD POLICE PENSION FUND
LINDENHURST POLICE PENSION FUND
LISLE POLICE PENSION FUND
LITCHFIELD POLICE PENSION FUND
LOCKPORT POLICE PENSION FUND
LOMBARD POLICE PENSION FUND
LOVES PARK POLICE PENSION FUND
LYNWOOD POLICE PENSION FUND
LYONS POLICE PENSION FUND
MACOMB POLICE PENSION FUND
MADISON POLICE PENSION FUND
MAHOMET POLICE PENSION FUND
MANHATTAN POLICE PENSION FUND
MANTENO POLICE PENSION FUND
MARENGO POLICE PENSION FUND
MARION POLICE PENSION FUND
MARKHAM POLICE PENSION FUND

MARSEILLES POLICE PENSION FUND
MARYVILLE POLICE PENSION FUND
MASCOUTAH POLICE PENSION FUND
MATTESON POLICE PENSION FUND
MATTOON POLICE PENSION FUND
MAYWOOD POLICE PENSION FUND
MCCOOK POLICE PENSION FUND
MCHENRY POLICE PENSION FUND
MELROSE PARK POLICE PENSION FUND
MENDOTA POLICE PENSION FUND
METROPOLIS POLICE PENSION FUND
MIDLOTHIAN POLICE PENSION FUND
MILAN POLICE PENSION FUND
MINOOKA POLICE PENSION FUND
MOKENA POLICE PENSION FUND
MOLINE POLICE PENSION FUND
MONEE POLICE PENSION FUND
MONMOUTH POLICE PENSION FUND
MONTGOMERY POLICE PENSION FUND
MONTICELLO POLICE PENSION FUND
MORRIS POLICE PENSION FUND
MORTON GROVE POLICE PENSION FUND
MORTON POLICE PENSION FUND
MT CARMEL POLICE PENSION FUND
MT PROSPECT POLICE PENSION FUND
MT VERNON POLICE PENSION FUND
MT ZION POLICE PENSION FUND
MUNDELEIN POLICE PENSION FUND
MURPHYSBORO POLICE PENSION FUND
NAPERVILLE POLICE PENSION FUND
NEW LENOX POLICE PENSION FUND
NILES POLICE PENSION FUND
NORMAL POLICE PENSION FUND
NORRIDGE POLICE PENSION FUND
NORTH AURORA POLICE PENSION FUND
NORTH CHICAGO POLICE PENSION FUND
NORTH RIVERSIDE POLICE PENSION FUND
NORTHBROOK POLICE PENSION FUND

APPENDIX 2: ARTICLE 3 PARTICIPATING POLICE PENSION FUNDS

NORTHFIELD POLICE PENSION FUND
NORTHLAKE POLICE PENSION FUND
OAK BROOK POLICE PENSION FUND
OAK FOREST POLICE PENSION FUND
OAK LAWN POLICE PENSION FUND
OAK PARK POLICE PENSION FUND
OAKBROOK TERRACE POLICE PENSION FUND
O'FALLON POLICE PENSION FUND
OGLESBY POLICE PENSION FUND
OLNEY POLICE PENSION FUND
OLYMPIA FIELDS POLICE PENSION FUND
ORLAND HILLS POLICE PENSION FUND
ORLAND PARK POLICE PENSION FUND
OSWEGO POLICE PENSION FUND
OTTAWA POLICE PENSION FUND
PALATINE POLICE PENSION FUND
PALOS HEIGHTS POLICE PENSION FUND
PALOS HILLS POLICE PENSION FUND
PALOS PARK POLICE PENSION FUND
PANA POLICE PENSION FUND
PARIS POLICE PENSION FUND
PARK CITY POLICE PENSION FUND
PARK FOREST POLICE PENSION FUND
PARK RIDGE POLICE PENSION FUND
PEKIN POLICE PENSION FUND
PEORIA HEIGHTS POLICE PENSION FUND
PEORIA POLICE PENSION FUND
PEOTONE POLICE PENSION FUND
PERU POLICE PENSION FUND
PINCKNEYVILLE POLICE PENSION FUND
PINGREE GROVE POLICE PENSION FUND
PLAINFIELD POLICE PENSION FUND
PLANO POLICE PENSION FUND
PONTIAC POLICE PENSION FUND
PONTOON BEACH POLICE PENSION FUND
POSEN POLICE PENSION FUND
PRINCETON POLICE PENSION FUND
PROSPECT HEIGHTS POLICE PENSION FUND

QUINCY POLICE PENSION FUND
RANTOUL POLICE PENSION FUND
RIGHTON PARK POLICE PENSION FUND
RIVER FOREST POLICE PENSION FUND
RIVER GROVE POLICE PENSION FUND
RIVERDALE POLICE PENSION FUND
RIVERSIDE POLICE PENSION FUND
ROBBINS POLICE PENSION FUND
ROBINSON POLICE PENSION FUND
ROCHELLE POLICE PENSION FUND
ROCK FALLS POLICE PENSION FUND
ROCK ISLAND POLICE PENSION FUND
ROCKFORD POLICE PENSION FUND
ROCKTON POLICE PENSION FUND
ROLLING MEADOWS POLICE PENSION FUND
ROMEIOVILLE POLICE PENSION FUND
ROSCOE POLICE PENSION FUND
ROSELLE POLICE PENSION FUND
ROUND LAKE BEACH POLICE PENSION FUND
ROUND LAKE PARK POLICE PENSION FUND
ROUND LAKE POLICE PENSION FUND
SALEM POLICE PENSION FUND
SANDWICH POLICE PENSION FUND
SAUK VILLAGE POLICE PENSION FUND
SAVANNA POLICE PENSION FUND
SCHAUMBURG POLICE PENSION FUND
SCHILLER PARK POLICE PENSION FUND
SHELBYVILLE POLICE PENSION FUND
SHILOH POLICE PENSION FUND
SHOREWOOD POLICE PENSION FUND
SILVIS POLICE PENSION FUND
SKOKIE POLICE PENSION FUND
SOUTH BARRINGTON POLICE PENSION FUND
SOUTH BELOIT POLICE PENSION FUND
SOUTH CHICAGO HEIGHTS POLICE PENSION FUND
SOUTH ELGIN POLICE PENSION FUND
SOUTH HOLLAND POLICE PENSION FUND
SPRING GROVE POLICE PENSION FUND

APPENDIX 2: ARTICLE 3 PARTICIPATING POLICE PENSION FUNDS

SPRING VALLEY POLICE PENSION FUND
SPRINGFIELD POLICE PENSION FUND
ST CHARLES POLICE PENSION FUND
STAUNTON POLICE PENSION FUND
STEGER POLICE PENSION FUND
STERLING POLICE PENSION FUND
STICKNEY POLICE PENSION FUND
STONE PARK POLICE PENSIONFUND
STREAMWOOD POLICE PENSION FUND
STREATOR POLICE PENSION FUND
SUGAR GROVE POLICE PENSION FUND
SUMMIT POLICE PENSION FUND
SWANSEA POLICE PENSION FUND
SYCAMORE POLICE PENSION FUND
TAYLORVILLE POLICE PENSION FUND
TINLEY PARK POLICE PENSION FUND
TROY POLICE PENSION FUND
UNIVERSITY PARK POLICEMENS PENSION FUND
URBANA POLICE PENSION FUND
VANDALIA POLICE PENSION FUND
VENICE POLICE PENSION FUND
VERNON HILLS POLICE PENSION FUND
VILLA PARK POLICE PENSION FUND
WARRENVILLE POLICE PENSION FUND
WASHINGTON PARK POLICE PENSION FUND
WASHINGTON POLICE PENSION FUND
WATERLOO POLICE PENSION FUND
WATSEKA POLICE PENSION FUND
WAUCONDA POLICE PENSION FUND
WAUKEGAN POLICE PENSION FUND
WAYNE POLICE PENSION FUND
WEST CHICAGO POLICE PENSION FUND
WEST DUNDEE POLICE PENSION FUND
WEST FRANKFORT POLICE PENSION FUND
WESTCHESTER POLICE PENSION FUND
WESTERN SPRINGS POLICE PENSION FUND
WESTMONT POLICE PENSION FUND
WHEATON POLICE PENSION FUND

WHEELING POLICE PENSION FUND
WILLOW SPRINGS POLICE PENSION FUND
WILLOWBROOK POLICE PENSION FUND
WILMETTE POLICE PENSION FUND
WILMINGTON POLICE PENSION FUND
WINFIELD POLICE PENSION FUND
WINNETKA POLICE PENSION FUND
WINTHROP HARBOR POLICE PENSION FUND
WOOD DALE POLICE PENSION FUND
WOOD RIVER POLICE PENSION FUND
WOODRIDGE POLICE PENSION FUND
WOODSTOCK POLICE PENSION FUND
WORTH POLICE PENSION FUND
YORKVILLE POLICE PENSION FUND
ZION POLICE PENSION FUND

FOREWORD

Public Pension Division (the Division) of Illinois Department of Insurance completed the examination of [REDACTED] Police Pension Fund (the Fund), which operates under Article 3 of the Illinois Pension Code 40 ILCS 5/3-101 et seq. on August 31, 2021, as authorized under 40 ILCS 5/1A-104 and 40 ILCS 5/1A-106. The examination covered the period from January 1, 2020 to December 31, 2020.

The Division examined and compared the annual statement submitted by the Fund to the audited financial statements of the Fund and to the records maintained by the municipality and by the Board of Trustees of the Fund.

The Division examined data used to calculate benefits and the benefits granted by the Board of Trustees to determine compliance with the applicable provisions of the Illinois Pension Code and the Illinois Administrative Code.

The Division reviewed investment holdings as of December 31, 2020 and accepted the investments as reported in the audited financial statements of the Fund.

The Division reviewed management policies and procedures, as established by the Board of Trustees, as well as actions taken by the board of trustees to determine compliance with the Illinois Pension Code and the Administrative Rules as promulgated by the Illinois Department of Insurance.

SUMMARY OF FINDINGS

Based upon the examination of the annual statement and the supporting documents, the following is a summary of significant findings of fact found in the subsequent pages in this report:

1. The annual statement filed with the Public Pension Division for fiscal year ending December 31, 2020 did not fully comply with 40 ILCS 5/1A-109 in that participant data for participants were reported inaccurately. (Accounting Records)
2. The board paid a disability pension to a member without a proof of a medical examination verifying the continuance of disability in contravention of 40 ILCS 5/3-115. (Benefits)
3. Employee pension contributions for participants were not correctly assessed in contravention of 40 ILCS 5/3-125.1 and 50 Ill. Adm. Code 4402.30 - 4402.40. (Contributions)
4. The board minutes were incomplete with respect to the documentation of all fund activity in contravention of 40 ILCS 5/3-131 and 40 ILCS 5/3-139. (Corporate Records)
5. One trustee did not complete the initial trustee training requirements in contravention of 40 ILCS 5/1-109.3. (Management)
6. Four trustees did not complete the annual trustee training requirements in contravention of 40 ILCS 5/1-109.3. (Management)
7. Agreements appointing investment advisers were not filed with the Public Pension Division within 30 days after each firm was appointed as the fund's investment adviser in contravention of 40 ILCS 5/1-113.5. (Management)
8. The board did not file its investment policy within thirty days after its adoption in contravention of 40 ILCS 5/1-113.6. (Management)
9. The membership files did not contain documentation of medical examinations attesting to the continuance of a disability in contravention of 40 ILCS 5/3-115. (Membership Records)

FINDINGS OF FACT AND RECOMMENDATIONS

The following is a detailed list of findings and recommendations. Attached to the report is a copy of draft findings, recommendations and Board's responses to the findings and recommendations.

Accounting Records

The annual statement filed with the Public Pension Division for fiscal year ending December 31, 2020 did not fully comply with Section 1A-109 of the Illinois Pension Code in that participant data were reported inaccurately. The filing included the following errors:

- [REDACTED]: Status code changed from 230 in the 2019 filing to 22Q in the 2020 filing. There is no indication that [REDACTED] converted a disability pension to a retirement pension.

The board should correct all applicable errors in subsequent filings.

Actuarial Valuations

The actuarial valuation report prepared by the Department of Insurance as of January 1, 2021 showing assets and liabilities of the fund calculated in accordance with actuarial reserve requirements as prescribed by Section or 3-125 of the Illinois Pension Code, indicates the following:

Accrued Liability	\$194,991,168
Actuarial Value of Assets	\$120,112,489
Unfunded Accrued Liability	\$74,878,679
Funded Ratio	62%
Normal Cost as a percentage of payroll	32%
Expected return during fiscal year 2020	\$7,553,676
Investment gain/(loss) during the fiscal year	\$5,131,406
Interest Rate-Actuarial Assumption	6.50%

Benefits

The board is paying a disability pension to [REDACTED] without a proof of a medical examination verifying the continuance of disability which should have been completed in year 2020 in contravention of Section 3-115 of the Illinois Pension Code. [REDACTED] annual disability benefit amount is \$47,692.80 and continues to be the same amount in year 2021.

Contributions

Employee pension contributions for the following participants were not correctly assessed in contravention of Section 3-125.1 of the Illinois Pension Code. During testing of payroll records of fourteen participants covering the time period from January 2020 through December 2020 the following were observed:

- Pension contributions are being deducted on one and one half times the regular rate of pay for working on Thanksgiving Day and Christmas Day. A review of the payroll records revealed the following:
 - [REDACTED]: Additional contributions deducted in the amount of \$17.78 on check dated January 10, 2020.
 - [REDACTED]: Additional contributions deducted in the amount of \$18.23 on check dated January 10, 2020.
 - [REDACTED]: Additional contributions deducted in the amount of \$11.66 on check dated December 11, 2020.
 - [REDACTED]: Additional contributions deducted in the amount of \$14.64 on check dated December 11, 2020.
 - [REDACTED]: Additional contributions deducted in the amount of \$16.73 on check dated December 11, 2020.
 - [REDACTED]: Additional contributions deducted in the amount of \$19.07 on check dated December 11, 2020.
 - [REDACTED]: Additional contributions deducted in the amount of \$18.23 on check dated January 10, 2020.
 - [REDACTED]: Additional contributions deducted in the amount of \$16.09 on check dated December 11, 2020.

It is recommended that the board of trustees develop procedures so that contributions are only deducted on salary as it is defined in Section 3-125.1 of the Illinois Pension Code.

Corporate Records

The board minutes were reviewed and found to be incomplete with respect to the documentation of all fund activity in contravention of Sections 3-131 and 3-139 of the Illinois Pension Code. The Public Pension Division recommends the board implement and maintain policies and procedures to maintain complete corporate records. Specific details that were not discussed or documented completely include the following:

- Discussions regarding the buy back of military time by [REDACTED].
- Approval of report to the municipality.
- Approval of new benefit payments.
- Approval of meeting minutes from prior board meetings

The Public Pension Division recommends that the board continue to maintain its corporate records by documenting, at minimum, the following in its board meeting minutes:

- Time, date, and location of the next meeting;
- The presence of a quorum;
- Approval of the prior meetings minutes, including signature of president or secretary;
- Approval of all expenses paid;
- Approval of all COLA's granted;
- Approval of all investments made;
- Approval of all new members accepted into the fund, including date of hire;
- Results of trustee elections, including term expiration date;
- Acceptance of mayoral trustee appointments, including term expiration date;
- Election of board officers;
- Amount of tax levy request made to the municipality;
- Approval of member refunds, including date of termination and amount of refund; and
- Approval of all benefits approved, including type of benefit, effective date of benefit, amount of creditable service, rank, salary used, percentage applied, and monthly benefit amount.

Investments

No discrepancies were identified in the investment holdings of the pension fund as of December 31, 2020.

Management

As reported in the annual statement filed with the Department of Insurance for the fiscal year ending December 31, 2020, the board of trustees of [REDACTED] Police Pension Fund was comprised as follows:

Trustee	Reason on Board	Board Position	Term Expiration
[REDACTED]	Elected	President	January 1, 2021
[REDACTED]	Elected	Secretary	January 1, 2021
[REDACTED]	Appointed	Trustee	May 1, 2022
[REDACTED]	Elected	Vice President	January 1, 2021

The current board of trustees did not consist of five members as of the end of December 31, 2020 in contravention of Section 3-128 of the Illinois Pension Code.

Trustee [REDACTED] did not complete the initial trustee training in contravention of Section 1-109.3 of the Illinois Pension Code. The board did not submit training records with the annual statement filings to attest to the initial trustee training completed by the trustee.

Trustees [REDACTED], [REDACTED], [REDACTED], and [REDACTED] did not complete the annual trustee training in contravention of Section 1-109.3 of the Illinois Pension Code. The board did not submit training records with the annual statement filings to attest to the annual trustee training completed in year 2020 by the trustees.

It is noted that two trustees, [REDACTED] and [REDACTED], completed training in year 2021, subsequent to the time period covered in the 2020 annual statement filing.

The agreement appointing [REDACTED] as fund's investment advisers were not filed with the Public Pension Division within 30 days of the appointment in contravention of Section 1-113.5 of the Illinois Pension Code.

The board did not file its investment policy with the Public Pension Division within 30 days after its adoption in contravention of Section 1-113.6 of the Illinois Pension Code. Although the adoption of a new investment policy was discussed in the board meeting minutes from the board meeting which took place on April 22, 2021, the investment policy was not submitted the Public Pension Division within 30 days after its adoption. The most recent investment policy dated, April 24, 2019, on file with the Public Pension Division was received on June 30, 2019.

Rules and regulations authorized under Section 3-140 and made by the board were reviewed to determine compliance with the Illinois Pension Code.

Membership Records

Documentation of a medical examination attesting to the continuance of a disability was not on file for [REDACTED] for year 2020 in contravention of Section 3-115 of the Illinois Pension Code.

The Public Pension Division recommends that membership files continue to contain documentary evidence including: complete applications to join the pension fund; accumulated contribution lists; "base-line" medical documentation; applications for benefits; details of benefit calculations; initial and annual medical documentation required for disability pensions; birth certificates for members, spouses, and children; marriage licenses; death certificates; adoption certificates; copies of refund checks and endorsements; QILDRO documents; salary history; rank; and copies of training certificates.

AUTHORITIES CITED IN THE REPORT

(40 ILCS 5/1A-109)

Sec. 1A-109. Annual statements by pension funds.

Each pension fund shall furnish to the Division an annual statement in a format prepared by the Division. The Division shall design the form and prescribe the content of the annual statement and, at least 60 days prior to the filing date, shall furnish the form to each pension fund for completion. The annual statement shall be prepared by each fund, properly certified by its officers, and submitted to the Division within 6 months following the close of the fiscal year of the pension fund.

The annual statement shall include, but need not be limited to, the following:

- (1) a financial balance sheet as of the close of the fiscal year;*
- (2) a statement of income and expenditures;*
- (3) an actuarial balance sheet;*
- (4) statistical data reflecting age, service, and salary characteristics concerning all participants;*
- (5) special facts concerning disability or other claims;*
- (6) details on investment transactions that occurred during the fiscal year covered by the report;*
- (7) details on administrative expenses; and*
- (8) such other supporting data and schedules as in the judgement of the Division may be*

necessary for a proper appraisal of the financial condition of the pension fund and the results of its operations. The annual statement shall also specify the actuarial and interest tables used in the operation of the pension fund.

For pension funds under Article 3 or 4 of this Code, after the conclusion of the transition period, the Consolidated Fund shall furnish directly to the Division the information described in items (1) and (6) of this Section and shall otherwise cooperate with the pension fund in the preparation of the annual statement.

A pension fund that fails to file its annual statement within the time prescribed under this Section is subject to the penalty provisions of Section 1A-113.

(40 ILCS 5/3-125) (from Ch. 108 1/2, par. 3-125)

Sec. 3-125. Financing.

(a) The city council or the board of trustees of the municipality shall annually levy a tax upon all the taxable property of the municipality at the rate on the dollar which will produce an amount which, when added to the deductions from the salaries or wages of police officers, and revenues available from other sources, will equal a sum sufficient to meet the annual requirements of the police pension fund. The annual requirements to be provided by such tax levy are equal to (1) the normal cost of the pension fund for the year involved, plus (2) an amount sufficient to bring the total assets of the pension fund up to 90% of the total actuarial liabilities of the pension fund by the end of municipal fiscal year 2040, as annually updated and determined by an enrolled actuary employed by the Illinois Department of Insurance or by an enrolled actuary retained by the pension fund or the municipality. In making these determinations, the required minimum employer contribution shall be calculated each year as a level percentage of payroll over the years remaining up to and including fiscal year 2040 and shall be determined under the projected unit credit actuarial cost method. The tax shall be levied and collected in the same manner as the general taxes of the municipality, and in addition to all other taxes now or hereafter authorized to be levied upon all property within the municipality, and shall be in addition to the amount authorized to be levied for general purposes as provided by Section 8-3-1 of the Illinois Municipal Code, approved May 29, 1961, as amended. The tax shall be forwarded directly to the treasurer of the board within 30 business days after receipt by the county.

(b) For purposes of determining the required employer contribution to a pension fund, the value of the pension fund's assets shall be equal to the actuarial value of the pension fund's assets, which shall be calculated as follows:

(1) On March 30, 2011, the actuarial value of a pension fund's assets shall be equal to the market value of the assets as of that date.

(2) In determining the actuarial value of the System's assets for fiscal years after March 30, 2011, any actuarial gains or losses from investment return incurred in a fiscal year shall be recognized in equal annual amounts over the 5-year period following that fiscal year.

(c) If a participating municipality fails to transmit to the fund contributions required of it under this Article for more than 90 days after the payment of those contributions is due, the fund may, after giving notice to the municipality, certify to the State Comptroller the amounts of the delinquent payments in accordance with any applicable rules of the Comptroller, and the Comptroller must, beginning in fiscal year 2016, deduct and remit to the fund the certified amounts or a portion of those amounts from the following proportions of payments of State funds to the municipality:

(1) in fiscal year 2016, one-third of the total amount of any payments of State funds to the municipality;

(2) in fiscal year 2017, two-thirds of the total amount of any payments of State funds to the municipality; and

(3) in fiscal year 2018 and each fiscal year thereafter, the total amount of any payments of State funds to the municipality.

The State Comptroller may not deduct from any payments of State funds to the municipality more than the amount of delinquent payments certified to the State Comptroller by the fund.

(d) The police pension fund shall consist of the following moneys which shall be set apart by the treasurer of the municipality:

(1) All moneys derived from the taxes levied hereunder;

(2) Contributions by police officers under Section 3-125.1;

(2.5) All moneys received from the Police Officers' Pension Investment Fund as provided in Article 22B of this Code;

(3) All moneys accumulated by the municipality under any previous legislation establishing a fund for the benefit of disabled or retired police officers;

(4) Donations, gifts or other transfers authorized by this Article.

(e) The Commission on Government Forecasting and Accountability shall conduct a study of all funds established under this Article and shall report its findings to the General Assembly on or before January 1, 2013. To the fullest extent possible, the study shall include, but not be limited to, the following:

(1) fund balances;

(2) historical employer contribution rates for each fund;

(3) the actuarial formulas used as a basis for employer contributions, including the actual assumed rate of return for each year, for each fund;

(4) available contribution funding sources;

(5) the impact of any revenue limitations caused by PTELL and employer home rule or non-home rule status; and

(6) existing statutory funding compliance procedures and funding enforcement mechanisms for all municipal pension funds.

(40 ILCS 5/3-115) (from Ch. 108 1/2, par. 3-115)

Sec. 3-115. Certificate of disability.

A disability pension shall not be paid unless there is filed with the board certificates of the police officer's disability, subscribed and sworn to by the police officer if not under legal disability, or by a representative if the officer is under legal disability, and by the police surgeon (if there be one) and 3 practicing physicians selected by the board. The board may require other evidence of disability.

Medical examination of a police officer retired for disability shall be made at least once each year

prior to attainment of age 50, as verification of the continuance of disability for service as a police officer. No examination shall be required after age 50.

(40 ILCS 5/3-125.1) (from Ch. 108 1/2, par. 3-125.1)

Sec. 3-125.1. Contributions by police officers. Each police officer shall contribute to the pension fund the following percentages of salary for the periods stated: Beginning July 1, 1909 and prior to July 23, 1943, 1% (except that prior to July 1, 1921 not more than one dollar per month shall be deducted, and except that beginning July 1, 1921 and prior to July 1, 1927 not more than \$2 per month shall be deducted); beginning July 23, 1943 and prior to July 20, 1949, 3%; beginning July 20, 1949 and prior to July 17, 1959, 5%; beginning July 17, 1959 and prior to July 1, 1971, 7%; beginning July 1, 1971 and prior to July 1, 1975, 7 1/2%; beginning July 1, 1975 and prior to January 1, 1987, 8 1/2%; beginning January 1, 1987 and prior to January 1, 2001, 9%; and beginning January 1, 2001, 9.91%. Such sums shall be paid or deducted monthly. Contribution to the self-managed plan shall be no less than 10% of salary.

"Salary" means the annual salary, including longevity, attached to the police officer's rank, as established by the municipality's appropriation ordinance, including any compensation for overtime which is included in the salary so established, but excluding any "overtime pay", "holiday pay", "bonus pay", "merit pay", or any other cash benefit not included in the salary so established.

(50 Ill. Adm. Code 4402 Section 4402.30 Definitions)

Class, for purposes of this Part, means a subset of individuals in a particular rank (i.e., Patrol versus Administration). Class may also be signified by the devotion of compensation for education or other work-related achievements.

Fixed, for purposes of this Part, means a payment in a predetermined amount which can be determined through an examination of the appropriation ordinance, plans or agreements establishing salary.

Rank, for purposes of this Part, means the employee's official position, including but not limited to Civil Service Rank, Ranks established by the Police or Fire Commission, Detective, Juvenile Officer, Special Instructor, Shift Commander, Training Officer, Chief, Emergency Medical Technician (E.M.T.), Paramedic, Range Officer, and Mechanic.

Regular, for purposes of this Part, means a scheduled payment. The schedule may be annually, quarterly, monthly or any other basis.

Salary, for purposes of this Part, means any fixed compensation received by an employee of a municipality that participates in one of the pension funds established under Article 3 or 4 of the Illinois Pension Code, which has been approved through an appropriations ordinance of the municipality. Salary is received regularly and is attached to the rank or class to which the firefighter or police officer is assigned.

50 Ill. Adm. Code 4402 Section 4402.35 Salary for Pension Purposes All salary, as defined in Section 4402.30 of this Part, shall be used in pension computations for purposes of determining the correct amount of employee contributions. The following types of pay are considered salary, in accordance with the definition in Section 4402.30:

a) Base Pay

The basic salary attached to rank which is specified in the bargaining contract, municipal pay plan or any other document which establishes salary.

b) Education Pay

Additional compensation for attaining certain levels of academic and professional training, such as an associate or bachelor's degree or attainment of firefighters certification or firearm certification, or any other pay given for designated educational achievement.

c) Holiday Pay

Additional compensation paid regardless of whether the employee must work on the holiday, unless there is an option, such as time off in lieu of cash compensation.

d) Longevity

Additional pay received after the employee has attained a specified number of years of service. This pay may be received with regular salary or in one or more lump sum payments during the year. When paid in a lump sum, the amount should be prorated to determine the monthly equivalent to compute all pension contributions and benefits.

e) Overtime Pay

Compensation for time worked beyond the regular work hours, which is already included in the regular salary attached to that rank or class.

f) Specialty Rank

Compensation for services performed in positions beyond the basic rank, such as detective, juvenile officer, special instructor, shift commander, training officer, chief, emergency medical technician, paramedic, range officer or mechanic.

g) Temporary Pay

Compensation received for temporarily performing the duties of a higher rank or specialty rank. This is to be considered salary only if the temporary position has lasted for a continuous period of more than one year. After temporary pay has been received for one continuous year of service in that position, the amount is considered attached to rank and then becomes salary for purposes of pension computation.

50 Ill. Adm. Code 4402 Section 4402.40 Non-Salary Compensation

For purposes of calculating pension contributions and pension benefits, the following categories of pay shall not be considered compensation:

a) Accumulated Unused Time

Compensation for unused accumulated vacation, sick, or personal time earned during employment, regardless of whether the compensation is received during employment or after termination.

b) Awards

Compensation for an extraordinary deed or accomplishment, which is not recurring in nature.

c) Automobile Allowance

Compensation for the use of the employee's personal automobile.

d) Food Allowance

Compensation for the purchase of meals while performing the duties required.

e) Housing Allowance

Compensation received for the purpose of providing housing, in whole or in part. The method of providing the housing, such as renting or purchasing, is irrelevant.

f) Merit Pay

Compensation which is neither fixed in amount or determined by a reviewing bargaining agreement or pay plan, nor added into the salary for determining future increases.

g) Overtime Pay

Compensation paid for working more than the regular hours specified in the contract or pay plan.

h) Shift Differential

Compensation for working a second or third shift, in addition to the salary attached to that rank or class.

i) Temporary Pay

Compensation received for temporarily performing the duties of a higher rank or specialty rank position shall not be considered salary unless and until this compensation has been received continually for one full year.

j) Uniform Allowance

Compensation received as reimbursement or payment for the purchase of necessary uniforms and equipment for use in the performance of the required duties. This compensation may be paid as reimbursement or as a fixed amount, regardless of the actual amount expended.

(40 ILCS 5/3-131) (from Ch. 108 1/2, par. 3-131)

Sec. 3-131. Powers and duties of board.

The board shall have the powers and duties stated in Sections 3-132 through 3-140.1 in addition to the other powers and duties provided under this Article.

(40 ILCS 5/3-139) (from Ch. 108 1/2, par. 3-139)

Sec. 3-139. To keep records.

To keep a public record of all its proceedings.

(40 ILCS 5/3-128) (from Ch. 108 1/2, par. 3-128)

Sec. 3-128. Board created. A board of 5 members shall constitute a board of trustees to administer the pension fund and to designate the beneficiaries thereof. The board shall be known as the "Board of Trustees of the Police Pension Fund" of the municipality.

Two members of the board shall be appointed by the mayor or president of the board of trustees of the municipality involved. The 3rd and 4th members of the board shall be elected from the active participants of the pension fund by such active participants. The 5th member shall be elected by and from the beneficiaries. One of the members appointed by the mayor or president of the board of trustees shall serve for one year beginning on the 2nd Tuesday in May after the municipality comes under this Article. The other appointed member shall serve for 2 years beginning on the same date. Their successors shall serve for 2 years each or until their successors are appointed and qualified.

The election for board members shall be held biennially on the 3rd Monday in April, at such place or places in the municipality and under the Australian ballot system and such other regulations as shall be prescribed by the appointed members of the board.

The active pension fund participants shall be entitled to vote only for the active participant members of the board. All beneficiaries of legal age may vote only for the member chosen from among the beneficiaries. No person shall be entitled to cast more than one ballot at such election. The term of elected members shall be 2 years, beginning on the 2nd Tuesday of the first May after the election.

Upon the death, resignation or inability to act of any elected board member, his or her successor shall be elected for the unexpired term at a special election, to be called by the board and conducted in the same manner as the regular biennial election.

Members of the board shall neither receive nor have any right to receive any salary from the pension fund for services performed as trustees in that office.

(40 ILCS 5/1-109.3)

Sec. 1-109.3. Training requirement for pension trustees.

(a) All elected and appointed trustees under Article 3 and 4 of this Code must participate in a mandatory trustee certification training seminar that consists of at least 16 hours of initial trustee certification at a training facility that is accredited and affiliated with a State of Illinois certified college or university. This training must include without limitation all of the following:

(1) Duties and liabilities of a fiduciary with respect to the administration and payment of pension benefits.

(2) Adjudication of pension claims.

(3) (Blank).

(4) Trustee ethics.

(5) The Illinois Open Meetings Act.

(6) The Illinois Freedom of Information Act.

The training required under this subsection (a) must be completed within the first year that a trustee is elected or appointed under an Article 3 or 4 pension fund. Any trustee who has completed the training required under Section 1.05 of the Open Meetings Act shall not be required to participate in training concerning item (5) of this subsection. The elected and appointed trustees of an Article 3 or 4 pension fund who are police officers (as defined in Section 3-106 of this Code) or firefighters (as defined in Section 4-106 of this Code) or are employed by the municipality shall be permitted time away from their duties to attend such training without reduction of accrued leave or benefit time. Active or appointed trustees serving on the effective date of this amendatory Act of the 96th General Assembly shall not be required to attend the training required under this subsection (a).

(a-5) In addition to the initial trustee certification training required under subsection (a), all elected and appointed trustees who were elected or appointed on or before the effective date of this amendatory Act of the 101st General Assembly shall also participate in 4 hours of training on the changes made by this amendatory Act of the 101st General Assembly. For trustees of funds under Article 3, this training shall be conducted at a training facility that is accredited and affiliated with a State of Illinois certified college or university. For trustees of funds under Article 4, this training may be conducted by a fund, the Department of Insurance, or both a fund and the Department of Insurance. This training is only required to be completed once by each trustee required to participate.

(b) In addition to the initial trustee certification training required under subsection (a), all elected and appointed trustees under Article 3 and 4 of this Code, including trustees serving on the effective date of this amendatory Act of the 96th General Assembly, shall also participate in a minimum of 8 hours of continuing trustee education each year after the first year that the trustee is elected or appointed.

(c) The training required under this Section shall be paid for by the pension fund.

(d) Any board member who does not timely complete the training required under this Section is not eligible to serve on the board of trustees of an Article 3 or 4 pension fund, unless the board member completes the missed training within 6 months after the date the member failed to complete the required training. In the event of a board member's failure to complete the required training, a successor shall be appointed or elected, as applicable, for the unexpired term. A successor who is elected under such circumstances must be elected at a special election called by the board and conducted in the same manner as a regular election under Article 3 or 4, as applicable.

(40 ILCS 5/1-113.5)

Sec. 1-113.5. Investment advisers and investment services for all Article 3 or 4 pension funds.

(a) The board of trustees of a pension fund may appoint investment advisers as defined in Section 1-101.4. The board of any pension fund investing in common or preferred stock under Section 1-113.4 shall appoint an investment adviser before making such investments.

The investment adviser shall be a fiduciary, as defined in Section 1-101.2, with respect to the pension fund and shall be one of the following:

- (1) an investment adviser registered under the federal Investment Advisers Act of 1940 and the Illinois Securities Law of 1953;*
- (2) a bank or trust company authorized to conduct a trust business in Illinois;*
- (3) a life insurance company authorized to transact business in Illinois; or*
- (4) an investment company as defined and registered under the federal Investment Company Act of 1940 and registered under the Illinois Securities Law of 1953.*

(a-5) Notwithstanding any other provision of law, a person or entity that provides consulting services (referred to as a "consultant" in this Section) to a pension fund with respect to the selection of fiduciaries may not be awarded a contract to provide those consulting services that is more than 5 years in duration. No contract to provide such consulting services may be renewed or extended. At the end of the term of a contract, however, the contractor is eligible to compete for a new contract. No

person shall attempt to avoid or contravene the restrictions of this subsection by any means. All offers from responsive offerors shall be accompanied by disclosure of the names and addresses of the following:

- (1) The offeror.*
- (2) Any entity that is a parent of, or owns a controlling interest in, the offeror.*
- (3) Any entity that is a subsidiary of, or in which a controlling interest is owned by, the offeror.*

Beginning on July 1, 2008, a person, other than a trustee or an employee of a pension fund or retirement system, may not act as a consultant under this Section unless that person is at least one of the following: (i) registered as an investment adviser under the federal Investment Advisers Act of 1940 (15 U.S.C. 80b-1, et seq.); (ii) registered as an investment adviser under the Illinois Securities Law of 1953; (iii) a bank, as defined in the Investment Advisers Act of 1940; or (iv) an insurance company authorized to transact business in this State.

(b) All investment advice and services provided by an investment adviser or a consultant appointed under this Section shall be rendered pursuant to a written contract between the investment adviser and the board, and in accordance with the board's investment policy.

The contract shall include all of the following:

- (1) acknowledgement in writing by the investment adviser that he or she is a fiduciary with respect to the pension fund;*
- (2) the board's investment policy;*
- (3) full disclosure of direct and indirect fees, commissions, penalties, and any other compensation that may be received by the investment adviser, including reimbursement for expenses; and*
- (4) a requirement that the investment adviser submit periodic written reports, on at least a quarterly basis, for the board's review at its regularly scheduled meetings. All returns on investment shall be reported as net returns after payment of all fees, commissions, and any other compensation.*

(b-5) Each contract described in subsection (b) shall also include (i) full disclosure of direct and indirect fees, commissions, penalties, and other compensation, including reimbursement for expenses, that may be paid by or on behalf of the investment adviser or consultant in connection with the provision of services to the pension fund and (ii) a requirement that the investment adviser or consultant update the disclosure promptly after a modification of those payments or an additional payment.

Within 30 days after the effective date of this amendatory Act of the 95th General Assembly, each investment adviser and consultant providing services on the effective date or subject to an existing contract for the provision of services must disclose to the board of trustees all direct and indirect fees, commissions, penalties, and other compensation paid by or on behalf of the investment adviser or consultant in connection with the provision of those services and shall update that disclosure promptly after a modification of those payments or an additional payment.

A person required to make a disclosure under subsection (d) is also required to disclose direct and indirect fees, commissions, penalties, or other compensation that shall or may be paid by or on behalf of the person in connection with the rendering of those services. The person shall update the disclosure promptly after a modification of those payments or an additional payment.

The disclosures required by this subsection shall be in writing and shall include the date and amount of each payment and the name and address of each recipient of a payment.

(c) Within 30 days after appointing an investment adviser or consultant, the board shall submit a copy of the contract to the Division of Insurance of the Department of Financial and Professional Regulation.

(d) Investment services provided by a person other than an investment adviser appointed under this Section, including but not limited to services provided by the kinds of persons listed in items (1) through (4) of subsection (a), shall be rendered only after full written disclosure of direct and indirect fees, commissions, penalties, and any other compensation that shall or may be received by the person rendering those services.

(e) The board of trustees of each pension fund shall retain records of investment transactions in accordance with the rules of the Department of Financial and Professional Regulation.

(40 ILCS 5/1-113.6)

Sec. 1-113.6. Investment policies. Every board of trustees of a pension fund shall adopt a written investment policy and file a copy of that policy with the Department of Insurance within 30 days after its adoption. Whenever a board changes its investment policy, it shall file a copy of the new policy with the Department within 30 days.

The investment policy shall include a statement that material, relevant, and decision-useful sustainability factors have been or are regularly considered by the board, within the bounds of financial and fiduciary prudence, in evaluating investment decisions. Such factors include, but are not limited to: (1) corporate governance and leadership factors; (2) environmental factors; (3) social capital factors; (4) human capital factors; and (5) business model and innovation factors, as provided under the Illinois Sustainable Investing Act.

(40 ILCS 5/3-140) (from Ch. 108 1/2, par. 3-140)

Sec. 3-140. To make rules.

To make necessary rules and regulations in conformity with the provisions of this Article, and to publish and transmit copies from time to time to all pensioners and contributors.

ATTACHMENT
FINDINGS IN THE DRAFT REPORT AND BOARD'S RESPONSES TO THE FINDINGS

SUMMARY OF FINDINGS

Based upon the examination of the annual statement and the supporting documents, the following is a summary of significant findings of fact found in the subsequent pages in this report:

1. The annual statement filed with the Public Pension Division for fiscal year ending December 31, 2020 did not fully comply with 40 ILCS 5/1A-109 in that participant data for participants were reported inaccurately. (Accounting Records)
2. The board paid a disability pension to a member without a proof of a medical examination verifying the continuance of disability in contravention of 40 ILCS 5/3-115. (Benefits)
3. Employee pension contributions for participants were not correctly assessed in contravention of 40 ILCS 5/3-125.1 and 50 Ill. Adm. Code 4402.30 - 4402.40. (Contributions)
4. The board minutes were incomplete with respect to the documentation of all fund activity in contravention of 40 ILCS 5/3-131 and 40 ILCS 5/3-139. (Corporate Records)
5. One trustee did not complete the initial trustee training requirements in contravention of 40 ILCS 5/1-109.3. (Management)
6. Four trustees did not complete the annual trustee training requirements in contravention of 40 ILCS 5/1-109.3. (Management)
7. Agreements appointing investment advisers were not filed with the Public Pension Division within 30 days after each firm was appointed as the fund's investment adviser in contravention of 40 ILCS 5/1-113.5. (Management)
8. The board did not file its investment policy within thirty days after its adoption in contravention of 40 ILCS 5/1-113.6. (Management)
9. The membership files did not contain documentation of medical examinations attesting to the continuance of a disability in contravention of 40 ILCS 5/3-115. (Membership Records)

ATTACHMENT
FINDINGS IN THE DRAFT REPORT AND BOARD'S RESPONSES TO THE FINDINGS

Accounting Records

The annual statement filed with the Public Pension Division for fiscal year ending December 31, 2020 did not fully comply with Section 1A-109 of the Illinois Pension Code in that participant data were reported inaccurately. The filing included the following errors:

- [REDACTED]: Status code changed from 230 in the 2019 filing to 22Q in the 2020 filing. There is no indication that [REDACTED] converted a disability pension to a retirement pension.

The board should correct all applicable errors in subsequent filings.

BOARD'S RESPONSE: This finding is correct. Our accounting firm inaccurately changed [REDACTED] [REDACTED] status to 22Q (retirement w/ QILDRO – Conversion from disability) instead of 21Q (retirement from active service w/ QILDRO). He did have a QILDRO start in 2020 but the incorrect class code was selected. It has been corrected. Subsequent filings will reflect the correct information.

ATTACHMENT
FINDINGS IN THE DRAFT REPORT AND BOARD'S RESPONSES TO THE FINDINGS

Actuarial Valuations

The actuarial valuation report prepared by the Department of Insurance as of January 1, 2021 showing assets and liabilities of the fund calculated in accordance with actuarial reserve requirements as prescribed by Section or 3-125 of the Illinois Pension Code, indicates the following:

Accrued Liability	\$194,991,168
Actuarial Value of Assets	\$120,112,489
Unfunded Accrued Liability	\$74,878,679
Funded Ratio	62%
Normal Cost as a percentage of payroll	32%
Expected return during fiscal year 2020	\$7,553,676
Investment gain/(loss) during the fiscal year	\$5,131,406
Interest Rate-Actuarial Assumption	6.50%

BOARD'S RESPONSE: The Board agrees with these findings and finds them to be fully accurate.

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Benefits

The board is paying a disability pension to [REDACTED] without a proof of a medical examination verifying the continuance of disability which should have been completed in year 2020 in contravention of Section 3-115 of the Illinois Pension Code. [REDACTED] annual disability benefit amount is \$47,692.80 and continues to be the same amount in year 2021.

BOARD'S RESPONSE: The Board agrees with these findings. Due to the COVID-19 pandemic and doctors not seeing patients in person, [REDACTED] 2020 annual examination was not completed. The board is asking for a waiver for [REDACTED] 2020 examination. [REDACTED] 2021 examination is in the process of being scheduled and will be completed.

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Contributions

Employee pension contributions for the following participants were not correctly assessed in contravention of Section 3-125.1 of the Illinois Pension Code. During testing of payroll records of fourteen participants covering the time period from January 2020 through December 2020 the following were observed:

- Pension contributions are being deducted on one and one half times the regular rate of pay for working on Thanksgiving Day and Christmas Day. A review of the payroll records revealed the following:
 - [REDACTED]: Additional contributions deducted in the amount of \$17.78 on check dated January 10, 2020.
 - [REDACTED]: Additional contributions deducted in the amount of \$18.23 on check dated January 10, 2020.
 - [REDACTED]: Additional contributions deducted in the amount of \$11.66 on check dated December 11, 2020.
 - [REDACTED]: Additional contributions deducted in the amount of \$14.64 on check dated December 11, 2020.
 - [REDACTED]: Additional contributions deducted in the amount of \$16.73 on check dated December 11, 2020.
 - [REDACTED]: Additional contributions deducted in the amount of \$19.07 on check dated December 11, 2020.
 - [REDACTED]: Additional contributions deducted in the amount of \$18.23 on check dated January 10, 2020.
 - [REDACTED]: Additional contributions deducted in the amount of \$16.09 on check dated December 11, 2020.

It is recommended that the board of trustees develop procedures so that contributions are only deducted on salary as it is defined in Section 3-125.1 of the Illinois Pension Code.

BOARD'S RESPONSE: The board agrees with these findings. The board has identified this as an accounting error and we are working with the finance department to develop procedures to be in compliance.

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FINDINGS IN THE DRAFT REPORT AND BOARD'S RESPONSES TO THE FINDINGS

Corporate Records

The board minutes were reviewed and found to be incomplete with respect to the documentation of all fund activity in contravention of Sections 3-131 and 3-139 of the Illinois Pension Code. The Public Pension Division recommends the board implement and maintain policies and procedures to maintain complete corporate records. Specific details that were not discussed or documented completely include the following:

- Discussions regarding the buy back of military time by [REDACTED].
- Approval of report to the municipality.
- Approval of new benefit payments.

Approval of meeting minutes from prior board meetings

BOARD'S RESPONSE: In reference to [REDACTED], his "military time" was actually a bug back of his loss time rather than traditional military buy back therefore it was not the policy of the board to bring this type of transaction before the board. This has been remedied and these transactions will be brought before the board in the future.

In reference to the report to the municipality, new benefit payments and previous meeting minutes. These items have been remedied and future minutes will reflect the change.

The Public Pension Division recommends that the board continue to maintain its corporate records by documenting, at minimum, the following in its board meeting minutes:

- Time, date, and location of the next meeting;
- The presence of a quorum;
- Approval of the prior meetings minutes, including signature of president or secretary;
- Approval of all expenses paid;
- Approval of all COLA's granted;
- Approval of all investments made;
- Approval of all new members accepted into the fund, including date of hire;
- Results of trustee elections, including term expiration date;
- Acceptance of mayoral trustee appointments, including term expiration date;

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- Election of board officers;
- Amount of tax levy request made to the municipality;
- Approval of member refunds, including date of termination and amount of refund; and

Approval of all benefits approved, including type of benefit, effective date of benefit, amount of creditable service, rank, salary used, percentage applied, and monthly benefit amount.

BOARD'S RESPONSE: These items have been remedied and future minutes will reflect the change.

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FINDINGS IN THE DRAFT REPORT AND BOARD'S RESPONSES TO THE FINDINGS

Investments

No discrepancies were identified in the investment holdings of the pension fund as of December 31, 2020.

BOARD'S RESPONSE:

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Management

As reported in the annual statement filed with the Department of Insurance for the fiscal year ending December 31, 2020, the board of trustees of [REDACTED] Police Pension Fund was comprised as follows:

Trustee	Reason on Board	Board Position	Term Expiration
[REDACTED]	Elected	President	January 1, 2021
[REDACTED]	Elected	Secretary	January 1, 2021
[REDACTED]	Appointed	Trustee	May 1, 2022
[REDACTED]	Elected	Vice President	January 1, 2021

BOARD'S RESPONSE: The board agrees with these findings.

The current board of trustees did not consist of five members as of the end of December 31, 2020 in contravention of Section 3-128 of the Illinois Pension Code.

BOARD'S RESPONSE: The board is aware of the deficiency. This slot is designated as an appointee by the mayor/city. Despite many communications with the mayor she has failed to fill the slot. This should be remedied shortly.

Trustee [REDACTED] did not complete the initial trustee training in contravention of Section 1-109.3 of the Illinois Pension Code. The board did not submit training records with the annual statement filings to attest to the initial trustee training completed by the trustee.

BOARD'S RESPONSE: [REDACTED] has completed his trustee training within the last quarter and his certificate has been provided.

Trustees [REDACTED], [REDACTED], [REDACTED], and [REDACTED] did not complete the annual trustee training in contravention of Section 1-109.3 of the Illinois Pension Code. The board did not submit training records with the annual statement filings to attest to the annual trustee training completed in year 2020 by the trustees.

It is noted that two trustees, [REDACTED] and [REDACTED], completed training in year 2021, subsequent to the time period covered in the 2020 annual statement filing.

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BOARD'S RESPONSE: The board agrees with these findings. As noted above, [REDACTED] training has been completed, as well as [REDACTED] and [REDACTED]. [REDACTED] is currently enrolled in the on-line training.

The agreement appointin [REDACTED]
[REDACTED] as fund's investment advisers were not filed with the Public Pension Division within 30 days of the appointment in contravention of Section 1-113.5 of the Illinois Pension Code.

BOARD'S RESPONSE: The board agrees with these findings and will comply in the future.

The board did not file its investment policy with the Public Pension Division within 30 days after its adoption in contravention of Section 1-113.6 of the Illinois Pension Code. Although the adoption of a new investment policy was discussed in the board meeting minutes from the board meeting which took place on April 22, 2021, the investment policy was not submitted the Public Pension Division within 30 days after its adoption. The most recent investment policy dated, April 24, 2019, on file with the Public Pension Division was received on June 30, 2019.

BOARD'S RESPONSE: The policy was adopted on April 22, 2021 and due to one board member participating via tele-conference it was not able to be signed by all members until August 21, 2021.

Rules and regulations authorized under Section 3-140 and made by the board were reviewed to determine compliance with the Illinois Pension Code.

BOARD'S RESPONSE:

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Membership Records

Documentation of a medical examination attesting to the continuance of a disability was not on file for [REDACTED] for year 2020 in contravention of Section 3-115 of the Illinois Pension Code.

BOARD'S RESPONSE: The Board agrees with these findings. Due to the COVID-19 pandemic and doctors not seeing patients in person, [REDACTED] 2020 annual examination was not completed. The board is asking for a waiver for [REDACTED] 2020 examination. [REDACTED] 2021 examination is in the process of being scheduled and will be completed.

The Public Pension Division recommends that membership files continue to contain documentary evidence including: complete applications to join the pension fund; accumulated contribution lists; "base-line" medical documentation; applications for benefits; details of benefit calculations; initial and annual medical documentation required for disability pensions; birth certificates for members, spouses, and children; marriage licenses; death certificates; adoption certificates; copies of refund checks and endorsements; QILDRO documents; salary history; rank; and copies of training certificates.

BOARD'S RESPONSE: