

TRANSFER OF ASSETS

FREQUENTLY ASKED QUESTIONS

February 22, 2022

Process/Action Steps:

- **What is the transfer process for the assets of the Article 3 Funds to the custodian for the Illinois Police Officers' Pension Investment Fund (IPOPIF)?**

State Street Bank and Trust has been retained to serve as the IPOPIF's custodian.

[Administrative Rule AR-2021-02](#) (Transfer of Assets Rule) explains the steps that need to be taken to ensure a smooth and seamless transition of assets from the Article 3 funds to IPOPIF before the statutory deadline of June 30, 2022.

The Process Summary Section in the [Asset Transfer Letter](#) dated January 28, 2022, also provides details. This letter was sent to funds expected to transfer assets on March 1.

- **Is there anything additional I may need to provide to IPOPIF and/or their custodian (State Street) in order for my legacy custodian to share asset holding files or transition assets?**

At this point, it is important to make sure your fund has completed the actions outlined in the [IPOPIF letter of December 20, 2021](#):

- Adopt the [Resolution Appointing Authorized Agents](#) and email an executed copy, including the secretary's certificate, to IPOPIF at info@ipopif.org.
- Send the required notice to all custodians and investment managers directing them to provide information in a timely fashion. Please copy IPOPIF via email at info@ipopif.org.
- Provide information to IPOPIF regarding investment assets held directly (not at an investment manager or bank), such as insurance contracts or mutual funds
- Assist in the provision of investment data or transfer approvals as needed by your current fiduciaries or IPOPIF's custodian, State Street.

Each Article 3 plan should make arrangements to hold 90 days' worth of benefits and expenses in an account to ensure funds are available to pay benefits during the transition period. Based on your fund's individual cash management needs, you may need to explore account collateralization options with your vendors.

- **How should I notify IPOPIF if my authorized agents will change following the Q2 board meetings?**

Boards should pass an updated [Authorized Agent Resolution](#) and send a copy to info@ipopif.org

- Send the required notice to all custodians and investment managers directing them to provide information in a timely fashion. Please copy IPOPIF via email at info@ipopif.org.
- Assist in the provision of investment data or transfer approvals as needed by your current fiduciaries or IPOPIF's custodian, State Street.

A participating Article 3 Fund will need to review and revise, as necessary, these required actions should there be any changes subsequent to the filing of these resolutions. All correspondence should be sent to info@ipopif.org

- **How did the IPOPIF determine to which tranche Article 3 Funds were assigned?**

[Administrative Rule AR-2021-02](#) (Transfer of Assets Rule) explains the relevant factors used in determining the tranche assignments. Key factors included fiscal year end and likely mutual fund reregistration path.

- **When will the Article 3 Funds be required to stop trading?**

[Administrative Rule AR-2021-02](#) (Transfer of Assets Rule) notes that upon receipt of the Certified Investment Asset List, the participating police pension fund shall not trade or sell any of its investment assets nor shall the pension fund purchase additional pension fund assets. Any trading activity occurring after receipt of the Certified Investment Asset List must be immediately reported to the IPOPIF executive director.

- **How and when should I terminate my legacy custodian?**

The Article 3 participating police pension funds should review the services of their investment managers and custodians' post-transition, as well as, the timing of these services. The IPOPIF cannot determine the answer to these questions at this time.

- **How should I address my plan's ongoing securities litigation activity following the transfer of assets?**

That is a situation that should be discussed with your plan's legal counsel. You may direct them to Administrative Rule AR-2021-02 (Transfer of Assets Rule) which addresses Non-Transferable Assets and defines an asset which cannot be transferred or is imprudent to transfer on the Transfer Date.

- **How will I know that all my assets have been transferred successfully to IPOPIF?**

[Administrative Rule AR-2021-02](#) (Transfer of Assets Rule) notes that the IPOPIF shall initiate the transfer of investment assets from a participating Article 3 Fund that is in receipt of a Certified Investment Asset List. State Street Bank and Trust, the IPOPIF's custodian) will monitor the transfer of assets on the transition date to ensure that the assets are transferred. The IPOPIF shall provide a receipt for the transfer to the participating Article 3 Fund within 30 days of the transfer date by written notice as provided for in this Administrative Rule.

- **What happens if an Article 3 Fund misses one or more deadlines for the transfer of assets? Will it be moved to a new tranche?**

Any Article 3 Fund that anticipates any issue meeting any of the deadlines should contact the IPOPIF as soon as possible.

Certified Investment List:

- **What CPA firms have been retained by the IPOPIF to conduct the Certified Asset List procedures?**

Three CPA firms have been retained by IPOPIF. They are Baker Tilly, US LLP, Kerber, Eck & Braeckel, LLP and Sikich. The Illinois Department of Insurance will conduct the certified asset list process for Article 3 Funds with \$2 million or less in assets.

- **How do we know which CPA firm has been assigned to conduct the Certified Asset Lists for each of the Article 3 Funds?**

The [Asset Transfer Letter](#) dated January 28, 2022, includes an attachment listing the CPA firm assignments for the Article 3 Funds that are participating in the March 1, 2022, transfer of assets tranche.

Cash Management Policy:

- **How will the Article 3 Funds pay their retirement benefits and how will they drawdown cash from the IPOPIF's account?**

The IPOPIF's [Cash Management Policy](#) (PP-2022-01) provides information on cash management. IPOPIF staff is finalizing cash management procedures with our custodian, State Street Bank and Trust to use its cash management system. This is a key priority at this point, and we will communicate details as soon as possible. IPOPIF staff will be able to facilitate cash transfers manually if there are any difficulties with the automated system.

At the time of the initial transfer of assets to the IPOPIF master account at our custodian bank, State Street Bank and Trust, plans are encouraged to hold sufficient cash in their local account to pay an estimated three months of expenses and benefits.

All Article 3 plans will be expected to provide monthly cash flow projections annually that includes the amount expected to be contributed to and withdrawn from the pension fund account for each month of the year. The local plans also are expected to submit an updated projection if there are any material changes to any of the monthly projections. All Article 3 plans are encouraged to maintain an account at a local bank or financial institution to facilitate cash transfers and the payment of expenses and benefits.

- **How will the Article 3 Funds determine their cash flow requirements to pay benefits and expenses and where will the cash be held for the Article 3 Funds?**

Refer to the IPOPIF [Cash Management Policy](#) (PP-2022-01) for detailed information on cash flow planning and local cash reserves.

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- **What if an Article 3 Fund miscalculates and need additional cash to pay beneficiaries?**

Cash withdrawal requests must be submitted at least seven calendar days prior to the requested transfer date to ensure availability and to minimize costs. IPOPIF may, at its sole discretion and based on the circumstances, process cash withdrawal requests with fewer than seven calendar days before the requested transfer date. Regular cash withdrawals of the same amount on a particular day of the month may be arranged through IPOPIF.

- **What is a Collateralization Agreement, and should the Article 3 Funds obtain these agreements?**

Based on your fund's individual cash management needs, you may need to explore account collateralization options with your vendors.

Non-Transferable Assets:

- **What is a Non-Transferable Asset (NTA), and will the Article 3 Funds be responsible for the non-transferable asset?**

Administrative Rule AR-2021-02 (Transfer of Assets Rule) explains this. Basically, a non-transferable asset (NTA) includes cash and any other investment that does not have a CUSIP code.

As noted in the Transition of Assets Letter, dated January 28, 2022, the following assets will generally be considered non-transferrable assets:

- Cash
- Money Market Mutual Funds
- Certificates of Deposit
- Annuity Contracts
- Insurance Contracts
- Assets with invalid identifiers or zero shares

Non-transferable assets will continue to be held by Article 3 Funds until the IPOPIF determines a prudent method for transferring such assets to the IPOPIF investment account.

- **Is Cash a Non-Transferable Asset (NTA)?**

Yes, cash is considered a non-transferrable asset. This will avoid transferring cash needed to pay benefits. Excess cash can be contributed separately through the cash management platform.

- **How can I help IPOPIF by identifying assets I own directly (aka not held by a custodian)?**

[Administrative Rule AR-2021-02](#) (Transfer of Assets Rule) describes the Certified Investment Asset List process and what are transferrable and non-transferrable assets.

Additionally, it is important to make sure your fund has completed the actions outlined in the [IPOPIF letter of December 20, 2021](#):

- Adopt the Resolution Appointing Authorized Agents and email an executed copy, including the secretary's certificate, to IPOPIF at info@ipopif.org.
- Send the required notice to all custodians and investment managers directing them to provide information in a timely fashion. Please copy IPOPIF via email at info@ipopif.org.
- Provide information to IPOPIF regarding investment assets held directly (not at an investment manager or bank), such as insurance contracts or mutual funds
- Assist in the provision of investment data or transfer approvals as needed by your current fiduciaries or IPOPIF's custodian, State Street.

IPOPIF Investment Policy:

- **What will be the IPOPIF and State Street Bank and Trust be doing with the assets once they are transferred to them from the Article 3 Funds?**

Once the assets are completely transferred from an Article 3 Fund to IPOPIF's custodian, State Street Bank and Trust Company, it will reconcile that the assets received are consistent with amount previously certified. IPOPIF's transition manager, State Street Bank and Trust, then will move the assets into the IPOPIF's investment manager accounts. The passive investment managers selected by the IPOPIF board are State Street Global Advisers and RhumbLine Advisers.

- **In what assets will the IPOPIF be investing?**

The [Investment Policy Statement](#), adopted by the IPOPIF Board of Trustees on December 17, 2021 provides details on the investment philosophy, process, and asset allocation. As it states:

- A well-defined governance structure with clearly delineated responsibilities is critical in achieving consistent, long-term performance objectives.
- The strategic asset allocation determines the risk-reward profile of the portfolio and is the primary driver of overall portfolio performance and volatility.
- Risk is multifaceted and will be evaluated holistically, incorporating quantitative measures and qualitative assessments.
- Liquidity is a risk factor and a source of return.
- The opportunity for active manager risk-adjusted outperformance (alpha) is not uniformly distributed across asset classes or strategies. Active strategies are preferred only when there is strong conviction that they can be expected to add alpha, net of fees. Otherwise, passive strategies are preferred.
- Investment costs will be monitored and minimized within the context of maximizing net return. The goal is not low fees, but rather maximum returns, net of fees.

Miscellaneous:

- **What kind of monthly accounting and performance reports will be available to me and how should I expect to access / receive them?**

The IPOPIF and State Street Bank and Trust are currently developing the reports that will be provided to the Article 3 Participating Police Pension Funds. These reports will include a market value summary and performance report summary and will be provided to each fund on a monthly basis.

- **What should the Article 3 Funds consider doing with the investment managers and custodians' post-consolidation once assets have been transferred?**

The consolidation statute indicates that Article 3 Funds should terminate the services of investment managers and custodians' post-transition. Any questions in this area should be reviewed with the Article 3 Fund's legal and investment service providers.

- **Who should I contact if I have any questions not covered in the FAQ?**

Contact the IPOPIF at info@ipopif.org or call 331-472-1080.