

Birthplace of the Harvester

# CITY OF PLANO

17 E. Main Street  
Plano, Illinois 60545

630-552-8275



October 24, 2022

To: Plano City Council and Plano Police Pension Board

From: Zoila Gomez, City Treasurer

Subject: Required Report by Pension Board to the City of Plano

In 2008 the Illinois Pension Reform legislation (public act 95-950) for Fire & Police Pension Funds established a new reporting requirement. The intent is to ensure that municipal management and the public are provided information on the fiscal health of the pension fund on an annual basis.

Attached are the reports required by State Statute to be forwarded to the City Council prior to the tax levy passage:

1. 40 ILCS 5/3-143, Report by pension board
2. Required Reporting to Municipality with notarized certification
3. Pension Board's Contribution Request
4. Investment policy dated August 2020

Attached is the completed "Required Report" which includes the Plano Police Pension Fund's President Herbert Gene Morton's certification. Below are two remaining clauses of this statute that are directed to the City of Plano. My comments are included for your consideration.

#### ***40ILCS 5/3-143 (a) Report by pension board***

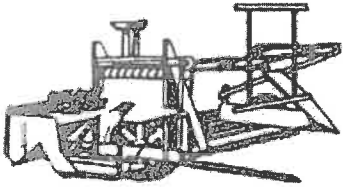
*Before the pension board makes its report, the municipality shall have the assets of the fund and their current market values verified by an independent certified public accountant of its choice.*

As a reminder, the City of Plano has an informal arrangement with the Plano Police Pension Fund that provides for the Pension Board's acceptance to utilize the City's selected auditor. In short, Lauterbach & Amen, LLP is providing auditing services to both the City and the Plano Police Pension Fund; therefore, it is not necessary to seek additional verification by another independent certified public accountant.

#### ***40 ILCS 5/3-143 (b) Publication***

*The municipality is authorized to publish the report submitted under 40 ILCS 5/3-143. This publication may be made, without limitation, by publication in a local newspaper of general circulation in the municipality or by publication on the municipality's internet website. If the municipality publishes the report, then that publication must include all of the information submitted by the pension board under 40 ILCS 5/3-143 (a) 1-9.*

The City reserves the right to publish.



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Plano's Article 3 Suburban and Downstate Police Pension Fund showed the following aggregate values for the pension fund as of 4/30/2022 fiscal year end:

- Actuarial value of assets of \$8,962,128
- Funded ratio, based upon actuarial value of assets and minimum statutory liability, is 67.34%
- Employer Contribution request from the upcoming property tax levy is \$490,139
- Actual Investment return of -5.11%

In addition, please note, Chief Jonathan Whowell, Secretary of the Plano Police Pension Board, will present the Plano Police Pension Fund Levy request under the "Chief's Report" at tonight's Council meeting, Monday, October 24, 2022 at 6:00 pm.

Should you have any questions regarding the above, please feel free to contact me at 630-552-8823.



Bills & Resolutions

## Illinois Compiled Statutes

Compiled Statutes

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Public Acts

### Information maintained by the Legislative Reference Bureau

Legislative Reports

Updating the database of the Illinois Compiled Statutes (ILCS) is an ongoing process. Recent laws may not yet be included in the ILCS database, but they are found on this site as [Public Acts](#) soon after they become law. For information concerning the relationship between statutes and Public Acts, refer to the [Guide](#).

IL Constitution

Legislative Guide

Legislative Glossary

Because the statute database is maintained primarily for legislative drafting purposes, statutory changes are sometimes included in the statute database before they take effect. If the source note at the end of a Section of the statutes includes a Public Act that has not yet taken effect, the version of the law that is currently in effect may have already been removed from the database and you should refer to that Public Act to see the changes made to the current law.

Search By Number  
(example: HB0001)

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(40 ILCS 5/3-143) (from Ch. 108 1/2, par. 3-143)  
Sec. 3-143. Report by pension board.

Search By Keyword

[Search Tips](#)

(a) The pension board shall report annually to the city council or board of trustees of the municipality on the condition of the pension fund at the end of its most recently completed fiscal year. The report shall be made prior to the council or board meeting held for the levying of taxes for the year for which the report is made.

Advanced Search

The pension board shall certify and provide the following information to the city council or board of trustees of the municipality:



(1) the total assets of the fund in its custody at the end of the fiscal year and the current market value of those assets;

(2) the estimated receipts during the next succeeding fiscal year from deductions from the salaries of police officers, and from all other sources;

(3) the estimated amount required during the next succeeding fiscal year to (a) pay all pensions and other obligations provided in this Article, and (b) meet the annual requirements of the fund as provided in Sections 3-125 and 3-127;

(4) the total net income received from investment of assets along with the assumed investment return and actual investment return received by the fund during its most recently completed fiscal year compared to the total net income, assumed investment return, and actual investment return received during the preceding fiscal year;

(5) the total number of active employees who are financially contributing to the fund;

(6) the total amount that was disbursed in benefits during the fiscal year, including the number of and total amount disbursed to (i) annuitants in receipt of a regular retirement pension, (ii) recipients being paid a disability pension, and (iii) survivors and children in receipt of benefits;

(7) the funded ratio of the fund;

(8) the unfunded liability carried by the fund, along with an actuarial explanation of the unfunded liability; and

(9) the investment policy of the pension board under the statutory investment restrictions imposed on the fund.

Before the pension board makes its report, the municipality shall have the assets of the fund and their current market value verified by an independent certified public accountant of its choice.

(b) The municipality is authorized to publish the report submitted under this Section. This publication may be made, without limitation, by publication in a local newspaper of general circulation in the municipality or by publication on the municipality's Internet website. If the municipality publishes the report, then that publication must include all of the information submitted by the pension board under subsection (a). (Source: P.A. 100-863, eff. 8-14-18.)

## Required Reporting to the Municipality

To comply with 40 ILCS 5/3-143, each Downstate Police Pension Fund is required to prepare a report indicating various statistics of the pension fund. Various items in the report are “actuarial in nature” and, therefore, to avoid errors by the fund, we include a “draft required report” as part of the actuarial valuation package.

Items contained in this report are taken directly from the source data used to prepare the actuarial valuation and from the current and prior actuarial valuation reports prepared by our firm.

Some Pension Boards use this report as the formal request for the tax levy. Please be advised that this report is not intended to replace the formal request by the fund. Particular attention should be paid to the “Employer contributions and all other sources” in item 2 and the “estimated amount required to meet the annual requirements of the fund” in item 3(b), both of which are completed based upon the calculated statutory minimum contribution as required by the statute. Items 2 and 3(b) are not based upon the alternative funding policy contributions calculated by our firm and presented in the accompanying actuarial valuation report.

We strongly suggest that a separate formal request for tax levy be submitted by the Pension Board to the municipality. Your Board attorneys should be consulted for the preparation of this formal request.

Kathleen E. Manning, FSA  
MWM Consulting Group, Inc.

## REQUIRED REPORTING TO MUNICIPALITY BY PENSION BOARD

As of 4/30/2022 fiscal year end

(40 ILCS 5/3-143) (from Ch. 108 1/2, par. 3-143)

Sec. 3-143. Report by pension board.

The pension board shall report annually to the city council or board of trustees of the municipality on the condition of the pension fund at the end of its most recently completed fiscal year. The report shall be made prior to the council or board meeting held for the levying of taxes for the year for which the report is made.

1. Total Trust Assets (see attachment 1 for complete listing)

Total Assets (market value):	\$8,339,570
Actuarial Value of Assets (see item 8 for explanation):	\$8,962,128

2. Estimated receipts during the next succeeding fiscal year from:

Participant Contributions deducted from payroll:	\$184,689
Employer Contributions and all other sources:	\$490,139

3. Estimated amount required during the next succeeding fiscal year to:

(a) pay all pensions and other obligations provided in this Article:	\$333,191
(b) meet the annual requirements of the fund as provided in Sections 3-125 and 3-127 (statutory minimum funding amount)	\$674,828

4. Total Net Income received from investment of net assets: (\$446,078)

Assumed Investment Return:	6.75%
Actual Investment Return:	-5.11%

Total Net Income received from investment of net assets for (FYE April 30, 2021):	\$27,413
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Assumed Investment Return (FYE April 30, 2021):	6.75%
Actual Investment Return (FYE April 30, 2021):	15.63%

5. Total number of Active Employees that are financially contributing to the fund: 23

6. Disbursements to:

(i) Annuitants in receipt of a regular retirement pension:	
Total number of annuitants:	3
Total amount that was disbursed in benefits:	\$213,652
(ii) Recipients being paid a disability pension:	
Total number of annuitants:	1
Total amount that was disbursed in benefits:	\$ 25,605
(iii) Survivors and children in receipt of benefits:	
Total number of annuitants:	0
Total amount that was disbursed in benefits:	\$ 0

7. Funded ratio of the fund:

Based upon market value of assets and minimum statutory liability	69.30%
Based upon actuarial value of assets and minimum statutory liability	74.47%
Based upon market value and alternative funding method liability	67.34%
Based upon actuarial and alternative funding method liability	72.36%

8. Unfunded Actuarial Accrued Liability:

Based upon market value of assets and minimum statutory liability	\$3,695,030
Based upon actuarial value of assets and minimum statutory liability	3,072,472
Based upon market value and alternative funding method liability	4,045,591
Based upon actuarial and alternative funding method liability	3,423,033

The Unfunded Actuarial Accrued Liability is the excess of the Actuarial Accrued Liability over the Assets. The Actuarial Accrued Liability is computed in based upon the statutory method (Projected Unit Credit Method) and based upon an alternative method (Entry Age Normal Method), and values for both methods are included in the report.

The Actuarial Accrued Liability is the portion of the present value of future plan benefits reflecting projected credited service and salaries determined by the actuarial cost method based upon the plan's actuarial assumptions and not provided for at a valuation date by the actuarial present value of future normal costs. The normal cost is the portion of this present value which is allocated to the current valuation year.

The Actuarial Value of Assets is the asset value derived by using the plan's asset valuation method which is a method designed to smooth random fluctuations in asset values. The objective underlying the use of an asset valuation method is to provide for the long-term stability of municipal contributions.

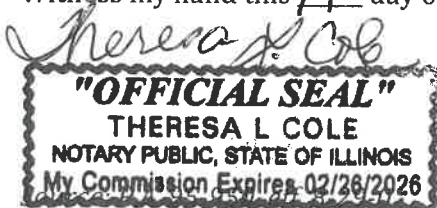
The Unfunded Actuarial Accrued Liability amount above were determined based upon both actuarial funding methods (Projected Unit Credit and Entry Age Normal) and upon both asset values (market and actuarial).

9. Investment Policy of the pension board under the statutory investment restrictions imposed on the fund. (See attachment 2)

**Certification**

I, Gene Morton, Vice President of the Plano Police Pension Board, City of Plano, Kendall County, Illinois, do hereby certify that this document is a true and correct copy of: "Required Reporting to Municipality By Pension Board" as outlined in 40 ILCS 5/3-143.

Witness my hand this 14<sup>th</sup> day of OCT, 2022.



Gene Morton  
President of Plano Police Pension Board

Council Meeting on Monday October 24, 2022

To: Plano City Council and Plano Police Pension Board

From: Jonathan Whowell,

Subject: Pension Board's Contribution Request

Thank you, Mayor Rennels and City Council, for the opportunity to speak this evening.

In 2008 the Illinois Pension Reform legislation (Public Act 95-950) for Fire & Police Pension Funds established a new reporting requirement. The intent is to ensure that municipal management and the public are provided information on the health of the pension funds on an annual basis.

Our City Treasurer and the Treasurer of the Police Pension Fund, Zoila Gomez, issued to the Plano City Council and Plano Police Pension Board the "Required Reporting to municipality by pension board". This letter informs every one of the fiscal condition of the Plano Police Pension Fund and to explain that you may publish the required report.

The Plano Police Pension Fund is respectfully requesting from the City of Plano a contribution, from the upcoming property tax levy, of \$490,139. This recommendation comes from the actuarial valuation and is the statutory minimum contribution. This contribution amount should also be included in the Fiscal Year 2024 budget planning process.

If you have any questions, Zoila and I will entertain them at this time or you may contact us at our offices.

Thank you, Mayor and City Council for your time this evening.

**PLANO POLICE PENSION FUND**  
**INVESTMENT POLICY**

**Updated and Adopted May, 2015**  
**Updated August, 2020**

## **A. PURPOSE OF AN INVESTMENT POLICY**

The investment of public monies is a major responsibility and a statutory requirement of the Board of Trustees of the City of the Plano Police Pension Fund (the "Pension Board" or "PPPF") as provided by law, including but not limited to Pension Code Sections 40 ILCS 5/3-135, 1-113.1, and 1-113.6. The purpose of this investment policy is to indicate a conscious, formal effort by the Pension Board to develop, implement, and monitor the investment of all PPPF monies. This policy contains the Pension Board's guidelines for the management of its assets and established investment objectives for stewardship of pension funds.

It is the PPPF policy to invest public funds in a manner which will provide the highest investment return for the level of risk taken while meeting the pension benefit obligations and any other cash flow demands of the Pension Fund while conforming to all state and local statutes governing the investment of public funds, including adherence to the "prudent person" standard discussed below.

## **B. SCOPE**

This investment policy applies to the PPPF and to those with whom the PPPF interacts. The investments of the plan will be diversified so as to minimize the risk of large losses, unless it is clearly prudent not to do so. The Pension Board seeks to attain market rates of return on its investments, consistent with constraints imposed by its safety objectives, cash flow considerations, the prudent person's standard, and Illinois state laws that restrict the investment of pension funds.

Each investment manager will be provided a copy of this investment policy covering the whole Plan and will also be provided objectives related to their specific investment assignment.

## **C. PRUDENCE AND INDEMNIFICATION**

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment considering the objectives of safety as well as the attainment of market rates of return. The standard of prudence to be used by investment officials shall be that of the "Prudent Investor Rule" and shall be applied in the context of managing an overall portfolio. The members of the Pension Board and other employees acting in good faith, in accordance with this investment policy, the Illinois Pension Code set forth in 40 ILCS 5/1-113.1 *et seq.* and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that deviations from expectation are reported in a timely fashion and appropriate action is taken to control adverse developments.

The Pension Fund will invest in a mutual fund only if (a) it is managed by an investment company as defined and registered under the federal Investment Company Act of 1940 and registered under the Illinois Securities Law of 1953; (b) it has been in operation for at least 5 years; (3) it has total net assets of \$250 million or more; and (d) it is comprised of diversified portfolios of common or preferred stocks, bonds, or money market instruments. 40 ILCS 5/1-113.2(13)(iii).

## D. INVESTMENT POLICY OBJECTIVES

1. Safety of principal is considered the foremost priority of the Pension Board. Each investment that is made shall seek to insure that capital losses are avoided, whether they are from default or erosion of market values.
2. Liquidity is considered to be the next important objective. The investment portfolio shall remain sufficiently liquid to enable the Pension Fund to meet all operating requirements which may be reasonably anticipated.
3. Diversification. In order to further guarantee asset safety, the Pension Board shall diversify investments to avoid incurring unreasonable risks from the practice of concentrating investments in specific security types and/or individual financial institutions.
4. Maximum rate of return. The investment portfolio shall be designed with the purpose of outperforming the designated benchmarks. The investment program shall seek returns above these benchmarks, consistent with risk limitations identified herein and in Illinois State Statutes.
5. Public confidence in the investment program is imperative. The Pension Fund will avoid any transaction that might impair public confidence. Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs. Such standards, therefore, avoid unwarranted speculation. Trading securities for capital gain is permissible provided the purchase is justifiable in a buy and hold scenario where the long-term benefit meets established investment parameters established by the Pension Fund, and approved by the Pension Board.
6. Sustainability Factors - The board has considered and regularly considers material, relevant, and decision-useful sustainability factors, 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.

## E. DELEGATION OF AUTHORITY

Management responsibility for the investment program is the responsibility of the Pension Board, which shall establish written procedures for the operation of the investment program, consistent with this investment policy. Such procedures shall include explicit delegation of authority to other persons responsible for investment transactions and investment records.

*No person may engage in investment transactions except as provided for by the terms of this policy and the procedures established by the Pension Board. The Pension Board may appoint an investment advisor (the "Investment Advisor", per 40 ILCS 5/1-113.5)*

which shall received funds for investment from the Treasurer of the Pension Board pursuant to law and Pension Board direction and which shall be responsible for implementation of all transactions undertaken consistent with investment guidance prescribed by law and periodically clarified from time-to-time by the Pension Board. The Investment Advisor shall closely coordinate with the Treasurer to shall establish a system of internal controls to regulate these activities on behalf of the Pension Board. These controls will be designed to prevent losses of public funds arising from fraud, misrepresentation by third parties, or imprudent actions by fiduciaries and public officials involved with the PPPF.

The pension board may assign proxy voting and litigation claims filing to the investment manager. The trustees may indicate such in the written custodial account application, in which case the custodian will direct proxies and litigation notices to the investment manager. The investment manager will keep a record of proxy votes and litigation claims and will produce those records to the pension board upon request.

#### **F. ETHICS AND CONFLICTS OF INTEREST**

Fiduciaries, officers, members of the Pension Board and any employees of the City of Plano involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair the ability to make impartial investment decisions. These individuals must disclose any material financial interests in financial institutions or dealers that conduct business with the PPPF to the Pension Board President and Treasurer. Said individuals must further disclose any personal financial/investment positions that could be related to the performance of the PPPF, particularly with regard to the timing of purchases and sales.

#### **G. AUTHORIZED, SUITABLE AND UNAUTHORIZED INVESTMENTS**

Investments of the PPPF are limited to those authorized by statutes governing suburban and downstate Police Pension Funds (40 ILCS 5/1-113 to 1-113.10). Any investment that is not specifically authorized by law is an unauthorized investment; which includes (but is not limited to) all illegal investments as set forth in 40 ILCS 5/1-113.9 and all prohibited transactions set forth in 40 ILCS 5/1-110.

Additional investments in instruments authorized by law are to be approved at meetings held by the Pension Board and this investment policy updated accordingly.

The PPPF will specifically avoid any direct purchase of financial forwards or futures, options, derivatives and other instruments which will leverage the portfolio or cause increased risk exposure to the assets.

#### **H. POLICIES TO ACHIEVE INVESTMENT RETURN OBJECTIVES AND SPECIFIC INVESTMENT GOALS**

**Active Portfolio Management:** It is the policy of the PPPF assisted by its Investment Advisor, if any, to actively manage the investment portfolio within the constraints outlined in these investment policies. By using an active management philosophy, rather than a "buy and hold" philosophy, portfolio return will be enhanced without any appreciable increase in risk.

Performance will be measured against appropriate benchmarks provided by the investment managers and/or consultants (collectively, the Investment Advisor).

**I. BIDDING REQUIREMENTS FROM AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS**

When making *direct* (as opposed to Investment Advisor supervised or managed) purchases or sales of investments, it shall be the policy of the PPPF to seek no less than three competitive quotes from primary dealers or national banks, both of which must be authorized to do business in the State of Illinois. Purchase will be made from the entity providing the most favorable, responsible bid to the PPPF. Documentation will be retained for all bids, with the most favorable and responsible bid clearly identified. If for any reason a purchase is made that was not the most favorable bid or if three bids were not obtained, reasons for such action will be documented.

**J. SAFEKEEPING AND CUSTODY OF INVESTMENTS**

Securities will be held by a third party custodian in a custodial account designated by the Treasurer or authorized depository such as those utilized by any mutual fund holdings or by a broker-dealer in compliance with Section 1-113.7 of the Illinois Pension Code (40 ILCS 5/1-113.7). This custodial account shall be established in an independent custodian company authorized to conduct business in the State of Illinois. The securities shall be registered in the name of the City of Plano Police Pension Fund or in the name of a nominee created for the express purpose of registration of securities by the trust department or trust company designated for safekeeping. The responsibilities of the custodian will include collection of investment earnings it is holding and monthly reporting of the performance and current market value of securities held in custody. Monthly reports will be made available to each member of the Pension Board.

**K. DELIVERY VERSUS PAYMENT METHOD REQUIRED FOR SECURITY TRANSACTIONS**

All individual security transactions entered into by the PPPF shall be conducted on a delivery versus payment (DVP) basis. That is, simultaneous to the release of funds to purchase securities, there will be a delivery of the securities purchased to the third party custodial trust account. Likewise, for any sale of securities, there will be a simultaneous transfer of monies to the third party custodial account designated by the PPPF. This policy insures a transfer of monies or securities will not occur before the other portion of the transaction. Both transactions are to occur simultaneously through the custodial trust account. This policy shall not conflict, however, with the normal and customary methodology for the purchase and sale of mutual funds, separate accounts or commingled funds.

**L. INVESTMENT MANAGER - HIRING OF AND RELATIONSHIP WITH THE PENSION BOARD**

The Pension Board recognizes that the ultimate responsibility for asset value, preservation, and growth rests with them. The Pension Board believes that its responsibility is best exercised by hiring and guiding an independent investment manager(s) rather than self administering the investment decisions through "in-house"

specialists. It is recognized that the expertise involved the determination of investment strategy and security selection must lie with the professional manager(s) and not with the Pension Board of Trustees. The Pension Board believes they can instead best exercise their responsibilities by:

1. Setting guidelines and objectives which are mutually supported by the independent manager and the Pension Board;
2. Selecting qualified investment managers;
3. Communicating closely with the investment managers;
4. Monitoring performance to insure the guidelines and objectives are being met; and
5. Taking appropriate action if guidelines and objectives are not being met.

Therefore, pursuant to the Illinois Pension Code, the Pension Board may enter into an agreement whereby it hires investment managers to manage all or part of the Pension Fund assets. The investment managers and consultants may also be referred to as the Pension Fund's "Investment Advisor".

It is understood:

A person is an "investment manager" with respect to a retirement system or pension fund established under this code if that person:

1. is a fiduciary appointed by the Pension Board in accordance with section 1-109.1;
2. has the power to manager, acquire, or dispose of any asset of the Pension Fund;
3. is either:
  - a. registered as an investment advisor under the Investment Advisors Act of 1940;
  - b. a bank or trust company authorized to conduct a trust business in Illinois;
  - c. a life insurance company authorized to transact business in Illinois; or
  - d. an investment company as defined and registered under the federal Investment Company Act of 1940 and registered under the Illinois Securities Law of 1953; and
4. has acknowledged in writing that he is a fiduciary with respect to the retirement system or pension fund;
5. Has adequate insurance for "errors and omissions" and has surety bond coverage at levels deemed acceptable to the Board and naming the PPPF as an additional insured; and

6. Has agreed in a written contract to adhere to the “prudent investment expert” standard. This standard will explicitly state that the manager will conduct his (her) duties with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent investment expert acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims; provided, however, that this standard of care shall in no case be, or interpreted to be, less stringent or less restrictive than any investment standard or standards, now in effect or included by amendment effective in the future, prescribed for investments by Illinois law.

All agreements with the manager(s) shall be in writing and may be terminated by either party. All investments made by the managers(s) shall conform with all aspects of this investment policy. The manager(s) shall report to the Pension Board on no less than a quarterly basis. All investments made by the investment manager(s) shall be reviewed at each quarterly meeting of the Pension Board to insure that investments are in compliance with Illinois law as well as its investment policy and shall take steps to ratify that review at each quarterly meeting.

It is understood that whether the investment manager has discretionary authority (without requiring approval to purchase or sell investments from PPPF) or nondiscretionary (requiring approval to purchase or sell investment from the PPPF), the investment manager(s) must still comply with this investment policy.

The manager(s) shall prepare a written report on a quarterly basis and mail or deliver to the PPPF a copy of all investment transactions made for each quarterly meeting.

As a condition to act in any kind of investment managerial capacity, said investment manager must sign a document that this investment policy has been read, fully understood, and will be complied with accordingly. Further, the Pension Board expects to be promptly apprised of any significant changes in investment outlook and strategy; as well as important changes in the organization structure, financial condition, or senior personnel changes (including any personnel who will be assigned to any and all aspects of the PPPF) of the investment manager's firm.

The current and future investment manager(s), if any, retained by the Pension Board shall execute an “Acknowledgement of Fiduciary” substantially in the form included at the conclusion of this Policy.

#### **M. ACCOUNTING**

The Pension Fund shall maintain its financial reports records on the basis of fund accounting. The Pension Fund is considered an accounting entity separate from the other funds of the City of Plano. All investment transactions shall be recorded in accordance with generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board.

#### **N. FINANCIAL INSTITUTIONS**

It shall be the policy of the Pension Fund to select financial institutions for direct “in-house” investments of assets on the following basis:

1. Security. The Pension Fund will maintain funds in federally insured financial institutions only. The Pension Fund will not maintain funds at any financial institution in excess of federally insured limitations without sufficient collateral.
2. Size. The Pension Fund will not maintain deposits at any financial institutions where total City of Plano funds on deposit exceed 50% of the institution's capital stock and surplus.
3. Statement of Condition. The Pension Board may request from time to time, an inspection of current statements of conditions for each financial institution named as a depository. Any institution unwilling or unable to provide a current statement of condition will have all pension funds withdrawn immediately upon notice of refusal.

#### **O. FREQUENCY OF REPORTING**

The Investment Advisor, or City Treasurer should the Pension Board not retain the services of an Investment Advisor (or investment managers or consultants), shall submit a report to the Pension Board on no less than a quarterly as well as yearend basis. The report shall summarize the investment strategies employed in the most recent quarter and describe the portfolio in terms of investment securities, maturities, risk characteristics, and other features. The report shall explain the quarter's total investment return and compare the return with budgetary expectations. The report shall disclose all transactions made for the quarter. Upon the completion of the reviewing process conducted by the Trustees, an annual report of the Fund shall be presented to the Board of Trustees of the City of Plano by the Pension Board Trustees in compliance with Section 4-134 of the Illinois Pension Code (40 ILCS 5/4-134).

#### **P. INVESTMENT SELECTION**

The Board may invest the Fund only in investments authorized by Articles 1 and 3 of the Illinois Pension Code, as amended from time to time, and as authorized by other applicable law, including but not limited to Sections 1-113.1 through 1-113.11 of the Illinois Pension Code (40 ILCS 5/1-113.1 -1-113.11), and as provided in Articles Q, R, S and T, and the Aggregate Plan Asset Allocation Guidelines included as an Addendum attached to and included as part of this Policy.

As of the date of adoption of this Policy, permitted investments (40 ILCS 5/1-113.2) are:

1. Interest bearing direct obligations of the United States of America.
2. Interest bearing obligations to the extent that they are fully guaranteed or insured as to payment of principal and interest by the United States of America.
3. Interest bearing bonds, notes, debentures, or other similar obligations of agencies of the United States of America. For the purposes of this Section, "agencies of the United States of America" includes: (i) the Federal National Mortgage Association and the Student Loan Marketing Association; (ii) federal land banks, federal intermediate credit banks, federal farm credit banks, and any other entity authorized to issue direct debt obligations of the United States of

America under the Farm Credit Act of 1971 or amendments to that Act; (iii) federal home loan banks and the Federal Home Loan Mortgage Corporation; and (iv) any agency created by Act of Congress that is authorized to issue direct debt obligations of the United States of America.

4. Interest bearing savings accounts or certificates of deposit, issued by federally chartered banks or savings and loan associations, to the extent that the deposits are insured by agencies or instrumentalities of the federal government.
5. Interest bearing savings accounts or certificates of deposit, issued by State of Illinois chartered banks or savings and loan associations, to the extent that the deposits are insured by agencies or instrumentalities of the federal government.
6. Investments in credit unions, to the extent that the investments are insured by agencies or instrumentalities of the federal government.
7. Interest bearing bonds of the State of Illinois.
8. Pooled interest bearing accounts managed by the Illinois Public Treasurer's Investment Pool in accordance with the Deposit of State Moneys Act, interest bearing funds or pooled accounts of the Illinois Metropolitan Investment Funds, and interest bearing funds or pooled accounts managed, operated, and administered by banks, subsidiaries of banks, or subsidiaries of bank holding companies in accordance with the laws of the State of Illinois.
9. Interest bearing bonds or tax anticipation warrants of any county, township, or municipal corporation of the State of Illinois.
10. Direct obligations of the State of Israel, subject to the conditions and limitations of item (5.1) of Section 1-113.
11. Money market mutual funds managed by investment companies that are registered under the federal Investment Company Act of 1940 and the Illinois Securities Law of 1953 and are diversified, open-ended management investment companies; provided that the portfolio of the money market mutual fund is limited to the following:
  - (i) bonds, notes, certificates of indebtedness, treasury bills, or other securities that are guaranteed by the full faith and credit of the United States of America as to principal and interest;
  - (ii) bonds, notes, debentures, or other similar obligations of the United States of America or its agencies; and
  - (iii) short term obligations of corporations organized in the United States with assets exceeding \$400,000,000, provided that (A) the obligations mature no later than 180 days from the date of purchase, (B) at the time of purchase, the obligations are rated by at least 2 standard national rating services at one of their 3 highest classifications, and (C) the obligations held by the mutual fund do not exceed 10% of the corporation's outstanding obligations.

12. General accounts of life insurance companies authorized to transact business in Illinois.
13. Any combination of the following, not to exceed 10% of the pension fund's net assets:
  - (i) separate accounts that are managed by life insurance companies authorized to transact business in Illinois and are comprised of diversified portfolios consisting of common or preferred stocks, bonds, or money market instruments;
  - (ii) separate accounts that are managed by insurance companies authorized to transact business in Illinois, and are comprised of real estate or loans upon real estate secured by first or second mortgages; and
  - (iii) mutual funds that meet the following requirements:
    - a. the mutual fund is managed by an investment company as defined and registered under the federal Investment Company Act of 1940 and registered under the Illinois Securities Law of 1953;
    - b. the mutual fund has been in operation for at least 5 years;
    - c. the mutual fund has total net assets of \$250 million or more; and
    - d. the mutual fund is comprised of diversified portfolios of common or preferred stocks, bonds, or money market instruments.
14. Corporate bonds managed through an investment advisor must meet all of the following requirements:
  - (i) The bonds must be rated as investment grade by one of the 2 largest rating services at the time of purchase.
  - (ii) If subsequently downgraded below investment grade, the bonds must be liquidated from the portfolio within 90 days after being downgraded by the manager.

**Q. ADDITIONAL INVESTMENTS AUTHORIZED FOR POLICE & FIREFIGHTER PENSION FUNDS WITH AT LEAST \$2,500,000 BUT LESS THAN \$5,000,000 IN NET ASSETS:**

As of the date of this Policy, the investments listed below are permitted (40 ILCS 5/1-113.2), in addition to those listed in Article Q above, as the Pension Board has appointed an investment advisor and complies with section 1-113.5 of the Pension Code, and has required level of fund assets.

1. If the Fund has net assets of at less than \$2,500,000 the Board may invest a portion of its net assets in the following items:

(i) Mutual funds that meet the following requirements:

- a. the mutual fund is managed by an investment company as defined and registered under the federal Investment Company Act of 1940 and registered under the Illinois Securities Law of 1953;
- b. the mutual fund has been in operation for at least 5 years;
- c. the mutual fund has total net assets of \$250 million or more; and
- d. the mutual fund is comprised of diversified portfolios of common or preferred stocks, bonds, or money market instruments.

The Fund's total investment in the items authorized under this Section shall not exceed 10% of the market value of the Fund's net present assets stated in its most recent annual report on file with the Illinois Department of Insurance.

2. If the Fund has net assets of more than \$2,500,000 but less than \$5,000,000, the Board may invest up to 45% in mutual fund securities.

**R. ADDITIONAL INVESTMENTS AUTHORIZED FOR POLICE & FIREFIGHTER PENSION FUNDS WITH MORE THAN \$5,000,000 IN NET ASSETS:**

The investments listed below are permitted (40 ILCS 5/1-113.4), in addition to those listed in Articles Q and R above, if the Pension Board has appointed an investment advisor and complies with section 1-113.5 of the Pension Code.

1. Mutual funds that meet the following requirements:

- a. the mutual fund is managed by an investment company as defined and registered under the Federal Investment Company Act of 1940 and registered under the Illinois Securities Law of 1953;
- b. the mutual fund has been in operation for at least 5 years
- c. the mutual fund has total net assets of 250 million or more; and
- d. the mutual fund is comprised of diversified portfolios of common or preferred stocks, bonds, or money market instruments.

2. Common stocks and preferred stocks authorized for investments of trust funds under the laws of the State of Illinois

3. The Stocks must meet all of the below criteria:

- a. The common stocks are listed on a national securities exchange or board of

trade or quoted in the National Association of Securities Dealers Automated Quotation System National Market System (NASDAQNMS).

- b. The securities of a corporation created or existing under the laws of the United States or any state, district or territory thereof, and the corporation has been in existence for at least 5 years.
- c. The corporation has not been in arrears on payment of dividends on its preferred stock during the preceding 5 years.
- d. The market value of stock in any one corporation does not exceed 5% of the cash and invested assets of the pension fund, and the investments in the stock of any one corporation do not exceed 5% of the total outstanding stock of that corporation.
- e. The straight preferred stock or convertible preferred stocks are issued or guaranteed by the corporation whose common stock qualifies for investment by the board.
- f. The issuer of the stocks has been subject to the requirements of Section 12 of the Federal Securities Exchange Act of 1934 and has been current with the filing requirements of Sections 13 and 14 of that Act during the preceding 3 years.
- g. The pension fund's total investment in the items authorized under this Section and Section 1-113.3 shall not exceed 35% of the market value of the pension fund's net assets stated in its most recent annual report on file with the Illinois Department of Insurance.
- h. The Limitation on the investment in common and preferred stocks is in addition to the limits on the investments permitted in separate accounts of insurance companies investing in common and preferred stocks. Thus, the Fund, may invest a total of 45% in common and preferred stocks. However, the limits apply strictly to each class of investment, separate account (10%) and direct equity investments (35%).

The investment adviser shall have the power to manage, acquire, or dispose of any asset of the retirement system pension fund and comply with the following requirements:

1. Has acknowledged in writing that the manager is a fiduciary with respect to the pension fund and is at least one of the following:
  - a. Registered as an investment advisor under the Federal Investment Advisers Act of 1940, and registered as an investment advisor under the Illinois Securities Law of 1953.
  - b. A bank, defined under the Investment Advisor Act of 1940 or a trust company authorized to do business in the State of Illinois, or an insurance company authorized to transact business in this State.

Bonds purchased hereunder shall be registered in the name of the Pension Board or

held under custodial agreement at a bank.

No bank or savings and loan association shall receive investment funds as permitted by this Section, unless it has complied with the requirements established pursuant to Section 6 of "An Act relating to certain investments of public funds by public agencies", approved July 23, 1943, as now or hereafter amended. The limitations set forth in such investments shall be applicable only at the time of investment and shall not require the liquidation of any investment at any time. (Source P.A. 90-507)

**S. ADDITIONAL INVESTMENTS AUTHORIZED FOR POLICE & FIREFIGHTER PENSION FUNDS WITH MORE THAN \$10,000,000 IN NET ASSETS:**

In addition to the investments permitted above, if the Fund has net assets of \$10,000,000 or more and has appointed an investment adviser under Sections 1-101.4 and 1-113.5, it may (40 ILCS 5/1-113.4a), through that investment adviser, invest an additional portion of its assets in common and preferred stocks and mutual funds that meet all of the requirements outlined above.

These stocks must meet all of the following requirements:

1. The common stocks must be listed on a national securities exchange or board of trade (as defined in the Federal Securities Exchange Act of 1934 and set forth in paragraph G of Section 3 of the Illinois Securities Law of 1953) or quoted in the National Association of Securities Dealers Automated Quotation System National Market System.
2. The securities must be of a corporation in existence for at least 5 years.
3. The market value of stock in any one corporation may not exceed 5% of the cash and invested assets of the pension fund, and the investments in the stock of any one corporation may not exceed 5% of the total outstanding stock of that corporation.
4. The straight preferred stocks or convertible preferred stocks must be issued or guaranteed by a corporation whose common stock qualifies for investment by the board.

These mutual funds must meet the following requirements:

1. The mutual fund must be managed by an investment company registered under the Federal Investment Company Act of 1940 and registered under the Illinois Securities Law of 1953.
2. The mutual fund must have been in operation for at least 5 years.
3. The mutual fund must have total net assets of \$250,000,000 or more.
4. The mutual fund must be comprised of a diversified portfolio of common or

preferred stocks, bonds, or money market instruments.

If the Fund has net assets of \$10,000,000 or more, the Fund's total investment in the equity investments shall not exceed 50% effective July 1, 2011 and 55% effective July 1, 2015 of the market value of the pension fund's net present assets stated in its most recent annual report on file with the Illinois Department of Insurance.

**T. EFFECTIVE DATE**

This policy was prepared under the authority of the PPPF pursuant to law (Pension Code Section 40 ILCS 5/1-113.6). The policy will be effective immediately. A copy of the policy will be distributed to the independent auditor of the Pension Fund as well as the City of Plano Police Pension Board of Trustees and to those who interact for investment purposes with the PPPF. Further, this policy shall be reviewed from time to time (no less than annually) and any changes will be presented to the Pension Board for approval and distribution to the above parties.

A copy of this investment policy shall be filed with the Illinois Department of Financial and Professional Regulation's Division of Insurance within thirty days of its adoption or revision. The Pension Board shall make a copy of this Policy available to the public at the main administrative office of the PPPF.

Approved by the Board of Trustees of the PPPF this 12<sup>th</sup> day of Aug, ~~2015~~ <sup>2020</sup>.

  
\_\_\_\_\_  
President, Board of Trustees  
PPPF

Attest:

  
\_\_\_\_\_  
Secretary, Board of Trustees  
PPPF

## ADDENDUM

### Aggregate Plan Asset Allocation Guidelines (at market value)

<u>Asset Class</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Preferred</u>
Equities	<u>0</u> %	<u>45</u> %	<u>45</u> %
Fixed Income, Govt.	<u>55</u> %	<u>100</u> %	<u>44</u> %
Corporate bonds	<u>0</u> %	<u>50</u> %	<u>10</u> %
Cash and Equivalents	<u>0</u> %	<u>5</u> %	<u>1</u> %

The following shall be used as target indices to form a blended index for the entire fund and to measure the performance of each individual asset class:

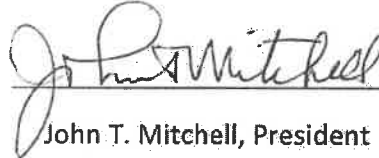
<u>Asset Class</u>	<u>Target Index</u>	<u>% in Blend</u>
<b>Domestic Equities</b>	<b>Russell 3000</b>	<b><u>33.75</u> %</b>
<b>Interntl Equities</b>	<b>MSCI ACWI World ex-U.S. Global</b>	<b><u>11.25</u> %</b>
<b>Fixed Income</b>	<b>Barclays Intermediate Govt.</b>	<b><u>44.00</u> %</b>
	<b>Barclays A+ 1-5 Year Corporate</b>	<b><u>11.00</u> %</b>

The Board of Trustees may employ managers whose investment disciplines require investment outside the established asset allocation guidelines. However, taken as a component of the aggregate plan, such disciplines must fit within the overall asset allocation guidelines established in this Statement. Such investment managers will receive written direction from the Board of Trustees regarding specific objectives and guidelines.

## ACKNOWLEDGEMENT OF FIDUCIARY

Mitchell, Vaught & Taylor, Inc., Investment Advisors, an SEC registered investment advisor under the Investment Advisors Act of 1940. Hereby acknowledges that it is a fiduciary within the meaning of the Illinois pension code to the Plano Police Pension Fund under its contract with the said fund, and that it is and has acted as a fiduciary under all its contracts with said fund from the inception of the relationship.

Mitchell, Vaught and Taylor, Inc., shall follow the investment policy of the Plano Police Pensions Board and will in accordance with the appropriate Illinois Pension Code as permitted under 40 ILCS 5/1-113, 3/135 and the Public Funds Investment Act, 30 ILCS 235/0.01-7.

  
John T. Mitchell, President

Subscribed and sworn to before me this 13 day of Aug, 2020

  
Notary Public

