

INVESTMENT POLICY

COUNTY OF McLEAN



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McLEAN COUNTY TREASURER
December 18, 2013

INVESTMENT POLICY

McLEAN COUNTY TREASURER

(Pursuant to the Public Funds Investment Act 30 ILCS 235)

SCOPE OF POLICY

This Investment Policy applies to the investment activities of all funds under the jurisdiction of the McLean County Treasurer. This Investment Policy will also apply to any new funds or temporary funds placed under the jurisdiction of the McLean County Treasurer. The Illinois State Statutes will take precedence except where this Policy is more restrictive wherein this Policy will take precedence.

OBJECTIVES

The purpose of this Investment Policy is to establish cash management and investment guidelines for the stewardship of public funds under the jurisdiction of the McLean County Treasurer. The specific objectives of this Policy will be as follows:

1. Legality – Investments will conform to federal and state laws, the Public Funds Investment Act, and the Investment Policy of McLean County.
2. Safety - The security of monies, whether on hand or invested, shall be the primary concern of the Treasurer in selecting depositories or investments.
3. Liquidity - The investment portfolio shall remain sufficiently liquid to meet all operating requirements, which might be reasonably anticipated.
4. Return - The McLean County Treasurer shall seek to attain a market average or better rate of return throughout budgetary and economic cycles, taking into account risk, constraints, cash flow, and legal restrictions on investments.
5. Depository Considerations - The McLean County Treasurer shall have preference to depositories located within McLean County and in SEC registered money market mutual funds or in local government investment pools which offer same-day liquidity provided that the described objectives are met, and such investments would be in compliance with all other conditions and limitations of this Investment Policy. However, selection is at the discretion of the Treasurer.

INVESTMENT GUIDELINES

To assist in attaining the stated objectives, the following guidelines shall be observed:

1. Investments shall be undertaken in a manner that seeks to insure preservation of capital in the overall portfolio. To avoid unreasonable risks diversification of investments is required.
2. The portfolio should remain sufficiently liquid to meet operating requirements, which may be reasonably anticipated. The portfolio will be structured in such a manner as to provide sufficient liquidity to pay obligations as they come due. The portfolio shall be invested in such a way to avoid the need to sell securities prior to maturity.
3. To maximize earnings, all funds shall be deposited/invested at the earliest possible time frame at prevailing rates or better. The Treasurer will use competitive bidding in most cases as appropriate.

Return on investment is secondary to the legality, safety, and liquidity. Investments are limited to low risk securities in anticipation of earning a fair rate of return relative to the risk being assumed. Investments are made under the assumption that the funds will not be needed until the date of maturity. However, investments may be cashed out prior to maturity to meet the liquidity needs of the portfolio.

RESPONSIBILITY

Management responsibility for the investment of funds under the authority of the Treasurer's office is delegated, as provided by law in 30 ILCS 235/2.5 (b), to the McLean County Treasurer. The County Treasurer shall be responsible for all transactions and shall establish a system of controls for all authorized subordinates who are directly involved in the assistance of such investment activities.

REPORTING

All investment transactions shall be recorded by the McLean County Treasurer or the McLean County Treasurer's staff. The McLean County Treasurer shall prepare a monthly cash and investment report, which shall be submitted to the McLean County Board. The Treasurer's Investment Report shall list the active cash and investment accounts, location of such, maturity dates, interest rates, and other pertinent information deemed necessary.

The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a market average rate of return during a market/economic

environment of stable interest rates. A performance benchmark that may be used is the average monthly interest yield which can be obtained by comparing the various accounts listed on the Treasurer's Investment report.

CASH MANAGEMENT

All funds are to be deposited within two working days of being received at prevailing rates in accordance with Illinois Compiled Statutes. Balances will be monitored and invested for a period of one day or longer, depending on cash flow needs.

AUTHORIZED INVESTMENTS

McLean County Treasurer shall invest as allowed by the Public Funds Investment Act, 30 IL CS 235/2. Investments will conform to federal and state laws. The following investments will be permitted by this policy are those defined by state law: Investments will be held in banks within McLean County and SEC registered money market mutual funds or in local government investment pools which offer same-day liquidity.

- a. United States Treasury Bills The McLean County Treasurer may invest in obligations of the United States government, either directly or indirectly, for which the full faith and credit of the United States are pledged for the payment of principal and interest.
- b. United States Agency Securities. The McLean County Treasurer may invest in obligations issued or guaranteed, either directly or indirectly, by any agency of the United States Government.
- c. Repurchase Agreements. The McLean County Treasurer may invest in contractual agreements between the McLean County Treasurer and financial institutions. The purchaser in a repurchase agreement (repo) enters into a contractual agreement to purchase U.S. Treasury and government agency securities while simultaneously agreeing to resell the securities at predetermined dates and prices.
- d. Collateralized Public Deposits (Certificates of Deposit). Instruments issued by financial institutions which state that specified sums have been deposited for specified periods of time and at specified rates of interest. The certificates of deposit are required to be backed by acceptable collateral securities as dictated by State statute.
- e. Money Market Mutual Funds & Public Treasurer's Investment Pool created under Section 17 of the State Treasurer Act. A portion of the portfolio may be placed in SEC registered money market mutual funds or in local government investment pools which offer same-day liquidity.
- f. Mutual funds consisting of US Treasury Bills, Notes, Bonds, or Agencies.
- g. Interest bearing & non interest bearing checking or savings accounts/shares insured by the FDIC or NCUA. Collateral must be pledged on all balances in excess of the protection provided by FDIC and NCUA. Interest bearing accounts are preferred but, due to low rates and earnings credits, non interest bearing accounts are allowed if the effort will offset fees and ensure the safety of the County's financial assets.

This policy prohibits the investment of County funds in derivatives.

FINANCIAL INSTITUTIONS & DIVERSIFICATION

McLean County Treasurer's office will maintain an updated list of financial institutions. The McLean County Treasurer will have the sole responsibility to select which financial institutions will be used as depositories for McLean County.

Any financial institution located in McLean County that meets the requirements of the Illinois Compiled Statutes and of this policy, may request to become a depository for McLean County funds. A portion of the portfolio may be placed in SEC registered money market mutual funds or in local government investment pools which offer same-day liquidity not necessarily located within McLean County.

The McLean County Treasurer will take into consideration security, size, location, financial condition, service, fees, competitiveness, and the community relations involvement of the financial institution when choosing depositories.

The County Treasurer will diversify the investment portfolio through the use of several different financial institutions. The county uses a number of separate cash accounts within those banks to diversify balances as well. The County Treasurer uses a single cash account to pool monies that may be co-mingled. The County Treasurer uses separate accounts when it is more operationally efficient to do so. Separate accounts are also used to allow the County to comply with provisions where those monies cannot be co-mingled with other County funds.

INTERNAL CONTROLS

The County Treasurer is responsible for establishing and maintaining an internal control structure that will be reviewed annually with the external auditor. The internal control structure shall be designed to ensure that the assets of the County are protected from loss, theft or misuse and to provide reasonable assurance that these objectives are met.

The internal controls shall address the following points:

- Control of collusion
- Separation of transaction authority from accounting and record keeping
- Custodial safekeeping
- Avoidance of physical delivery securities, whenever possible
- Clear delegation of authority to subordinate staff members
- Written confirmation of transactions for investment and wire transfers

Timely reconciliation of all investment and cash accounts shall be performed.

Authorized signatories are not permitted to reconcile bank accounts. Bank account statements are to be reconciled by staff that do not receipt, complete deposits, or complete cash transfers. Dual control reviews of the reconciliation and its accuracy to the general ledger is to be made by the Assistant County Treasurer.

COLLATERALIZATION

1. In order to meet the objective of safety of capital, the County Treasurer will require deposits in excess of the federally insured amount to be collateralized to the extent of One Hundred Five Percent (105%). Custodial receipts specifically describing each collateral instrument must be provided to the County Treasurer within 15 (fifteen) days of settlement date.
2. Eligible Collateral instruments and collateral rates (market value divided by deposit) are as follows:
 - a) Negotiable obligations of the United States Government; = 105%
 - b) Negotiable obligations of any agency or instrumentality of the United States Government backed by the full faith and credit of the United States Government; = 105%

Collateral must be held in a third party custodial bank, legally separate from the pledgor, who should act as the County's agent on behalf of the county. All collateral is subject to acceptance by the McLean County Treasurer.

SAFEKEEPING OF INVESTMENTS

All physical investment certificates shall be held in the Treasurer's vault.

STANDARDS OF CARE

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing the overall portfolio. 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.

In maintaining its investment portfolio, the McLean County Treasurer shall avoid any transaction that might impair public confidence in McLean County.

The above standards are established as standards for professional responsibility and shall be applied in the context of managing the portfolio.

INDEMNIFICATION

The McLean County Treasurer and employees of the McLean County Treasurer's office acting in accordance with this Investment Policy, Illinois Compiled Statutes, and 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 price changes if the liquidity and sale of such securities are carried out in accordance with the terms of this policy.

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 and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall not have any equity interests in financial institutions with which they conduct business. They shall further disclose any personal financial or investment positions that could be related to or benefit from the performance of the investment portfolio.

BONDING

The McLean County Treasurer and all employees shall be bonded for the benefit of the McLean County for an amount determined to be reasonable. The surety shall be a corporate surety company.

POLICY CONSIDERATIONS

This Policy will be reviewed annually and provided to the external auditor during the County's annual audit of cash and investments. This policy may be revised by the McLean County Treasurer to remain in compliance with relevant Federal and State laws and sound public investment practices. Any changes must be approved by the McLean County Treasurer.

This policy shall be made available to the public through the McLean County Administrator's office or the McLean County Treasurer's office.

ADOPTION

This investment policy, or a similar one, has been in effect since 1999. This policy was last revised and adopted by the McLean County Treasurer on December 18, 2013 and presented to the McLean County Board on January 8, 2014.

Rebecca C. McNeil
McLean County Treasurer