

# PENSION POINTERS



## FPIF Issues Notices of Asset Transfer Dates to all Article 4 Funds

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**O**n June 25, 2021, the Firefighters' Pension Investment Fund of Illinois (FPIF) launched the **Notices of Assumption of Fiduciary Control of Pension Assets by FPIF** to all 296 Article 4 pension funds in Illinois. These notices are the first official step to begin the process of consolidating the investment assets of the Article 4 funds into FPIF, which by law must be completed by June 30, 2022. The notice

included action items to be completed by Article 4 funds and sample documents to effectuate the requested action.

In these notices, each Article 4 fund has been provided its **Transfer Date**, which is one of four tranches: **First Tranche (October 1<sup>st</sup>)**, **Second Tranche (November 1<sup>st</sup>)**, **Third Tranche (December 1<sup>st</sup>)**, and **Fourth Tranche (January 4<sup>th</sup>)**. A second mailing from

the FPIF's custodial bank, Northern Trust, was also sent to all Article 4 funds on July 2, 2021, with additional information regarding the asset transfer process and an online questionnaire that must be completed by all funds. If your fund has not received these mailings, you need to contact FPIF directly for guidance (**630-785-2567**).

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Action Item	Deadline	Notes
List of Service Providers, Authorized Signers and Authorization Letter to Vendors	FPIF requested this information in January 2021	If you have not already provided this information to FPIF, you should forward it as soon as possible.
Resolution of Appointment of Authorized Agents	FPIF requested this information in March 2021	If an Article 4 fund does not act on this item, the president and secretary of the board will become the default agents. In choosing <b>Authorized Agents</b> , boards may want to consider appointing the finance director or similar individual with the fire protection district or municipality who has responsibility for the fund's activities.
Transfer Task Resolution	<b>Sixty (60) days prior to Transfer Date</b>	<b>For October 1<sup>st</sup> – August 1<sup>st</sup></b> <b>For November 1<sup>st</sup> – September 1<sup>st</sup></b> <b>For December 1<sup>st</sup> – October 1<sup>st</sup></b> <b>For January 4, 2022 – November 4, 2021</b> This resolution should be "certified" (a standard secretary's certificate should be executed with the resolution) and a copy submitted to FPIF, as well as the funds' fiduciaries with the <b>Transferral Notice Letter</b> (see below).
Transferral Notice Letter	<b>Sixty (60) days prior to Transfer Date</b>	This letter must be sent to the funds' custodian, investment advisors/consultants and other entities with fiduciary control over the funds' pension assets. Your investment advisor/consultant will be able to provide the names and addresses for this notice letter. The letter must include a copy of the <b>Transfer Task Resolution</b> . A copy of the letter and <b>Transfer Task Resolution</b> should be submitted to FPIF, as well.
Online FPIF Member Fund Questionnaire	<b>August 1<sup>st</sup> for October 1<sup>st</sup> Tranche Funds</b> <b>September 1<sup>st</sup> for all other Tranche Funds</b>	The link to this online questionnaire can be found in the mailing from Northern Trust. You will want to work through the questions offline with the funds' investment advisor/consultant before it is completed online. Note that Article 4 funds will need to identify and disclose the name, email address and cell phone number of up to five individuals to receive periodic statements and to have online access to the funds' account with Northern Trust. This is likely to include the two <b>Authorized Agents</b> , the finance director, and/or outside accountants who prepare the funds' financial statements.

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### Article 4 Action Items to Begin Asset Transfer Process

Below is a summary chart of the action items each Article 4 funds will be required to take to begin the asset transfer process and to provide information for the next steps that will then be initiated by FPIF and Northern Trust.

Once the Article 4 fund board has gathered the requested information and prepared the required documents, these items can be sent to FPIF by mail to its offices at **1919 South Highland Avenue, Building A, Suite 237, Lombard, IL 60148**, or by email to FPIF staff at [information@ifpif.org](mailto:information@ifpif.org).

### FPIF Asset Transfer Process

Under Section 22C-120(c) and (d) of the Illinois Pension Code, there are five steps in the actual asset transfer process (40 ILCS 5/22C-120(c) and (d)):

- Step One:** Written Notice from FPIF to Article 4 fund of **Transfer Date** - (40 ILCS 5/22C-120(d))
- Step Two:** **Audit of Investment Assets** of Article 4 fund - (40 ILCS 5/22C-120(c))
- Step Three:** Provision of **Certified Investment Asset List** to Article 4 fund (purchase/sale of assets to cease) - (40 ILCS 5/22C-120(c))
- Step Four:** **Initiation of Transfer of Assets** from Article 4 fund to FPIF on **Transfer Date** (40 ILCS 5/22C-120(c))
- Step Five:** **Receipt of Transfer** from FPIF to Article 4 fund - (40 ILCS 5/22C-120(d))

### Logistics Items to Consider in Asset Transfer Process

In addition to the items required by FPIF, Article 4 funds will have additional considerations in the asset transfer process. The chart below outlines these logistical items that boards should discuss and possibly act upon.

Logistics Item	Notes
Cash Flow Projections	Each Article 4 fund should have a spreadsheet prepared of the fund's cash flow (including cash received through employee contributions and property tax receipts, and cash paid out in benefit payments and expenses). Your finance director or outside accountant can assist the fund with this spreadsheet.
Transition Cash Retention	Approximately two weeks prior to your fund's <b>Transfer Date</b> , the fund's investment accounts will be frozen after FPIF has audited them. Furthermore, the fund may not receive cash back from FPIF for sixty (60) days after the <b>Transfer Date</b> . Thus, each Article 4 fund needs to identify how much cash it needs to have in its <b>Local Account(s)</b> to make benefit and expense payments for <i>at least</i> three months.
Local Account(s)	Every Article 4 fund will maintain at least one <b>Local Account(s)</b> for receiving employee contributions and property tax receipts, and for paying benefits and expenses. If the account is with a bank, it will need to be collateralized for amounts over \$250,000 (the FDIC insurance limit). If a money market or cash account currently with the fund's custodian will be used as a <b>Local Account</b> after transfer of the fund's remaining assets, it will be important to identify it as a <b>Local Account</b> that should not be "swept" on the <b>Transfer Date</b> .
Amendments to Investment Professionals/ Custodial Agreements	Ahead of the <b>Transfer Date</b> , Article 4 funds should discuss with their investment professionals whether any amendments to existing agreements need to be made to accommodate final investment fee payments or post-transfer services before termination. In these discussions, keep in mind the timeframe the fund's assets will be frozen, along with the 60-day period post-transfer where the fund will not be able to receive cash back from FPIF.
Termination Notices	After the Article 4 fund's <b>Transfer Date</b> , the fund will need to formally terminate its relationship with its investment professionals and/or custodian. Timing of this termination should take into consideration post-transfer services and be provided in accordance with the agreement with the provider.

The FPIF asset transfer process is complex, and all Article 4 funds are urged to work closely with their professional advisors – their attorneys, investment advisor/consultants and accountants – to ensure the process goes smoothly and in accordance with the applicable laws and FPIF rules. **Each fund's situation is unique, and thus, this outline has been presented in general and should not be relied upon or substitute for specific advice from your professional advisors in consideration of your fund's particular needs.**

It is important that all board members and professional advisors read the FPIF notices and rules carefully so that you understand this process and are prepared to make informed decisions ahead of your fund's transfer date. If you or your professional advisors have questions about the process, please contact any of the pension attorneys at Ottosen DiNolfo for help. ■

**About the Author:** *Carolyn Welch Clifford* is a partner with Ottosen DiNolfo Hasenbalg & Castaldo, Ltd. in Naperville, Illinois. Ms. Clifford concentrates her practice in the representation of Illinois firefighter and police pension funds, as well as fire and police commissions and fire protection districts. She currently serves as the Chair of the Public Safety Affinity Group for the National Association of Public Pension Attorneys (NAPPA). She is a frequent speaker at fire service and public pension conferences in Illinois and nationally and contributes regularly to several publications. Ms. Clifford earned her B.S. and J.D. degrees from the University of Illinois in Urbana-Champaign. You can contact her at [cclifford@ottosenlaw.com](mailto:cclifford@ottosenlaw.com).