CHAPTER 5 Financial Policies	SECTION NO. 5.09
REFERENCE 5.09 Investment Policy	*Adopted: October 12, 2010* *Reviewed: October 12, 2010* *Revised:*

In accordance with the Illinois Public Funds Investment Act, 30 ILCS 235/0/01 *et seq.* (the "Act"), Kishwaukee College (the "College") shall maintain a set of procedures for the investment of College funds that includes the following elements:

1. A listing of authorized investments.
2. The standard of care that must be maintained by the persons investing the public funds.
3. Investment and diversification guidelines that are appropriate to the nature of the funds, the purpose for the funds and the amount of the public funds within the investment portfolio.
4. Guidelines regarding collateral requirements, if any, for the deposit of public funds in a financial institution made pursuant to the Act and, if applicable, guidelines for contractual arrangements for the custody and safekeeping of that collateral.
5. 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 College.
6. Performance measures that are appropriate to the nature of the funds, the purpose for the funds and the amount of the public funds within the College's investment portfolio.
7. Appropriate periodic review of the investment portfolio, its effectiveness in meeting the College's needs for safety, liquidity, rate of return and diversification and its general performance.
8. At least quarterly written reports of investment activities by the Treasurer for submission to the Board of Trustees, including information regarding securities in the portfolio by class or type, book value, income earned and market value as of the report date.
9. A procedure for the selection of investment advisors, money managers and financial institutions.
10. A policy regarding ethics and conflicts of interest.

The Treasurer of the College shall establish and submit such procedures for the Board's approval and shall periodically review and propose needed amendments thereto. Such procedures and this policy shall be kept available at all times for public review at the College's administrative offices.

A. Scope

This investment procedure applies to all funds of the College. These funds are accounted for in the College's annual financial report and includes all current funds and any other funds that may be created from time to time. All transactions involving the College's 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."

B. Objectives

1. 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, insurance or collateral is required for any investments in excess of FDIC insurance that are not backed by the full faith and credit of the United States Government

2. Liquidity - The College's investment portfolio shall be structured in such manner as to provide sufficient liquidity to pay obligations as they come due

3. 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

4. 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 Treasurer

5. Local Investments – Whenever practical and fiscally responsible, the College will invest its funds with financial institutions doing business within the Kishwaukee College district

C. Investment Instruments

The College may invest its funds only in those instruments listed below:

1. 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 for U.S. agency securities not backed by the full faith and credit and taxing power of the federal government, a credit rating of "a" or better is required.

2. 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

3. Certificates of deposit with federally insured institutions that are collateralized or insured at levels acceptable to the College in excess of the Federal Deposit Insurance Corporation coverage limit

4. Collateralized repurchase agreements which conform to the requirements stated in paragraph 2(g) or 2(h) of the Act

5. The Illinois Public Treasurer's Investment Pool

For all instruments listed above the maximum allowable maturity is 5 years. Investments with maturities greater than five years require separate Board approval.

D. Diversification

Because Section B1 of this document requires FDIC coverage, private insurance or full collateralization, the diversification procedures do not have to consider risk of loss. As such, 100% of the College's funds may be invested in any of the instruments allowed in Section C of this document.

E. Collateralization

1. 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.

2. Eligible collateral instruments are any investment instruments acceptable under the 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 investment is predicated on the securing of collateral.

3. Safekeeping of Collateral

    a) Third party safekeeping is required for all collateral. To accomplish this, the securities must be held at one or more of the following locations:

        1) at a Federal Reserve Bank or its branch office

        2) at another custodial facility in a trust or safekeeping department through book-entry at the Federal Reserve

b) Safekeeping will be documented by an approved written agreement between the College and the governing board of the bank that complies with FDIC regulations. This may be in the form of a safekeeping agreement.

c) 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.

F. Safekeeping of Securities

1. Safekeeping will be documented by an approved written agreement between the Board of Trustees and the holder of the securities. This may be in the form of a safekeeping agreement, trust agreement, escrow agreement or custody agreement.

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

G. Qualified Financial Institutions and Intermediaries

1. Depositories - Demand Deposits

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

b) 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 that does not first agree to post required collateral for funds or purchase private insurance in excess of FDIC insurable limits and in amounts required by the College.

c) To qualify as a depository, a financial institution must furnish the Treasurer with copies of the latest two statements of condition which it is required to furnish to the Comptroller of Currency as the case may be. While acting as a depository, a financial institution must continue to furnish such statements to the Treasurer within 45 days of the end of each quarter.

d) Fees for banking services shall be mutually agreed ~~to~~ upon by an authorized representative of the depository bank and the Treasurer on an annual basis. Fees for services shall be substantiated by a monthly account analysis.

2. Banks and Savings and Loans - Certificates of Deposit

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

   a) provide wire transfer and certificate of deposit safekeeping services

   b) be a member of FDIC system and be willing and capable of posting required collateral or private insurance for funds in excess of FDIC insurable limits and in amounts required by the College

   c) meet at all times 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 investment program must:

   a) provide wire transfer and deposit safekeeping services

   b) maintain appropriate federal and state registrations for the type of business in which they are engaged

   c) provide an annual audit upon request

   d) maintain an office within the State of Illinois and be licensed to conduct business in this State

   e) be familiar with the Board of Trustee's policy and accept financial responsibility for any investment not appropriate according to the policy

H. Management of Program

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

   a) Treasurer
   b) Dean of Business Affairs
   c) President

These documents include:

a) Wire Transfer Agreement
b) Depository Agreement
c) Safekeeping Agreement
d) Custody Agreement
e) Collateral Agreement

2. Management responsibility for the investment program is hereby delegated to the Treasurer, Dean of Business Affairs and President, who shall establish a system of internal controls and written operational procedures designed to prevent loss of funds that might arise from fraud, employee error, misrepresentation by third parties or imprudent actions by employees of the College. Such procedures shall include explicit delegation of authority to persons responsible for the execution under the direction of the Treasurer of specific financial transactions, including: 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.

3. 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 Assistant Treasurer, College legal counsel and auditors. These agreements include but not limited to:

   a) Wire Transfer Agreement
   b) Depository Agreement
   c) Safekeeping Agreement
   d) Custody Agreement
   e) Collateral Agreement

4. All wire transfers made by the Treasurer shall require a secondary authorization by the Dean of Business Affairs or President.

I. <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 B 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 average weighted maturity of the College's investments.

J. Ethics and Conflicts of Interest

Officers and employees 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. Further, except as permitted under Section 3.2 of the Public Officer Prohibited Practices Act, no officer involved in the investment process shall have any interest in or receive any compensation from, any investments in which the College is authorized to invest or the sellers, sponsors or managers of those investments.

K. Indemnification

Investment officers and employees of the College acting in accordance with this Investment Procedure and such written operational policies as may be established by the College and who otherwise exercise due diligence and act with reasonable prudence, shall be relieved of personal liability for an individual security's credit risk or market changes.

L. Reporting

The Treasurer shall submit to the Board of Trustees 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.

M. Amendment

This procedure shall be reviewed from time to time by the Treasurer with regards to the procedure's effectiveness in meeting the College's needs for safety, liquidity, rate of return, diversification and general performance.