

**DU PAGE COUNTY  
TREASURER'S INVESTMENT POLICY  
MAY, 2015**

**SCOPE**

This investment policy applies to activities of the DuPage County Treasurer with regard to investing financial assets of all funds as described in the state statutes ILCS 5/3-10005.

**POLICY**

It is the policy of the DuPage County Treasurer to structure investments in such a way as to place the highest priority on the safety of principal. Secondary to this priority is the balance of investment objectives including the optimization of investment returns.

**INVESTMENT OBJECTIVES**

The following investment objectives shall be applied in the management of the DuPage County Treasurer's funds:

1. Providing investments that conform to all federal, state and regulatory requirements.
2. Planning investments that have as a priority to preserve capital and principal. Both the credit quality of the investment and perfecting of the Treasurer's interest are of prime importance.
3. Maintaining the Public Trust by including participants in the investment process that seek to act responsibly and that avoid transactions that may impair public confidence.
4. Provide an investment strategy that will allow for sufficient liquidity to meet the County's operating, payroll, capital and statutory disbursement requirements as can reasonably be anticipated.
5. Investing public funds that will strive to maximize the overall investment yield of the portfolio while minimizing risk.
6. Setting procedures to control risks and diversify investments regarding specific security types, maturities and financial institutions.
7. Seeking to promote economic development in DuPage County under the Treasurer's competitive certificate of deposit purchase program. In the event a DuPage County financial institution bids within 1/8 of 1% of an out-of-county financial institution, the DuPage County institution shall be awarded the investment funds.

### **PRUDENCE STANDARDS**

The standard used by the DuPage County Treasurer and Deputy Treasurers shall be the “prudent person” standard. The “prudent person” standard is herewith understood to mean the following:

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 probable income to be derived from the investment.

Investment officers acting in accordance with written procedures of this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual’s security credit risk or market price changes provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

### **DELEGATION OF AUTHORITY**

In accordance with 55 ILCS 5/3-10005 and 5/3-11006, the County Treasurer delegates responsibility for the operation of the investment program to the Deputy Treasurer for Investments (herein referred to as Investment Officer), who shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this investment policy.

Procedures should include reference to safekeeping, delivery vs. payment, investment accounting, wire transfer agreements, and collateral/depository agreements. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions.

No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Investment Officer. The Investment Officer shall be responsible for all transactions undertaken and shall establish a systems of controls to regulate the activities of subordinate officials.

### **ETHICAL STANDARDS**

The DuPage County Treasurer and Deputy Treasurers shall refrain from personal business activity that would, in fact, appear as a conflict with proper execution of the investment program or which could impair their ability to make impartial investment decisions. Deputy Treasurers shall disclose to the County Treasurer any material financial interests in financial

institutions that conduct business with the County and they shall further disclose any personal investments that could be related to the performance of the investment portfolio.

In accordance with the spirit of the aforementioned, the County Treasurer shall make same said disclosure to the County Board. Both the Deputy Treasurers and DuPage County Treasurer shall refrain from undertaking personal investment transactions with any individual or with any business that is a vendor of DuPage County.

### **PERMISSIBLE INSTRUMENTS**

The Treasurer may invest in any type of security allowed by Illinois law, notably Illinois Revised Statutes, Chapter 85-902-2. A listing of Permissible Investments appears in Appendix A.

### **OTHER INVESTMENTS**

If ILCS 235/0/01 is amended and one or more investments are no longer permissible, the investment will automatically be removed from the list of Permissible Investments. Under this circumstance, any newly ineligible investments will be allowed to mature or can be sold immediately at the Investment Officer's discretion.

If 30 ILCS 235/0.01 et seq. is amended to add new investments, the new investments will automatically be added to the list of Permissible Investments, but not recommended for use until approved by the Treasurer.

### **PERFORMANCE MEASUREMENT**

The investment policy is designed to obtain a market average rate of return, taking into account investment risk constraints and cash flow needs. The market average rate of return shall be determined by the Investment Officer on a quarterly basis by comparing the following two rate sources:

1. The 3 month average of the 90 day Treasury Bill rates as quoted by Bloomberg L.P.
2. The MFR all taxable 7 day simple yield as reported on [www.imoney.net.com](http://www.imoney.net.com).

### **REVIEWING GUIDELINES**

The Treasurer shall periodically review repurchase agreement activity for compliance with State law. In addition, diversification strategies shall be reviewed on a periodic basis.

Once per year, the Treasurer shall review the FDIC quarterly call report.

## **DIVERSIFICATION**

It is the policy of the Treasurer to diversify the investment portfolio of the County. Investments shall be diversified to eliminate the risk of loss resulting from an over concentration in a specific issuer, maturity or class of securities. Concentration in short-term corporate obligations will not exceed 90% of the limit contained in Illinois law.

## **ACCEPTED COLLATERAL INSTRUMENTS**

It is the policy of the DuPage County Treasurer to require some form of collateral to protect public deposits in a single financial institution if it were to default for some reason such as poor management or economic factor. All federally and non-federally insured institutions must fully collateralize deposits using instruments and Collateral Ratios (Market Value divided by Amount Deposited) as follows:

- Bonds, notes, or other securities constituting direct and general obligations of the United States.
- Bonds, notes, or other securities constituting an obligation of any agency of the United States.
- Direct and general obligation bonds of any state.
- Direct and general obligation bonds of any city, town, county, school district, or other taxing body of any state, the debt service of which is payable from general ad valorem taxes.
- Letters of credit issued by a Federal Home Loan Bank in an amount equal to 102% of that amount of funds deposits exceeding the insurance limitation provided by the Federal Deposit Insurance Corporation or National Credit Union Administration.

Municipal bonds shall be registered in the name of the municipality or county or held under a custodial agreement as described in the section Safekeeping of Collateral. The bonds shall be rated at the time of purchase within the three (3) highest general classifications established by the rating service of nationally recognized expertise in the rating of bonds of states and their political subdivisions.

The Collateral Ratio required under the terms and conditions of any Repurchase Agreement that DuPage County shall enter into shall be one-hundred and five percent (105%). The Collateral Ratio shall apply to the market value of eligible collateral as determined by DuPage County.

The DuPage County Treasurer, or her designee, shall review monthly the Collateral Ratios to the amount of funds secured. The Treasurer will request additional collateral when the ratio declines below the level required.

## **REPORTING**

Investment reports will be prepared on daily, monthly, and yearly basis as required by statute or to meet daily operational needs. The reports include, but are not limited to a listing of individual securities held by the end of each period, a listing of investments by maturity date and institution; income earned on investments by fund.

## **AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS**

The County Treasurer will maintain a list of financial institutions which have been designated depositories. In addition, a list will also be maintained of approved security broker/dealers selected by credit worthiness who are authorized to provide investment services in the State of Illinois. No public deposit shall be made except in a qualified public depository as established by state statutes. A current audited financial statement is required to be on file for each financial institution and broker/dealer with which the County invests. All financial instruments will be examined quarterly by the Treasurer's representative. Deposits in each financial institution shall not exceed 75% of its capital stock and surplus. Additional collateral must be pledged to exceed the statutory limit, such collateral being backed by the full faith and credit of the United States and held in a third-party custodial institution.

## **SAFEKEEPING OF COLLATERAL**

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

1. A Federal Reserve Bank or branch office.
2. At another custodial facility - generally in a trust department through book-entry at the Federal Reserve, unless physical securities are involved.
3. By an escrow agent of the pledging institution.

## **INTERNAL CONTROL**

An independent review of investment records will be performed annually by an external auditor. This review will provide internal control by assuring compliance with established policies and procedures.

**SPECIAL USE MONEYS**

From time to time, the County issues bonds for a variety of projects. The proceeds from such bonds issuances shall be invested in the manner prescribed by the County at the time the bonds are issued.

**INVESTMENT POLICY ADOPTION**

The investment policy shall be adopted by the County Treasurer and be presented to the DuPage County Board Chairman and the DuPage County Board. The policy shall be reviewed annually and any modifications must be approved by the County Treasurer.

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