1. Scope

This procedure applies to all funds of the College. These funds are accounted for in the College's annual financial report and includes 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." The "prudent person" rule states, "Investments shall be made with judgement 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 probable income to be derived."

2. 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 (identified within this policy, stated in section 3) 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 a manner as to provide sufficient liquidity to pay obligations as they come due.

C. *Return on Investments* – The investment portfolio should strive to earn an average rate of return equal to or greater than the U.S. Treasury Bill rate for a given period of time for the College's average weighted maturity throughout budgetary and economic cycles and should be structured to consider legal restrictions, cash flow needs, and appropriate risk constraints.

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, or the College Treasurer.

3. Investment Instruments

The College may invest in any type of security allowed by the Illinois Public Funds Investment Act (30 ILCS 235/1 *et. seq.*) of the State of Illinois as may be amended from time to time. The College has chosen to limit its allowable investments to those instruments listed below:

A. Bonds, notes, certificates of indebtedness, treasury bills or other securities now or hereafter issued by the United States of America, its agencies and allowable instrumentalities;

B. 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;

C. Certificates of deposit with federally insured institutions that are collateralized or insured in excess of the insurance coverage provided by the Federal Deposit Insurance Corporation;

D. The Illinois Public Treasurer's Investment Pool created under Section 17 of the State Treasurer's Act;

E. Investments may be made only in those savings banks or savings and loan associations, the shares or investment certificates of which are insured by the Federal Deposit Insurance Corporation.

F. Investment products that are considered as derivatives are specifically excluded from approved investments;

G. Collateralized repurchase agreements of government Securities which conform to the requirements stated in 30 ILCS 235 2(g) or 2(h) of the Statutes.

4. <u>Diversification</u>

The College shall diversify its investment portfolio to reduce the risk of loss from over-concentration in a specific maturity, issuer, or class of securities. Diversification strategies shall be determined and revised periodically by the Treasurer. The following ranges shall apply concerning the concentration of risk associated with the portfolio:

A. Up to 33% of 3.A. (Securities guaranteed by the United States government)

B. Up to 90% of 3.B., 3.C. (FDIC insured bank accounts that are collateralized in excess of insurance coverage)

C. Up to 70% of 3.D., (Illinois Public Treasurer's Investment Pool)

Up to 25% of 3.E., 3.G. (FDIC insured savings and loans) (collateralized repurchase agreements of government securities)

5. <u>Collateralization</u>

A. It is the policy of the College to require that time deposits in excess of FDIC insurable limits be secured by collateral or private insurance to protect public deposits in a single financial institution if it were to default.

B. Eligible collateral instruments are investment instruments acceptable under Investment Instruments in Section 3 listed above. 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 investment is predicated on the securing of collateral.

C. Safekeeping of Collateral

   1. Third party safekeeping is required for all collateral. 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 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.

   2. Safekeeping will be documented by a safekeeping receipt. This documentation will be on file in the College Business Office.

   3. Substitution or exchange of securities held in safekeeping for the College can be approved exclusively by either the Treasurer or Director of Business Services provided the market value of the replacement securities is equal to or greater than the market value of the securities being replaced.

6. <u>Safekeeping of Securities</u>

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

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

B. Safekeeping will be documented by an approved written agreement. This may be in the form of a safekeeping agreement, trust agreement, escrow agreement or custody agreement.

C. Original certificates of deposits will be held by the originating bank. A safekeeping receipt will be acceptable documentation.

7. Qualified Financial Institutions and Intermediaries

A. Depositories - Demand Deposits

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

2. The College will maintain funds only in financial institutions that are members of the FDIC system. In addition, the College will not maintain funds in any institution not willing nor capable of posting required collateral for funds or purchasing private insurance in excess of FDIC insurable limits.

3. Fees for banking services shall be mutually agreed to by an authorized representative of the depository bank and Treasurer.

B. 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.

1. Shall provide wire transfer, and certificate of deposit safekeeping services.

2. Shall be a member FDIC system and shall be willing and capable of posting required collateral or private insurance for funds in excess of FDIC insurable limits.

3. Shall have met the financial criteria as established in the investment procedures of the District.

C. Intermediaries

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

1. Shall provide wire transfer, and deposit safekeeping services.

2. 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.

3. Shall provide an annual audit upon request.

4. Shall have an office of Supervisory Jurisdiction within the State of Illinois and be licensed to conduct business in this State.

5. Shall be familiar with the College Board policy and accept financial responsibility for any investment not appropriate according to the policy.

6. Furnish written reports/statements, at least monthly, describing all investments held by the intermediary.

8. Management of Program

A. The following individuals are authorized to purchase and sell investments, authorize wire transfers, authorize the release of pledged collateral, and execute any documents required under this procedure:

1. College Treasurer

2. College Director of Business Services

These documents include:

1. Wire transfer

2. Depository agreement

3. Safekeeping agreement

4. Custody agreement

B. Management responsibility for the investment program is hereby delegated to the Treasurer and Director of Business Services, who 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 reconcilement, 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. The Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinates.

C. The wording of agreements necessary to fulfill the investment responsibilities is the responsibility of the Treasurer who shall periodically review them for their consistency with College policy and State law and who shall be assisted in this function by the College Legal Counsel and external auditors. These agreements include but are not limited to:

1. Wire transfer agreement

2. Depository agreement

3. Safekeeping agreement

4. Custody agreement

D. 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 by the College Board of Trustees.

E. All wire transfers shall require secondary authorization. In the absence of either the Treasurer or Director of Business Services secondary authorization may be obtained from either the President or Administrative Assistant to the Dean of Administration and Business Affairs.

9. <u>Performance</u>

The Treasurer will seek to earn a rate of return appropriate for the type of investments being managed given the portfolio objectives defined in Section 1 of this document for all funds. In general, the Treasurer will strive to earn an average rate of return equal to or greater than the U.S. Treasury Bill rate for a given period of time for the College's average weighted maturity.

10. <u>Ethics and Conflicts of Interest</u>

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.

11. <u>Indemnification</u>

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.

12. <u>Reporting</u>

The Treasurer shall submit to the College Board of Trustees, at least quarterly, an 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.

13. Amendment

This procedure shall be reviewed from time to time by the Treasurer with regard to the procedure's effectiveness in meeting the College's needs for safety, liquidity, rate of return, diversification, and general performance. Any substantive changes will be reported to the Board of Trustees.

Adopted:
Amended: March 29, 2016
Legal Ref:
Cross Ref: