

# **Metropolitan Library System's Investment Policy**

## **PURPOSE AND SCOPE.**

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

The purpose of this policy statement is to outline the responsibilities, general objectives, and specific guidelines for management of public funds by the Metropolitan Library System. Its scope is all public funds of the System.

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.

## **RESPONSIBILITIES.**

All investment policies and procedures of the Metropolitan Library System will be in accordance with Illinois Law. The authority of the System Board of Trustees to control and invest public funds is defined in the Illinois Public Funds Investment Act and the investments permitted are described therein. Administration and execution of these policies are the responsibility of the Treasurer who is hereby designated as the "Chief Investment Officer" of the System acting under the authority of the System Board of Directors.

## **DELEGATION OF AUTHORITY.**

Management and administrative responsibility for the investment program is hereby delegated to the Deputy Treasurer. The Deputy Treasurer, and by designation, the Executive Director, is responsible for establishing internal controls and written procedures for the operation of the investment program.

## **"PRUDENT PERSON" STANDARD.**

All System investment activities shall use a "prudent person" standard of care. This standard shall be applied in the contest of managing an overall portfolio and specifies that 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. Investment officers, acting in accordance with this Policy and the written procedures of the System, and exercising due diligence, shall be relieved of personal responsibility for a security's credit risk or market price/value changes, provided deviations from expectations are reported

in a timely fashion and appropriate action is taken to control adverse developments.

### OBJECTIVES.

In selecting financial institutions and investment instruments to be used, the following general objectives should be considered in the priority listed:

- Legality (conforming with all legal requirements)
- Safety (preserving capital and including diversification appropriate to the nature and the amount of the funds)
- Liquidity (maintaining sufficient liquidity to meet current obligations and those reasonably to be anticipated)
- Yield (attaining a market rate of return on investments)
- Simplicity of management

### GUIDELINES.

The following guidelines should be used to meet the general investment objectives:

A) Legality and Safety:

1. Investments will be made only in securities guaranteed by the U.S. government, or in FDIC insured institutions including SAIF of the FDIC. Deposit accounts in banks or savings and loan institutions will not exceed the amount insured by FDIC coverage (unless adequately collateralized pursuant to Regulations of the Federal Reserve regarding custody and safekeeping of collateral.)
2. Authorized investments include and will primarily consist of: Certificates of Deposit, Treasury Bills and other securities guaranteed by the U.S. Government, participation in the State of Illinois Public Treasurer's Investment Pool, and any other investments allowed under State law that satisfy the investment objectives of the System.

B) Liquidity:

In general, investments should be managed to meet liquidity needs for the current month plus one month (based on forecast needs) and any reasonably anticipated special needs.

C) Yield – Return on investment:

Within the constraints on Illinois law, considerations of safety, and this investment policy, every effort should be made to maximize return on investments made. All available funds will be placed in investments or kept in interest bearing deposit accounts.

D) Simplicity of management:

The time required by system administrative staff to manage investments shall be kept at a minimum.

### REPORTING:

Investments, fund balances and the status of such accounts will be reported at each regularly scheduled meeting of the System Board and at least quarterly include information regarding securities in the portfolio by class or type, book

value, income earned, and market value as of the report date. At least annually, the Deputy Treasurer shall review this Policy for any needed modifications and report to the board on the investment portfolio, its effectiveness in meeting the System's need for safety, liquidity, rate of return, diversification and general performance. These reports will be available to the general public upon request.

#### INTERNAL CONTROLS:

In addition to these guidelines, the Deputy Treasurer shall establish a system of internal controls and written operational procedures designed to prevent loss, theft or misuse of funds.

#### ETHICS AND CONFLICTS OF INTEREST.

Authorized investment officers of the System 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 System any material financial interests in financial institutions which conduct business with the System, 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.

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

1. have any interest, directly or indirectly, in any investments in which the System is authorized to invest.
2. have any interest, directly or indirectly, in the sellers, sponsors, or managers of those investments.
3. receive, in any manner, compensation of any kind from any investments in which the System is authorized to invest.

#### AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS.

Any investment advisors, money managers and financial institutions shall be considered and authorized only by the action of the Board of Directors upon the recommendation of the Deputy Treasurer. The Deputy Treasurer will maintain a list of financial dealers and institutions authorized to provide investment services.

#### RESERVATION OF RIGHTS.

The System reserves the right to amend this Policy at any time upon the advice and consent of its Board of Directors