



SER 20

INVESTMENT POLICY

POLICY:

Under this instrument, the Antioch Public Library District's Investment Policy, it is the policy of the District to invest all funds under the District's control in a manner which will provide the highest investment return using authorized instruments, while meeting the District's daily cash flow demands and in conformance with all State statutes governing the investment of public funds.

This policy shall apply to all investments entered into on or after the effective date of this instrument. Until the expiration of investments made prior to the effective date of this Policy, such investments shall continue to be governed by the policies in effect at the time such investments were made.

1. INVESTMENT GUIDELINES:

The primary objective in the investment of District funds is to ensure the safety of principal, while managing liquidity to pay the financial obligations of the District, and providing the highest investment return using authorized instruments.

- a. Safety: The safety of principal is the foremost objective of the investment program. District investments shall be undertaken in a manner which seeks to ensure the preservation of capital in the portfolio. To attain this objective, diversification, as defined in Section 9.0 of this Policy, is required to ensure that the District prudently manages market, interest rate and credit risk.
- b. Liquidity: The investment portfolio shall remain sufficiently liquid to enable the District to meet all operating requirements which might be reasonably projected.
- c. Return on Investment: The investment portfolio shall be designed to obtain the highest available return, taking into account the District's investment risk constraints and cash flow needs and the District's desire to promote fiscal responsibility. The portfolio shall seek to obtain the highest investment return using authorized investments during budgetary and economic cycles as mandated in Section 1.0 of this Policy.
The rate of return achieved on the District's portfolio will be measured against relevant industry benchmarks at regular intervals to determine the effectiveness of investment decisions in meeting investment goals.

SER 20

INVESTMENT POLICY

1. INVESTMENT GUIDELINES:

- d. Periodic Review of Investment Portfolio: The investment advisor or advisors appointed by the Board of Library Trustees pursuant to Section 14.0 of this Policy shall make a periodic review, not less frequently than weekly, of the District's investment portfolio, its effectiveness in meeting the District's needs for safety, liquidity, rate of return, and diversification, and the general performance of such portfolio. The investment advisor shall report to the Library Director of the District on an "as needed" basis, and shall report to the Board of Library Trustees at least quarterly.

2. PRUDENCE:

Investments shall be made with the judgment and care under the circumstances then prevailing which persons of prudence, discretion and intelligence exercised in the management of their own affairs, not for speculation, but for investment, considering the probable preservation of their capital as well as the probable income to be derived. This "prudent person" standard shall be used by all investment officers of the District and shall be followed in making investments for the District and in managing those investments.

3. ETHICS AND CONFLICTS OF INTEREST:

Authorized investment officers of the District and employees in policy-making positions shall refrain from personal business activity that could conflict, or give the appearance of a conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Such individuals shall disclose to the District any material financial interest in financial institutions which conduct business with the District, and they shall further disclose any personal financial investment positions that could be related to the performance of the investment portfolio. In addition, such individuals shall subordinate their personal investment transactions to those of the investment portfolio, particularly with regard to the time of purchases and sales.

SER 20

INVESTMENT POLICY

3. ETHICS AND CONFLICTS OF INTEREST:

No person acting as Treasurer or financial officer for the District, or who is employed in any similar capacity by or for the District, may do any of the following:

- a. Have any interest, directly or indirectly, in any investments in which the District is authorized to invest.
- b. Have any interest, directly or indirectly, in the sellers, sponsors, or managers of those investments.
- c. Receive, in any manner, compensation of any kind from any investments in which the District is authorized to invest.

4. AUTHORIZED BROKER/DEALERS AND FINANCIAL INSTITUTIONS:

Authorized investment officers shall utilize the District's approved list of financial institutions when selecting institutions to provide investment services. No public deposit shall be made except as authorized by the Illinois Public Funds Investment Act (30 ILCS 235/0.01 et seq.).

In addition, a list shall be maintained of approved security broker/dealers selecting according to their credit worthiness, and their financial efficiency in serving the District, which shall be measured in terms of the location of the broker/dealer/s corporate office, the number of fulltime employees, the size of it payroll, and the extent to which the broker/dealer has an economic value to the District. The list may include "primary" dealers of regional dealers which qualify under Securities and Exchange Commission Rule 240.15c3-1 (Net Capital Requirements for Brokers or Dealers).

SER 20

INVESTMENT POLICY

4. AUTHORIZED BROKER/DEALERS AND FINANCIAL INSTITUTIONS:

All financial institutions and broker/dealers who want to qualify to bid for investment transactions must initially, and on a periodic basis upon request, provide to the District's authorized investment officers the following, where applicable:

- a. Audited financial statements;
- b. Proof of minority/female/disable broker status;
- c. A trading resolution;
- d. Proof of State of Illinois registration;
- e. Completed Broker/Dealer Questionnaire;
- f. Certification of notice and knowledge of the District's Investment Policy;
- g. Published reports for brokers from rating agencies with investment grade ratings;
- h. Proof of emerging broker status; and
- i. Consolidated Reports of Condition and Income.

An annual review of the financial condition and registration of qualified bidders will be conducted by the District's authorized investment officers. More frequent reviews may be conducted if warranted.

A current audited financial statement is required to be on file for each financial institution and broker/dealer with which the District established a depository, trading, or safekeeping relationship. Qualified bidders shall submit annual audited financial statements and shall submit financial statements when a material change occurs in the financial condition or registration of qualified bidders.

5. AUTHORIZED AND SUITABLE INVESTMENTS:

As of the effective date of this Policy, the list of authorized investments shall include the following as authorized by Section 2 of the Public Funds Investment Act (30 ILCS 235/2):

- a. Bonds, notes, certificates of indebtedness, treasury bills, or other securities now or hereafter issued, that are guaranteed by the full faith and credit of the United States of America as to principal and interest;

INVESTMENT POLICY

5. AUTHORIZED AND SUITABLE INVESTMENTS:

- b. Bonds, notes, debentures or other similar obligations of the United State of America, or its agencies;

For purposes of this Policy, the term “agencies of United State of America” includes (i) the federal land banks, federal intermediate credit banks, banks for cooperative, federal farm credit banks, or any other entity authorized to issue debt obligations under the Farm Credit Act of 1971 (12 U.S.C. 2001 et seq.) and Acts amendatory thereto; and (ii) the federal home loan banks and the Federal Home Loan Mortgage Corporation; and any other agency created by Act of Congress.

- c. Interest-bearing savings accounts, interest-bearing certificates of deposit, interest-bearing time deposits, or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act (205 ILCS 5/1 et seq.), provided, however, that such investments may be made only in banks which are insured by the Federal Deposit Insurance Corporation;
- d. Short-term obligations of corporations organized in the United States with assets exceeding \$500,000,000 if (i) such obligations are rated at the time of purchase at one of the three highest classifications established by at least two standard rating services and which mature not later than 180 days from the date of purchase, (ii) such purchases do not exceed 10% of the corporations outstanding obligations, and (iii) no more than one-third of the District’s funds are invested in short-term obligations of corporations;
- e. Money market mutual funds registered under the Investment Company Act of 1940 (15 U.S.A. SS 80a-1 et seq.), provided that the portfolio of the money market mutual fund is limited to obligations described in Section 2(a)(1) and (2) of the Public Funds Investment Act (30 ILCS 235/2(a)(1) and (2));

INVESTMENT POLICY

5. AUTHORIZED AND SUITABLE INVESTMENTS:

- f. Short term discount obligations of the Federal National Mortgage Association (established by or under the National Housing Act (1201U.S.C. 1701 et seq.)), or in shares or other forms of securities legally issuable by savings banks or saving and loan associations incorporated under the laws of Illinois or any other State or under the laws of the United States, provided, however, that the shares or investment certificates of such savings banks or savings and loan associations are issued by the Federal Deposit Insurance Corporation;
- g. Dividend-bearing share accounts, share certificate accounts, or class of share accounts of a credit union chartered under the laws of the State of Illinois or the laws of the United States; provided, however, the principal office of the credit union must be located within the State of Illinois; and, provided further, that such investments may be made only in those credit unions the accounts of which are insured by applicable law.
- h. The Public Treasurer's Investment Pool created under Section 17 of the State Treasurer Act (15 ILCS 505/17) or in a fund managed, operated, and administered by a bank, subsidiary of a bank, or subsidiary of a bank holding company, or use the services of such an entity to hold and invest or advise regarding the investment of any public funds.
- i. Repurchase agreements of government securities have the meaning set out in the Government Securities Act of 1986 (15 U.S.C.A. SS 780-5) subject to the provisions of that Act and the regulations issued there under, provided, however, that such government securities, unless registered or inscribed in the name of the District, shall be purchased through banks or trust companies authorized to do business in the State of Illinois, and such other repurchase agreements as are authorized in subsection (h) of Section 2 of the Public Funds Investment Act (30 ILCS 235/2). Repurchase agreements may be executed only with approved financial institutions or broker/dealers meeting the District's established standards, which shall include mutual execution of a Master Repurchase Agreement adopted by the District.

SER 20

INVESTMENT POLICY

6. INVESTMENT RESTRICTIONS:

- a. Authorized investment officers shall not invest in tri-party repurchase agreements of derivative products, and will not leverage assets through reverse repurchase agreements.
- b. Except for repurchase agreements of government securities which are subject to be Government Securities Act of 1986, the District shall not purchase or invest in instruments which constitute repurchase agreements, and no financial institution may enter into such an agreement with or on behalf of the District unless the instruments and the transaction meet the requirements of Section 2(h) of the Illinois Public Funds Investment Act (30 ILCS 235/2(h)).
- c. Repurchase agreements may be executed only with approved financial institutions or broker/dealers meeting the District's established standards, which shall include a mutual execution of a Master Repurchase Agreement adopted by the District.

7. COLLATERALIZATION:

Collateralization will be required above depository insured amounts on two (2) types of District investments:

- a. Deposit Collateralization: Collateral securities approved by the District with a market value equal to at least 110% of deposits in excess of \$100,000 per institution shall be required. The collateral shall be marked to market adjusted, if necessary, to the 110% level on at least a weekly basis. Insured certificates of deposit, share certificates, surety bonds and letters of credit with a value of at least 102% of deposits in excess of \$100,000 per institution shall be required.
- b. Repurchase Agreement Collateralization: Direct treasury securities with a Market value equal to at least 102% of the value of the repurchase agreement shall be maintained at all times. Repurchase agreement collateral shall be marked to market at the time of execution and daily thereafter.

SER 20

INVESTMENT POLICY

8. DIVERSIFICATION:

The investment portfolio shall be diversified to eliminate the risk of loss resulting from concentration of assets in a specific maturity, a specific issuer or a specific class of securities. In order to properly manage any risk attendant to the investment of District assets, the portfolio shall not exceed the following diversification limits unless specifically authorized by the District.

- a. The district shall seek to achieve diversification in the portfolio by distributing investments among authorized investment categories among financial institutions issuers and broker/dealers;
- b. The investment portfolio shall at no time hold time deposits constituting more than 10% of single financial institutions total deposits;
- c. No investment category shall exceed 40% of the District's portfolio, with the exception of cash equivalents and treasury securities as defined in Section 5.0 of this Policy; and
- d. The District shall invest the majority of District funds in authorize investments of less that (1) year maturity. No investment shall exceed two (2) years maturity.

9. SAFEKEEPING AND CUSTODY:

All security transactions entered into by the District shall be conducted on a delivery-versus-payment (DVP) or receipt-versus-payment (RVP) basis. Securities shall be held by a safekeeping agent designated by the District, and evidenced by safekeeping receipts.

SER 20

INVESTMENT POLICY

10. INTERNAL CONTROLS

The District's investment advisory(s) shall establish a system of internal controls, which shall be documented in writing and filed with the District's Board of Library Trustees for review. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets or imprudent actions by authorized investment officers.

- a. Asset allocation: The allocation of assets within investment categories authorized under Section 5.0 of this Policy shall be approved by the District.
- b. Competitive bidding: Authorized investment officers shall obtain competitive bids from at least (3) broker/dealers prior to executing the purchase or sale of any authorized investments.
- c. Certificates of deposit shall be purchased by authorized investment officers on the basis of a qualified financial institution's ability to pay a required rate of interest to the District set on a daily basis. Such rate is generally determined on the basis of treasury or other appropriate market rates for a comparable term.

11. LIMITATION OF LIABILITY

The standard of prudence to be used by authorized investment officers shall be the "prudent person" standard as stated in Section 3.0 above, and shall be applied in the context of managing an overall portfolio. Authorized investment officers acting in accordance with written procedures and this Policy and exercising due diligence shall be relieved of personal liability for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and necessary action is taken to control adverse developments.

SER 20

INVESTMENT POLICY

12. REPORTING:

Financial reports shall be presented quarterly to the District by the Library Director. The quarterly report shall contain the following:

- a. Performance as compared to established benchmarks;
- b. Asset allocations;
- c. Any circumstances resulting in a deviation from the standards established in Section 10.0 of this Policy.
- d. Impact of any material change in investment policy adopted during the quarter;
- e. The average days to maturity; and
- f. A listing of all investments in the portfolio marked to market value, including but not limited to information regarding securities in the portfolio by class or type, by value, income earned and market value as of the report date.

The District's investment advisor(s) shall develop performance reports in compliance with established industry reporting standards within six (6) months following the adoption of the Investment Policy. Such reporting standards may include those sanctioned by the Association of Investment Management Research ("AIMR") in accordance with Generally Accepted Accounting Principles ("GAAP").

13. DELEGATION OF AUTHORITY:

The Board of Library Trustees shall employ one or more invest advisors(s) possessing superior capabilities in the management of assets of government bodies. The Board of Library Trustees shall require the investment advisor(s) selected and working on behalf of the District to meet the following conditions:

SER 20

INVESTMENT POLICY

13. DELEGATION OF AUTHORITY:

- a. To take actions in the exercise of its discretion which in its best professional judgment are in the best interests of the District and in accordance with this Policy. Such actions include but are not limited to (a) the allocation of District funds among alternative types of investments; (b) specific investment opportunities regarding the acquisition, retention or disposition of investments;
- b. To execute all investment transactions on behalf of the District at the best net price, utilizing such approved brokers and dealers as it deems appropriate to obtain the best execution capabilities and/or valuable information with respect to the economy, at the lowest cost to the District.
- c. Such additional responsibilities as are set forth in such investment advisor's written contract with the District.

The District's investment advisor(s) shall be responsible for establishing the internal controls in written procedures for the operation of the District's investment program as set forth in the Policy.

Until the Board of Library Trustees appoints one or more investment advisor(s), management responsibility for the investment program set forth in the Policy is delegated to the Library Director of the District.

14. RESERVATION OF RIGHTS:

The District reserves the right to amend this Policy at any time upon the advice and consent of its Board of Library Trustees.