

## **INVESTMENT POLICY**

### **§ 36.20 SCOPE.**

- (A) This policy applies to all assets of the Village of Romeoville and to those parties responsible for its administration as described in the Delegation of Authority of this document. Longer-term funds, including investments of employees' investment retirement funds and proceeds from certain bond issues, are covered by a separate policy.
- (B) Except for cash in certain restricted and special funds, the Village will consolidate cash balances from all funds to maximize investment earnings. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

### **§ 36.21 INVESTMENT OBJECTIVES.**

- (A) Safety. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital. As such, the Board shall diversify the aggregate investments to ensure that adverse or unexpected results will not have an excessively detrimental impact on the entire portfolio. Diversification may be interpreted to include diversification by asset type, characteristic, number of Investment Managers, investment style.
- (B) Liquidity. The investment portfolio shall remain sufficiently liquid to enable Board to meet all operating requirements, which might be reasonably anticipated.
- (C) Return on Investment. Assets shall be invested to achieve attractive real rates of return. Following the Prudent Person Standard for preservation of capital, assets will be invested to achieve the highest possible rate of return, consistent with the plan's tolerance for risk, as determined by the Board in its role as a fiduciary.

### **§ 36.22 STANDARDS OF CARE.**

- (A) Prudence. Investments shall be made with judgment and care, under circumstances then prevailing, by persons of prudence, discretion, and intelligence; experienced in the management of their own affairs, not for speculation, but for investment; considering the primary objective of safety as well as the secondary objective of the attainment of market rates of return. The standard of prudence to be used by investment officials shall be that of a "Prudent Person" and shall be applied in the context of managing an overall portfolio. The members of the Board, and other Board officials, acting in accordance with written procedures and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that deviations from expectation are reported in a timely fashion, and appropriate action is taken to control adverse developments.

- (B) Ethics and conflicts of interest. It is the policy of the Board of Trustees that no Board member, officer or Board employee shall be also an employee of or have any interest in any institution, investment manager, whether individual or company, or investment advisor, whether individual or company, under any agreement with the Board for the investment of Board Funds. Additionally, it is the policy of the Board of Trustees that all elected and appointed officials and employees of the Board shall comply with the Public Officer Prohibited Activities Act, 50 ILCS 105/3 et seq

## **§ 36.23 DELEGATION OF AUTHORITY**

Management responsibility for the investment program is borne by the Board of Trustees of the Village of Romeoville. The Board may delegate authority to other person's the responsibility for investment transactions and investment records. No person may engage in an investment transaction except as provided under the terms of this policy. The Board shall be advised of and have oversight over all appointees, and shall establish a system for internal controls to regulate the activities of the Investment Manager(s).

Parties which may be associated:

- (A) Board of Trustees for the Village of Romeoville
  - (1) Holds ultimate responsibility for the investment of funds and the appropriateness of its investment policy and its execution.
  - (2) Retains consultants, money managers, and other advisors to implement and execute investment policy as it relates to the investment of funds.
  - (3) Reviews adequacy or need for change of this statement.
  - (4) Meets regularly and reviews reports concerning asset management of the investments.
  - (5) Engages a custodian(s).
  - (6) Defines investment policy, objectives, and guidelines for the investment of funds, including risk tolerance.
  - (7) Administers the investments in accordance with the Public Funds Investment Act, 30 ILCS 235 et seq.
- (B) Custodian
  - (1) Accepts possession of securities for safe keeping; collects and disburses income; collects principal of sold, matured, or called items; and provides accurate, timely market value pricing, including accrued interest, for all securities under their case.
  - (2) Provides timely monthly statements which accurately detail all transactions in the accounts, as well as accurately describe all of the securities owned.

(3) Effects receipt and delivery following purchases and sales of securities on a timely and accurate basis.

(4) Ensures that all cash is productively employed at all times.

(C) Investment Managers

(1) Subject to overall investment guidelines established by the Board, has full discretion over the management of the allocated assets.

(2) Serves as fiduciary; responsible for specific securities decisions.

(3) Will abide by the Public Funds Investment Act, 30 ILCS 235, et seq., and shall abide by the duties, responsibilities and guidelines detailed in any specific investment manager agreement entered into by the manager and Board.

(4) Shall prepare periodic reports detailing individually all investments, by class and type, the book value, the income earned and the market value and all account transactions since the last report.

(5) Shall communicate to the Board any major changes in economic outlook, investment strategy, or any other factors that affect implementation of their investment process, or the investment objectives.

(6) Shall communicate to the Board any qualitative change in the investment management organization. Examples include, but are not limited to; changes in portfolio management personnel, ownership structure, or investment philosophy.

**§ 36.24 SAFEKEEPING AND CUSTODY.**

(A) Selection Criteria for Investment Managers: All investment managers, investment advisors and institutions in which public funds are invested shall be selected on the basis of the results of proposals submitted to the Board based on such criteria as are selected by the Board of Trustees. The criteria used may include, but not be limited to, fee structure, performance measures, security procedures, convenience of accessing funds, services included in fees, and community investment record.

(B) Custody of Assets: Third party safekeeping is required for all securities owned. Custody arrangements shall be documented by an approved written agreement. The agreement may be in the form of a safekeeping agreement, trust agreement, escrow agreement or custody agreement.

(C) Internal controls. The Treasurer of the Board shall be the Chief Investment Officer and shall establish a system of internal controls, which shall be documents in writing. The internal controls shall be reviewed by and with an independent auditor. 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 employees and officers of the Village of Romeoville.

## **§ 36.25 SUITABLE AND AUTHORIZED INVESTMENTS**

- (A) Investment types. The Board may invest the funds of the Board only in investments authorized by 30ILCS 235/2, as it may be amended from time to time, and as authorized by other applicable law.
- (B) As of the date of adoption of this Policy permitted investments are:
- (1) In bonds, notes, certificates of indebtedness, Treasury bills or other securities now or hereinafter issued, which are guaranteed by the full faith and credit of the United States of America as to principal and interest.
  - (2) In bonds, notes, debentures, or other similar obligations of the United States of America or its agencies.
  - (3) In interest-bearing accounts, interest-bearing certificates of deposit, or interest-bearing time deposits, or any other investments constitution direct obligations of any bank as defined by the Illinois Banking Act.
  - (4) In obligations of corporations, organized in the United States, with assets exceeding \$500 million if 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 3 years from the date of purchase, such purchases do not exceed ten percent of the corporation's outstanding obligations, and no more than one-third of the Board's fund may be invested in short-term obligations of corporations.
  - (5) Interest bearing bonds of any county, township, city, village, incorporated town, municipal corporation or school district, of the State of Illinois, or of any other state or of any political subdivision or agency of the State of Illinois or of any other state. The bonds must be rated "A" (or the equivalent) or higher by a rating service of nationally recognized expertise at the time of purchase.
  - (6) In money market mutual funds registered under the Investment Company Act of 1940, provided that the portfolio of any such money market mutual fund is limited to obligations described in Paragraphs (1) and (2) above, and to agreements to repurchase such obligations.
  - (7) Investments may be made only in banks that are insured by the Federal Deposit Insurance Corporation. The Board may invest public funds in short-term discount obligations of the Federal National Mortgage Association 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. Investments may be made only in those savings banks or savings and loan associations, the shares, or investment certificates of which are insured by the Federal Deposit Insurance Corporation.

(8) The Board may invest public funds in dividend-bearing share accounts, share certificate accounts, or class of share accounts of a credit union chartered under the laws of Illinois or the laws of the United States: provided, however, the principal office of such credit union must be located within the state of Illinois. Investments may be made only in those credit unions the accounts of which are insured by applicable law.

(9) The Board may invest public funds in the Public Treasurer's Investment Pool created under Section 17 of the State Treasurer's Act.

(10) Any monies invested in interest bearing cash accounts and/or a savings and loan association, banks, or credit unions must be insured by federal law or collateralized with the securities listed below in an amount equal to 102% of the amount in any cash account that exceeds current FDIC limits. The Board will accept any of the following assets as collateral:

(a) U.S. Government Securities.

(b) Obligations of Federal Agencies.

(c) Obligations of the State of Illinois.

(d) General Obligation municipal bonds rated "A" or better issued by a governing body in the State of Illinois.

(11) Any other security authorized by law and pre-approved by the Board of Trustees.

(C) Prohibited Transactions and Investments: Prohibited transactions and investments shall include, but are not limited to:

(1) Short Selling

(2) Margin Transactions

(3) Transactions involving futures or options contracts

(4) Reverse Repurchase Agreements

(5) CATS-Zero Coupon

(6) TIGERRS – Zero Coupon

(7) TR-Treasury Receipt Zero Obligation

(8) CMO-Collateralized Mortgage Obligation

(9) Sallie-Mae-Student Loan Marketing Association

#### **§ 36.26 INVESTMENT PARAMETERS.**

- (A) Diversification -The investments shall be diversified by security type and institution.
- (B) Selection of Investment Instruments – The Board shall invest any surplus funds for a specific maturity date that is required for either cash flow purposes or for conformance to maturity guidelines, if such instruments which would be most advantageous under prevailing market conditions, exist. Records will be kept of all investments purchased or sold by the Board in compliance with statutes.
- (C) Performance Benchmark - In order to effectively measure investment performance for a managed portfolio, an established benchmark will be selected and approved by the Investment Committee. The appropriate benchmark will be selected based on the portfolio goals and objectives as governed by guidelines in this policy.
- (D) Investment Parameters – Operating Funds: To the extent possible, the Board will attempt to match its Investments with anticipated cash flow requirements. Maturity scheduling shall be timed according to anticipated need. The maximum maturity should not exceed three (3) years and the portfolio duration should not exceed two (2).
- (E) Investment Parameters – Reserve Funds: Reserve funds and other funds with longer-term horizons may be invested in securities with the following guidelines. The maximum maturity should not exceed five (5) years and the portfolio duration should not exceed three (3).
- (F) Specific Investment Goals
  - (1) Over a 5-year investment horizon it is the goal of the Board to meet or exceed the annual rate of return of prescribed benchmarks as determined from time to time by the Investment Committee.
  - (2) The Board of Trustees understands that in order to achieve its objectives of the investment of assets, the investments will experience volatility of returns and fluctuations of market value as well as periods of losses. Losses will be viewed within the context of appropriate market indices.

#### **§ 36.27 REPORTING.**

The investment officer shall prepare an investment report at least quarterly, including a management summary that provides an analysis of the status of the current investment portfolio and transactions made over the last quarter. This management summary will

be prepared in a manner which will allow the Village to ascertain whether investment activities during the reporting period have conformed to the investment policy.

#### **§ 36.28 ILLINOIS SUSTAINABLE INVESTING ACT.**

The Board recognizes that material, relevant, and decision-useful sustainability factors have been or are regularly considered by the Board, within the bounds of financial and fiduciary prudence, in evaluating investment decisions. Such factors include, but are not limited to: (1) corporate governance and leadership factors; (2) environmental factors; (3) social capital factors; (4) human capital factors; and (5) business model and innovation factors, as provided under the Illinois Sustainable Investing Act.

#### **§ 36.29 POLICY CONSIDERATIONS.**

(A) This policy was prepared under the authority of the Board. The policy shall be effective immediately for all investments purchased after the date of its adoption. A.

(B) Amendments. This policy shall be reviewed on an annual basis. Any changes must be approved by the investment officer and any other appropriate authority, as well as the individual(s) charged with maintaining internal controls.