

TRITON COLLEGE BOARD POLICY

BOARD OF TRUSTEES, DISTRICT 504

BUSINESS SERVICES

INVESTMENT OF COLLEGE FUNDS

Page 1 of 5

POLICY 3292

ADOPTED: 01/22/91

AMENDED: 12/21/99

AMENDED: 09/26/17

AMENDED: 03/24/20

AMENDED: 01/25/22

Policy

It is the policy of the College to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the entity and conforming to all state and local statutes governing the investment of public funds.

Scope

This policy includes all funds governed by the Board of Trustees.

Prudence

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.

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 an overall portfolio.

Objective

The primary objective, in order of priority, shall be:

- Legality – conformance with federal, state and other legal requirements
- Safety – preservation of capital and protection of investment principal
- Liquidity – maintenance of sufficient liquidity to meet operating requirements
- Sustainability – maximizing anticipated financial returns, minimizing projected risk, and effectively executing fiduciary duty
- Yield – attainment of market rates of return

The portfolio should be reviewed periodically as to its effectiveness in meeting the entity’s needs for safety, liquidity, rate of return, diversification and its general performance.

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Page 2 of 5

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Delegation of Authority

Management and administrative responsibility for the investment program is hereby delegated to the Treasurer who, under the delegation of the Board of Trustees, shall establish written procedures for the operation of the investment program.

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.

Authorized Financial Dealers and Institutions

The Treasurer will maintain a list of financial institutions authorized to provide investment services. All in-district banks, savings and loans associations, and financial institutions as defined by the Illinois Banking Act who are members of the FDIC, FSLIC, or NCUA system are designated as depositories for investment purposes by this policy. Out-of-district banks will only be used when separately designated by the Board of Trustees except for those currently doing business with the College. Each depository which has funds on deposit shall send to the College its latest audited financial statement. In addition, the College will request from a bank consultant on each of the depositories a bank evaluation analysis.

Authorized and Suitable Investments

The college shall invest in instruments as allowed by the Public Funds Investment Act, 30 ILCS 235/2. A summary of authorized investments follows:

- a) Notes, bonds, certificates of indebtedness, treasury bills, or other securities, which are guaranteed by the full faith and credit of the United States of America.
- b) Bonds, notes debentures, or other similar obligations of the United States of America or its agencies.
- c) Interest bearing accounts, certificates of deposit or interest bearing time deposits or any other investment constituting direct obligations of any bank as defined by the Illinois Banking Act.

TRITON COLLEGE BOARD POLICY

BOARD OF TRUSTEES, DISTRICT 504

BUSINESS SERVICES

INVESTMENT OF COLLEGE FUNDS

Page 3 of 5

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- d) Short-term obligations (corporate paper) of corporations organized in the United States with assets exceeding \$500,000,000 if (a) such obligations are rated at the time of purchase within the 3 highest classifications established by at least 2 standard rating services and which mature not later than 180 days from the date of purchase, and (b) such purchases do not exceed 10% of the corporation's outstanding obligations or (c) in money market mutual funds registered under the Investment Company Act of 1940.

Investments shall be made that reflect the cash flow needs of the fund type being invested.

Collateralization

It is the policy of the College to require that all investments which are not guaranteed by the full faith and credit of the United States of America and in excess of FDIC, FSLIC, or NCUA insurable limits be secured by some form of collateral. This is to protect the College's investment in the event the financial institution defaulted due to poor management or economic factors. Financial institutions with capital and surplus in excess of five hundred million are exempt from this provision.

Eligible collateral instruments and collateral ratios are as follows:

- U.S. government securities = 110%
- Obligations of federal agencies = 110%
- Obligations of federal instrumentalities = 110%
- Obligations of the State of Illinois = 110%
- General obligation bonds of the district = 110%

Deposits may additionally be collateralized by a letter of credit issued by a Federal Home Loan Bank, which must be regulated by the Federal Housing Finance Agency and registered with the Securities and Exchange Commission. Collateralization by a Federal Home Loan Bank must be in an amount equal to at least the market value of that amount of funds on deposit exceeding the insurance limitation provided by the Federal Deposit Insurance Corporation.

Whenever investments require collateral in accordance with this policy, an executed collateral agreement, or an irrevocable letter of credit, must be on file with Triton College.

TRITON COLLEGE BOARD POLICY

BOARD OF TRUSTEES, DISTRICT 504

BUSINESS SERVICES

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Page 4 of 5

POLICY 3292

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Safekeeping and Custody

All security transactions, including collateral for repurchase agreements, entered into by the College, shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by an independent third party custodian designated by the Treasurer and evidenced by safekeeping receipts and a written custodial agreement.

Diversification

The entity shall diversify its investments to the best of its ability based on the type of funds invested and the cash flow needs of those funds. Diversification can be by type of investment, number of institutions invested in, and length of maturity.

Investment Limits

No investment total in any one financial institution shall exceed fifty percent of the paid-in capital and retained earnings as evidenced by the institution's most recently audited financial statement.

Internal Control

The Treasurer is responsible for establishing and maintaining an internal control structure designed to insure that the assets of the entity are protected from loss, theft or misuse. The internal control structure shall be designed 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
- Custodial safekeeping
- Written confirmation of telephone transactions for investments and wire transfers

Sustainability

The Treasurer shall regularly consider material, relevant, and decision-useful sustainability factors in evaluating investment decisions, within the bounds of financial and fiduciary prudence. Such factors shall include, but are not limited to: (1) corporate governance and leadership factors, (2) environmental factors, (3) social capital factors, (4) human capital factors, (5) business model and innovation factors, and any other factors as may be provided by applicable Illinois law, rule or regulation.

Performance Standards

This investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a comparable rate of return during a

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Page 5 of 5

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market/economic environment of stable interest rates. The average 90-day T-bill rate will be used as a benchmark against the investment portfolio.

Reporting

The Treasurer shall submit to the Board on a quarterly basis an investment report which shall describe the portfolio in terms of investment securities, cost by fund, average rate of interest, and earnings for the current period and year to date. The report should be provided to the Board of Trustees and be available on request. An annual report should also be provided to the Board.

Indemnification

Employees involved in the investment process acting in accordance with this policy and exercising due diligence shall be relieved of personal liability for an individual security's credit risk or market changes.

Investment Policy Adoption

The investment policy shall be adopted by the Board of Trustees. The policy shall be reviewed on an annual basis by the Treasurer and any modifications made thereto must be approved by the Board of Trustees.