

For Discussion at August 2015 COW

See below

07.01.17 Investment of College Funds

This policy provides for direction to the College Treasurer on investment of College funds. All investments shall be made in accordance with the Illinois Public Funds Investment Act (30 ILCS 235/1 et seq.), as may be amended from time to time (hereinafter referred to as the "Act"). All transactions involving College funds and related activity of any funds shall be administered in accordance with the provisions of this policy and the canons of the "prudent person" standard.

Objectives

- A. Safety of Principal - Investments shall be undertaken in a manner that seeks to ensure the preservation of principal in the overall portfolio. To attain this objective only appropriate investment instruments will be purchased and insurance or collateral may be required to ensure the return of principal.

- B. Liquidity - The College's investment portfolio shall be structured in such manner as to provide sufficient liquidity to pay obligations as they come due.
- C. Return on Investments - The investment portfolio shall be designed to attain a market-average rate of return throughout budgetary and economic cycles, taking into account the risk constraints, the cash flow characteristics of the portfolio and legal restrictions for return on investments.
- D. Maintaining the Public's Trust - The investment officers shall seek to act responsibly as custodians of the public trust and shall avoid any transaction that might impair public confidence in the College, the Board of Trustees or the College Treasurer.

Investment Instruments

The College may invest in any type of security allowed by the Act, but the College Treasurer shall not invest in derivatives of authorized investments.

Diversification

The College shall diversify its investment portfolio to eliminate the risk of loss resulting in over concentration in a specific maturity, issuer, or class of securities. The College Treasurer shall periodically determine, revise and report to the Board on diversification strategies.

Collateralization

It is the policy of the College to require that time deposits in excess of FDIC insurable limits at a single financial institution be secured by collateral or private insurance to protect public deposits should any such institution default.

Eligible collateral instruments are any investment instruments which a public community college is permitted to acquire under and in accordance with 110 ILCS 805/3-42.1. The collateral must be placed in safekeeping at or before the time the College acquires the investments so that it is evident that the purchase of the investment is predicated on the securing of collateral.

Safekeeping of Collateral

Third party safekeeping is required for all collateral. To accomplish this, the securities may be held at the following locations:

- A. A Federal Reserve Bank or its branch office
- B. At another custodial facility in a trust or safekeeping department through book-entry at the Federal Reserve
- C. By an escrow agent of the pledging institution
- D. By the trust department of the issuing bank

Substitution or exchange of securities held in safekeeping for the College may be approved only by the College Treasurer, and only on condition that the market value of the replacement securities is equal to or greater than the market value of the securities for which they are being substituted.

Safekeeping of Securities

Third party safekeeping is required for all securities and commercial paper. To accomplish this, the securities can be held at the following locations:

- A. A Federal Reserve Bank or its branch office
- B. At another custodial facility - generally in a trust or safekeeping department through book-entry at the Federal Reserve unless physical securities are involved.
- C. In an insured account at a primary reporting dealer

Original certificates of deposits will be held by the originating bank.

Qualified Financial Institutions and Intermediaries

1. Depositories - Demand Deposits

Any financial institution selected by the College shall provide normal banking services, including, but not limited to: checking accounts, wire transfers and safekeeping services.

The College will not maintain funds in any financial institution that is not a member of the FDIC system. In addition, the College will not maintain funds in any institution not willing or able to post required collateral for funds or to purchase private

insurance to protect College funds on deposit in excess of FDIC insurable limits.

2. Banks and Savings and Loans - Certificates of Deposit

Any financial institution selected to be eligible for the College's competitive certificate of deposit purchase program must meet the following requirements:

- a. Shall provide wire transfer and certificate of deposit safekeeping services.
- b. Shall be a member of FDIC system and shall be willing and able to post required collateral or private insurance for funds in excess of FDIC insurable limits.
- c. Shall have met the financial criteria as established in the investment procedures of the College.

3. Intermediaries

Any financial intermediary selected to be eligible for the College's competitive investment program must meet the following requirements:

- a. Shall provide wire transfer and deposit safekeeping services.
- b. Shall be a member of a recognized U.S. Securities and Exchange Commission Self Regulatory Organization such as the New York Stock Exchange, National Association of Securities Dealers, Municipal Securities Rule Making Board, etc.
- c. Shall provide an annual audit upon request.
- d. Shall have an office of Supervisory Jurisdiction within the State of Illinois and be licensed to conduct business in this State.
- e. Shall be familiar with the College's investment policy and accept financial responsibility for any inappropriate investment.

Management of Program

The College Treasurer is authorized to purchase and sell investments, authorize wire transfers, authorize the release of pledged collateral, and to execute any documents required under this policy. These documents include, but are not limited to, wire transfer agreements, depository agreements, safekeeping agreements and custody agreements.

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 prevent losses of funds that might arise from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees of the entity. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions: check signing, check reconciliation, deposits, bond payments, report preparation and wire transfers. No person may engage in any investment transaction except as provided for under the terms of this policy and the corresponding procedures.

The Treasurer may use financial intermediaries, brokers, and/or financial institutions to solicit bids for securities and certificates of deposit. These intermediaries shall be approved in advance by the Board of Trustees.

Performance

The Treasurer will seek to earn a rate of return appropriate for the type of investments being managed in accordance with the objectives established in this document. In addition to the types of investments allowed by policy (credit risk), consideration will be given to other inherent risks such as concentration by issuer (concentration of credit risk) and timing of maturities (interest rate risk). In general, the Treasurer will strive to earn an average rate of return equal to or greater than the Illinois Funds rate.

Ethics and Conflicts of Interest

Officers and employees of the College involved in the investment process 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.

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.

Reporting

The Treasurer shall submit to the College's Board of Trustees and the President, a monthly investment report which shall include information regarding securities in the portfolio by class or type, book value, income earned, and market values as of the report date. Generally accepted accounting principles shall be used for valuation purposes. The report shall indicate any areas of policy concern and planned revision of investment strategies, including its effectiveness, meeting the College's need for safety, liquidity, return on investment, diversity and general performance.