



## INVESTMENTS POLICY

**Policy Number: 3.2000**

**Subject Area: Business Services and Finances**

**Adopted: 05/19/2014**

**Revised: 05/19/2014**

### Scope of Policy

This investment policy applies to the investment activities of any funds which are or may come under the jurisdiction of the College. Anything in this policy notwithstanding, the mandates of the Illinois Compiled Statutes (30 ILCS 235/2.5), shall take precedence over this policy except where this policy is more restrictive.

This procedure applies to all funds of the College. These funds are accounted for in the College annual financial report and include all restricted, operating, capital, auxiliary, revolving trust and any other funds that may be created from time to time. All transactions involving the funds and related activity of any funds shall be administered in accordance with the provisions of this procedure and the canons of the "prudent person rule."

### Objectives and Guidelines [refer to 30 ILCS 235/2.5(a)(3)]

The purpose of this Investment Policy is to establish cash management and investment guidelines for the stewardship of public funds that are under the jurisdiction of the College. The specific objectives of the policy are:

- **Safety** - The safety of principal and the security of monies, whether on hand or invested, shall be the primary concern of the Treasurer in selecting depositories or investments.
- **Liquidity** - The investment portfolio shall remain sufficiently liquid to meet the College's reasonably anticipated operating requirements.
- **Return** - To the extent consistent with safety and the restriction imposed by this policy, the Treasurer shall seek to attain a market average or better rate of return throughout budgetary and economic cycles, taking into account risk, constraints, cash flow, and legal restriction on investment. All funds shall be deposited/invested within three working days.
- **Maintaining the Public's Trust** - The Treasurer shall seek to act responsibly as custodians of the public trust and shall avoid any transaction that might impair public confidence in the College and the Board of Trustees.
- **Local Considerations** - The Treasurer shall give preference to depositories located within the College's district provided that afore described objectives are met, and such investments would be in compliance with all other conditions and limitations of this Investment Policy.
- **Competitive Considerations** - The Treasurer shall solicit competitive interest rate quotations for time deposit investments. Funds shall be invested based upon the highest quoted interest rate for investments that meet the requirements of the procedure, received for the term specified unless otherwise approved by the Board of Trustees.

### Diversification [refer to 30 ILCS 235/2.5 (a)(4)]

To avoid unreasonable risks, diversification of investments is required. In general, no one institution shall have more than 50% of the College's invested funds at any one time. Exceptions to this guideline may be considered given the situation, and as approved by the Treasurer.

### Responsibility [refer to 30 ILCS 235/2.5 (a)(7)]

Investment of all funds under the control of the College is the direct responsibility of the Treasurer. The Treasurer shall be responsible for all transactions and shall establish a system of controls for all authorized subordinates who are directly involved in the assistance of such investment activities.

### Performance Measures [refer to 30 ILCS 235/2.5 (a)(8)]

The use of U.S. Treasury bills, average Fed Fund rate, Illinois Funds, or other stable markets can be used to determine whether market yields are being achieved.

### Periodic Review [refer to 30 ILCS 235/2.5 (a) (9)]

The Treasurer should establish annual independent review for internal control, which assures compliance within the investment policy. This will be accomplished with the College's external auditors.

### Reporting [refer to 30 ILCS 235/2.5 (a)(10)]

All investment transactions shall be recorded by the Treasurer or the Treasurer's staff. A report listing all active investments,

location of investments, maturity of investments, interest rate and other pertinent information deemed necessary will be submitted monthly to the board.

#### **Authorized Investments [refer to 30 ILCS 235/2.5 (a)(1)]**

The College may invest in any type of security allowed by the Public Funds Investment Act (30 ILCS 235/2). The College has chosen to limit its allowable investments to those instruments listed below:

- Bonds, notes, certificates of indebtedness, treasury bills, or other securities now or hereafter issued, which are guaranteed by the full faith and credit of the United States of America as to principal and interest.
- Bonds, notes, debentures, or other similar obligations of the United States of America, its agencies, and instrumentalities.
- Interest bearing savings accounts, interest bearing certificates of deposit or interest bearing time deposits or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act (205 ILCS 5/2).
- Certificates of deposit with federally insured institutions that are collateralized, insured, or secured by letter of credit or other instrument at levels acceptable to the College in excess of the coverage limit provided by the Federal Deposit Insurance Corporation (FDIC) or other such entity.
- Investment options offered by the Treasurer of the State of Illinois (i.e. Illinois Funds).
- Collateralized repurchase agreements which conform to the requirements stated in paragraph 2(g) or 2(h) of the Public Funds Investment Act.
- Money market mutual funds provided that the portfolio is limited to obligations described in the section a. through f.
- Investments may be made only in those financial institutions, the shares, or investment certificates of which are insured by the FDIC or other such entity.
- Investment products that are considered as derivatives are specifically excluded from approved investments.

#### **Financial Institutions [refer to 30 ILCS 235/2.5 (a) (11)]**

The Treasurer and the Board of Trustees shall select which financial institutions will be eligible depositories for the College. Any financial institution, upon meeting the requirements of the Illinois Compiled Statutes and of this Investment Policy, may request to become a depository for the College funds. The College will take into consideration security, size, location, financial condition, service, fees, competitiveness, and the community relations involvement of the financial institution when choosing depositories.

#### **Collateralization [refer to 30 ILCS 235/2.5 (a)(5)]**

- It is the policy of the College to require that time deposits in excess of the coverage limit provided by the FDIC, or other such entity, be collateralized, insured, or secured by letter of credit or other eligible collateral instruments at a level of 105%. This collateralization shall be evidenced by an approved written agreement.
- Eligible collateral instruments are investment instruments acceptable under the Public Funds Investment Act. The collateral must be placed in safekeeping at or before the time the College buys the investments so that it is evident that the purchase of the investments is predicated on the securing of collateral.
- Safekeeping of Collateral
- Third party safekeeping is required for all collateral. To accomplish this, the securities can be held at one or more of the following locations:
  - at the Federal Reserve Bank or its branch office;
  - at another custodial facility in a trust or safekeeping department through book-entry at the Federal Reserve;
  - by an escrow agent agreed upon by the College and the pledging institution.
- Safekeeping will be documented by an approved written agreement between the Board of Trustees and the governing board of the bank that complies with FDIC regulations. This may be in the form of a safekeeping agreement.
- Substitution or exchange of securities held in safekeeping for the College can be approved exclusively by the Treasurer, and only if the market value of the replacement securities is equal to or greater than the market value of the securities being replaced.
  - Safekeeping of Securities
    - Unless held physically by the Treasurer, all securities shall be kept in appropriate third-party safekeeping. The Treasurer will have sole responsibility for selecting safekeeping agents. Safekeeping will be documented by an approved written agreement.

#### **Prudent Person Standard [refer to 30 ILCS 235/2.5 (a)(2)]**

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 probable safety of their capital as well as the possible income to be derived.

#### **Management of Program [refer to 30 ILCS 235/2.5 (a)(6)(7)(11)]**

Only the Treasurer is authorized to establish financial accounts, and investments for the College. The Treasurer, appointed by the Board of Trustees, is authorized to purchase and sell investments, authorize wire transfers, authorize the release of pledged collateral, and to execute any documents required to carry out this investment policy, including but not limited to wire transfer agreements, depository agreements, safekeeping agreements, and custody agreements. The wording of such agreements is the responsibility of the Treasurer, with advice from legal counsel, auditors and financial advisors. The Treasurer or the Treasurer's designee shall review the agreements annually for their consistency with College policy and State law.

The Treasurer is responsible for management of the College's investment program, and shall establish a system of internal controls and written operational procedures designed to regulate the activities of subordinates, and to prevent losses of funds that might arise from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees or representatives of the financial institution or intermediary.

To solicit bids for securities and certificates of deposit, the Treasurer may use financial intermediaries, brokers and/or financial institutions.

#### **Indemnification**

Investment officers and employees of the College acting in accordance with this investment policy and written operational procedures as have been or may be established and exercising due diligence shall be relieved of personal liability for an individual security's credit risk or market changes.

**Ethics and Conflicts of Interest [refer to 30 ILCS 235/2.5 (a)(12)]**

The College Board of Trustees, College Officers, and employees shall refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions, and shall comply with all requirements of the Illinois Community College Act governing interest held by members of the Board.

**Amendment**

This procedure shall be reviewed annually by the Treasurer or the Treasurer's designee with regards to the procedure's effectiveness in meeting the College's objectives. Any substantive changes will be approved by the Board of Trustees.

Approval History: Replaces Investments 4.153 approved December 16, 1999 and May 19, 2014