OFFICE OF THE COOK COUNTY TREASURER
Maria Pappas

INVESTMENT POLICY

Effective December 1, 2020

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Introductory Statement of the Cook County Treasurer
The Honorable Maria Pappas

Immediately after I became Treasurer of Cook County, it became clear that modernizing the Office's investment process must be a priority. The first step was to create a formal Investment Policy. During this process, advisors from the business, government and academic communities were called upon to help draft the initial policy. We also planned for the Investment Policy to be periodically reviewed and revised. This most recent version is written in the face of a vastly different – but equally challenging – investment environment in which the need for a thorough and prudent policy is as important as ever. I would like to thank everyone whose valuable input went into the creation and subsequent revision of this Investment Policy, which is designed to maximize interest earned on County accounts while affording them maximum protection.

Summary of the Cook County Treasurer's Office Investment Policy

Overall Objectives of the Policy
To preserve the safety of public capital while meeting the liquidity needs of the County and obtaining a fair market rate of return relative to acceptable risk as defined within the Investment Policy. To the extent that it is possible, prudent, and likely to foment economic growth in Cook County, public funds of the Treasurer's Office shall be invested in financial institutions having a presence in Cook County.

Investment Policy Advisory Committee
The policy establishes an Investment Policy Advisory Committee to provide ongoing review and monitoring of the investment process.

Consolidated Cash Balances
Except for cash in certain restricted and special funds, the Treasurer's Office will consolidate cash balances to maximize investment earnings within the constraints of this policy.

Competitive Selection of Depositories and Brokerage Firms
The policy specifies that depositories and broker/dealers will be selected competitively, on the basis of capitalization requirements, experience in institutional investments, acceptance of specific prototype agreements, and certification of having read and agreeing to comply with the County Treasurer's Investment Policy.

Competitive Bids
Investment purchases shall be made on the basis of the highest effective yield within the maturity required and within the risk categories and other parameters of the investment policy.

Internal Controls
The Treasurer's Office shall establish a system of internal controls to ensure the integrity of the investment process and to guard against misuse. This system will be reviewed on an annual basis.

Ethical Standards
The Investment Policy requires that all investment and treasury personnel adhere to the highest standards of conduct as defined by the Cook County Ethics Ordinance< the Code of Professional Ethics for the Government Finance Officers Association of the United States and Canada, and, when within the bounds of financial and fiduciary prudence, the Illinois Sustainable Investing Act,.

Prohibited Investments
The Investment Policy expressly prohibits investments in any instrument not specifically stated in Section V of this policy or instruments that have been associated with misuse and loss of public funds as determined by the CCTO Investment Policy Committee.

Cook County Treasurer's Office

Investment Policy

It is the policy of the Office of the County Treasurer of the County of Cook, Illinois (the "Treasurer's Office"), to invest public funds in a manner that seeks to preserve capital while obtaining a fair market rate of return relative to acceptable levels of risk as defined in this policy, meeting the cash flow demands of the County of Cook, Illinois (the "County"), and conforming to all applicable governing laws. Such laws shall include, but are not limited to, the Illinois Compiled Statutes and the County ordinances governing the deposit or investment of public funds.

I. SCOPE

This Investment Policy applies to the investment of all public funds under the actual control of the County Treasurer of the County of Cook, Illinois (the "County Treasurer"), exempting the investment of employees' retirement funds, proceeds of debt issues that are invested according to County debt ordinances, and court-ordered escrow funds that are invested according to judicial direction. The applicable public funds are accounted for in the County's Comprehensive Annual Financial Report and the Treasurer's Office external audit and generally include the following three classes of funds:

Class A **–** All taxes and special assessments received by the County Treasurer acting in the capacity of ex officio county collector or ex officio town collector, and held by the County Treasurer pending distribution to the several governments or authorities entitled to receive the same;

Class C **–** All monies belonging to the County in its corporate capacity;

Class D **–** All other County monies, including "all monies to whomsoever belonging, received by or in possession or control of the incumbent of the office of county treasurer when acting as such or in any other official capacity incident to the incumbency of the office of County Treasurer." (55ILCS 5/3-11001) (e.g., condemnation award deposits, court-ordered escrows on real estate taxes, and Estate of Heirs funds for known or unknown heirs).

Except for cash in certain restricted and special funds, the Treasurer's Office will consolidate cash balances to maximize investment earnings consistent with the constraints of this policy. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

II. GENERAL OBJECTIVES

The primary objectives, in order of priority, of investment activities shall be safety, liquidity and yield. Where possible and beneficial, the Treasurer's Office shall also seek to increase investment in Cook County.

1. <u>Safety</u>

Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest-rate risk.

a. Credit Risk

The Treasurer's Office will minimize credit risk – the risk of loss due to the failure of the security issuer or backer – by:

- Limiting investments to those permissible under the Illinois Public Funds Investment Act (30 ILCS 235/2), considered the safest types of securities;
- Qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the County will do business, in accordance with applicable laws and the criteria specified in Section IV of this Investment Policy; and
- Diversifying the investment portfolio so that potential losses on individual securities will be minimized.

b. Interest Rate Risk

The Treasurer's Office will minimize interest-rate risk – the risk that the market value of securities in the portfolio will fall due to changes in general interest rates – by:

- Structuring portions of the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity; and
- Investing operating funds primarily in short-term securities, money market mutual funds, or similar investment pools.

2. <u>Liquidity</u>

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands. In addition, since all possible cash demands cannot be anticipated, the portfolio shall consist largely of securities with active secondary or resale markets or deposits that can be converted to cash with no loss of principal. A portion of the portfolio also may be placed in money market mutual funds and state or local government investment pools that offer high – if not same-day – liquidity for short-term funds.

On a weekly basis, or more frequently if necessary, the Treasurer's Office shall receive from the Comptroller's Office all projected expenditures/disbursements and all anticipated incomes/revenues for the following week and a calculation of surplus funds that need to be invested or the potential deficits that must be covered. Investment maturities, from a few days to several months, shall also be identified through such a cash-flow analysis.

3. Yield

The investment portfolio shall be designed with the objective of attaining a market-average rate of return throughout budgetary and economic cycles, taking into account the investment risk and placement constraints of the Treasurer's Office, as well as the cash-flow demands of the various County funds.

Return on investment is of secondary importance to the safety and liquidity objectives described above. The core of investments is limited to relatively low-risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall not be sold prior to maturity with the following exceptions:

- A security with declining credit may be sold early to minimize loss of principal;
- A security swap that would improve the quality, yield or target duration in the portfolio;
- Liquidity needs of the Treasurer's Office require that the security be sold; or
- At the discretion of the Treasurer in keeping with the best interests of the County.

4. Investment in Cook County

To the extent that it is possible, prudent, and likely to foment economic growth in Cook County, public funds of the Treasurer's Office shall be invested in financial institutions having a presence in Cook County. The Treasurer's Office may place funds in eligible financial institutions for a reduced rate of interest provided there is documentation of the financial institution's Community Reinvestment Act Performance Rating of "Satisfactory" or above. The Treasurer or the Treasurer's designee(s) must approve all investments that are at a reduced rate of return. All counterparties to the investment of Treasurer's Office funds shall demonstrate commitment to equal opportunity employment at all levels.

III. STANDARDS OF CARE

1. *Prudence*

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. The prudent person standard states:

> *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 Investment Policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit or market risk, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments. The Investment Policy recognizes that there are circumstances beyond the control of even the most prudent investor, which may impact the return obtained.

2. ***Ethics and Conflicts of Interest***

The County Treasurer shall use best efforts to ensure that all investment personnel are acting in accordance with the Illinois Government Ethics Act, 5 ILCS420/4A-101 *et seq.*, and the Cook County Ethics Ordinance, which establishes a Code of Conduct for all Cook County employees. Further, all investment personnel shall adhere to the standards prescribed under the Code of Professional Ethics for the Government Finance Officers Association of the United States and Canada.

All investment personnel shall adhere to the highest standards of professional conduct and shall properly discharge their fiduciary duties. Investment personnel shall seek to act responsibly as custodians of the public trust. The overall investment program shall be managed with a degree of professionalism worthy of the public trust.

Investment personnel shall avoid any personal or business activity that might impair public confidence in the Treasurer’s Office’s ability to discharge the duties of the office effectively.

Officers and employees involved in the investment process shall refrain from personal or 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. Investment personnel in management roles shall annually file with the County Clerk a Disclosure of Economic Interest. Such personnel shall also report to the County Treasurer any real or potential conflict of interest. Under no circumstances shall investment personnel receive any type of personal or financial gain, either directly or indirectly, from the investments or the investment process of the Treasurer’s Office.

3. ***Delegation of Authority***

Authority to manage the investments of the Treasurer’s Office is derived from all applicable State statutes and County ordinances. The ultimate responsibility and authority for the investment of public funds of the Treasurer’s Office resides with the County Treasurer. Responsibility for the operation of the investment program is hereby delegated to the Treasurer or the Treasurer’s designee(s), who shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this Investment Policy. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the

County Treasurer. The Treasurer shall be responsible for all transactions undertaken and shall establish a system of internal controls to regulate the investment activities of subordinate officials. The Treasurer shall be bonded, as shall such other office personnel as the Treasurer deems necessary.

4. ***Investment Policy Committee***

The County Treasurer shall establish an Investment Policy Committee (the "IPC"), which shall review the written investment procedures, policies, controls, and reports of the Treasurer's Office not less than annually in order to evaluate those procedures and policies and recommend changes, if necessary, to the Investment Policy. The IPC shall make recommendations regarding current or pending State legislation and County ordinances that affect the investment program of the Treasurer's Office. The IPC will advise the Treasurer's Office of potential investment opportunities that would enable the Treasurer's Office to obtain the highest yield consistent with liquidity needs and risk parameters. The County Treasurer or her designee shall appoint the IPC and chair it. The Committee is intended to consist primarily of members of the County Treasurer's senior staff and no fewer than three individuals from the business, government or academic communities whose expertise is judged by the Treasurer to be valuable in formulating and maintaining the Investment Policy. It is emphasized that the role of these non-staff individuals is not as investment advisors and decision-makers but to conduct a review and analysis of current economic and financial data and current investment policies of the Treasurer's Office. Attendance of non-staff individuals will be either in person or by telephone at meetings of the Treasurer's Office's senior staff. Non-staff members will collaborate with other colleagues to generate and provide suggested amendments to the Investment Policy; however, final decisions concerning the implementation of suggested amendments shall be made by the Treasurer's Office's senior staff.

IV. SAFEKEEPING AND CUSTODY

1. ***Authorized Financial Institutions and Broker/Dealers***

The County Treasurer, in an arm's-length decision-making process and in accordance with State statutes and County ordinances, shall limit the deposits and investments of the Treasurer's Office to authorized financial institutions and broker/dealers. No public deposit or investment shall be made except with qualified financial institutions and broker/dealers as established by State statutes, County ordinances and this Investment Policy.

Authorized Financial Institutions

The Treasurer's Office shall select financial institutions that are insured by the Federal Deposit Insurance Corporation (FDIC) and meet, at a minimum, the following requirements:

- Minimum capital requirement of $10,000,000.00

- The institution must have been in operation for at least five years
- Located in Cook County
- Have a Community Reinvestment Act rating of “Outstanding” or “Satisfactory”
- Not engage in predatory lending practices as adjudicated by a court of competent jurisdiction.
- Texas Ratio below 100

All financial institutions that wish to become qualified depositories must supply the Treasurer’s Office with the documents listed below. These documents, as well as proof of collateral from the custodial bank, will be received prior to the transfer of funds from the Treasurer’s Office:

- Depository contract
- Collateral agreement
- Custodial agreement – unless the collateral is held by one of the twelve regional banks comprising the Federal Reserve System
- Statement of condition (the “call report”)
- Audited financial statements
- Community Reinvestment Act report
- Consent to exclusive venue and jurisdiction being with the Circuit Court of Cook County, Illinois with regard to all disputes, issues, or controversies whatsoever
- Certification that the institution is not subject to a consent decree or cease and desist letter which could materially affect transactions with, funds of, or services provided to, the Treasurer’s Office.
- Certification of having read, having understood and agreeing to comply with the County Treasurer’s Investment Policy
- Certification that the financial institution is in compliance with the Cook County Predatory Lending Ordinance.
- Organizational Chart (including any holding company relationships)
- Listing of the Bank’s Board of Directors

Notwithstanding the foregoing, the Treasurer shall have the unilateral right and ability to reject, bar, or terminate, either on a long-term or short-term basis, any financial institution from doing business with the Office of the Cook County Treasurer.

<u>Authorized Financial Broker/Dealer</u>

The Treasurer’s Office shall select security broker/dealers on the basis of creditworthiness, reputation, financial soundness, and experience in *institutional* brokerage. Qualified broker/dealers will meet, at a minimum, the following requirements:

- Minimum capital requirement of $10,000,000.00
- The institution must have been in operation for at least five years

- Blanket SIPC coverage.
- Texas Ratio below 100

Broker/dealers may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule).

All broker/dealers who desire to become qualified for investment transactions must supply the following, as appropriate:

- Trading resolution
- Custodial agreement
- Audited financial statements
- Proof of National Association of Securities Dealers (NASD) certification
- Proof of Financial Industry Regulatory Authority (FINRA) compliance
- Proof of State of Illinois registration
- Consent to exclusive venue and jurisdiction being with the Circuit Court of Cook County, Illinois with regard to all disputes, issues, or controversies whatsoever
- Certification that the institution is not subject to any federal, state, or NASD restrictions which could materially affect transactions with, funds of, or services provided to, the Treasurer's Office.
- Certification of having read, understood, and agreeing to comply with the County Treasurer's Investment Policy.

The Treasurer's Office shall conduct an annual review of the financial condition and required documents of the financial institutions and broker/dealers.

In addition to the requirements above, the Treasurer's Office may take into consideration social capital factors along with business model and innovation factors when selecting a financial institution and/or a broker/dealer. Social factors include, but are not limited to, human rights, customer welfare, customer privacy, data security, access and affordability, selling practices and product labeling, community reinvestment, community relations, and pending FDIC orders. Business model and innovation factors include, but are not limited to, the ability to plan and forecast opportunities and risk, and a company's business structure.

From time to time, the County Treasurer may choose to invest in authorized instruments offered by minority and community financial dealers and institutions. In such situations, and consistent with applicable laws, the County Treasurer may waive the above requirements of ratings and capitalization, but in no instance shall the Treasurer's Office waive collateral requirements.

2. ***Internal Controls***

The Treasurer’s Office shall have a system of internal controls to maintain the integrity of the investment process.

The Treasurer’s Office shall be responsible for establishing and maintaining a system of controls to regulate the investment activities of investment personnel. The Treasurer’s Office shall have an annual independent review by the County Auditor (the County’s internal auditor) or the Treasurer’s external auditor to review the internal controls and to ensure compliance with written investment procedures and the Investment Policy.

The internal controls shall address, but shall not be limited to, the following points:

- Separation of transaction authority from accounting and recordkeeping
- Avoidance of physical delivery securities
- Clear delegation of authority to subordinate staff members
- Written confirmation of transactions for investments and wire transfers
- Safekeeping agreements with all banks and third-party custodians.

The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

3. ***Safekeeping and Custody***

All security transactions, including the pledging of collateral, entered into by the Treasurer’s Office shall be conducted on a delivery-versus-payment (DVP) basis to ensure that securities are deposited in an eligible financial institution prior to the release of funds. Securities shall be held in safekeeping by a third-party custodian designated by the Treasurer’s Office and shall be evidenced by custodial receipts. Except when the securities are held by one of the twelve regional banks comprising the Federal Reserve System, custodial banks shall act on behalf of the Treasurer’s Office under the terms of a custodial agreement. The County Auditor or the Treasurer’s external auditor shall review compliance with the safekeeping procedures annually.

V. SUITABLE AND AUTHORIZED INVESTMENTS

1. ***Investment Types***

Taking into consideration the Government Finance Officers Association (GFOA) Policy Statement on State and Local Laws Concerning Investment Practices, and in accordance with the Public Funds Investment Act of the State of Illinois, as amended, 30 ILCS 235/1 *et seq.* (the “Public Funds Investment Act”), the following investments will be permitted by this policy:

a. Bonds, notes, certificates of indebtedness, Treasury bills or other securities, now or hereafter issued, which are guaranteed by the full faith and credit of the United States of America as to principal and interest, and which have a liquid market with a readily determinable market value;

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

c. Repurchase agreements whose underlying purchased securities consist of the obligations described in paragraph (a) or (b) above;

d. 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 any such bank is insured by the Federal Deposit Insurance Corporation, is rated in one of the two highest rating categories by at least two of the three major credit rating agencies, and meets all the Treasurer's criteria of creditworthiness and soundness.

e. Money market mutual funds registered under the Investment Company Act of 1940, as from time to time amended (including those funds managed by the Investment Advisor and its affiliates), *provided, however*, that the portfolio of any such money market fund is limited to obligations described in paragraphs (a) (b) or (d) above and to agreements to repurchase such obligations. All money market mutual funds must have a weighted average maturity of 60 days or less and be managed in accordance with rule 2A-7 of the Investment Company Act of 1940. All funds must be available for redemption on a daily basis. Repurchase agreements within the money market mutual fund must be collateralized using securities consisting only of obligations described in paragraph (a) and (b) above and must be collateralized at 102% of principal amount.

f. Local government investment pools (such as the Illinois Funds or the Illinois Metropolitan Investment Fund), either state-administered or created pursuant to joint powers statutes and other intergovernmental agreement legislation; *provided, however*, that the pool is rated at the time of investment in one of the two highest rating categories by at least two of the three major credit rating agencies. The collateral requirement on County funds invested by the County Treasurer in a local government investment pool shall be maintained by the state agency administering the pool or by the pooled fund's custodial institution, provided that the state agency has collateralized all County funds in accordance with all State laws, County ordinances, and this Investment Policy.

g. Any other investment instruments now permitted by the provisions of the Public Funds Investment Act or any other applicable statutes, or hereafter permitted by reason of the amendment of the Public Funds Investment Act or the adoption of any other statute or ordinance applicable to the investment of County funds, provided that such instruments prior to purchase are approved in writing by the Investment Policy Committee.

The County Treasurer's Office prohibits the purchase of derivatives such as financial forwards, swaps, or futures contracts, and any leveraged investments, lending securities, or reverse repurchase agreements.

2. Collateralization

Collateralization of deposits in excess of Federal Deposit Insurance Corporation coverage shall be at the discretion of the County Treasurer, but at a minimum will comply with all applicable State statutes and County ordinances. Collateral securities shall be marked to market regularly. Additional collateral shall be required when the market value of the principal and accrued interest falls below the designated level and collateral will be released only if the collateral percentage exceeds the required level. Taking into consideration the GFOA's Recommended Practices on the Collateralization of Public Deposits, Treasurer's Office deposits in excess of Federal Deposit Insurance Corporation coverage shall be secured through the pledging of eligible collateral securities; or, at the County Treasurer's discretion and with prior written approval of the Treasurer's Office, through the execution of a surety bond or letter of credit. Collateral for investments in the Illinois Public Treasurers' Investment Pool (IPTIP) or other pooled accounts shall be maintained by the State Treasurer or by the pooled fund's custodial institution, provided, however, that all IPTIP fund custodial institutions adhere to the investment requirements of the Treasurer's Office.

The Treasurer's Office shall require that all financial institutions in possession of Treasurer's Office funds shall have in effect a legally binding security agreement in form substantially as set forth in Exhibit A, attached hereto, incorporated by reference herein and made a part hereof.

The Treasurer's Office shall require that collateral be transferred and valued before the deposits or investments are made. The collateral securities shall also be valued on a weekly basis (more frequently for those financial institutions that the County Treasurer deems to be "watched"), via the Collateral Pricing System of the Treasurer's Office. Collateral shall be held in the Treasurer's Office's name by an independent third-party custodial/safekeeping bank designated by the Treasurer's Office, with whom the Treasurer's Office has a current custodial/safekeeping agreement. Clearly marked evidence of ownership in the form of a safekeeping receipt will be supplied by the custodial bank to the Treasurer's Office before the deposits or investments are made. The right of collateral substitution with respect to any type of collateral that is not among the types of eligible collateral securities listed below, e.g., with respect to letters of credit or surety bonds, shall be granted at the Treasurer's discretion and only with the prior written approval of the Treasurer's Office.

All funds not insured by the Federal Deposit Insurance Corporation or funds invested by the county Treasurer in a local government investment pool maintained by a state agency, provided that the state agency has collateralized all county funds in accordance with all State acts, County ordinances, and this Investment Policy, must be collateralized by securities at an amount equal to at least 102% of the market value of that amount of funds deposited exceeding the insurance limitation provided by the Federal Deposit Insurance Corporation.

All callable and pay down securities and collateralized mortgage obligations are prohibited forms of collateral unless accepted with written consent from the Treasurer's Chief Financial Officer and Chief Legal Counsel.

The Treasurer's Office shall limit eligible collateral securities to the following:

1. Bonds, notes, or other securities constituting direct and general obligations of the United States, the interest and principal of which is unconditionally guaranteed by the United States;
2. Bonds, notes, or other securities constituting the direct and general obligations of any agency or instrumentality of the United States, the interest and principal of which is unconditionally guaranteed by the United States;
3. Bonds, notes, or other securities or evidence of indebtedness constituting the obligation of a US agency or instrumentality listed in the United States Department of Treasury's category 1 of Acceptable Collateral for 31 CFR part 202 (Depositaries and Financial Agents of the Government), provided they are guaranteed by the full faith and credit of the United States as to principal and interest (Attachment A);
4. Direct and general obligation bonds of any state provided they are rated in one of the two highest rating categories by at least two of the three major credit rating agencies; and
5. Direct and general obligation bonds of any city, town, county, school district, or other taxing body of any state provided they are rated in one of the two highest rating categories by at least two of the three major credit rating agencies.
6. Irrevocable letters of credit with the intention of not exceeding an aggregate amount of $500 million pledged against active deposits, issued by a member of the Federal Home Loan Bank System, and used to collateralize Class C funds only.

If legal action is necessary for failure to provide the required collateral, all actions against the custodial institution shall be brought in the United States District Court for the Northern District of the State of Illinois or in any State of Illinois Court having jurisdiction and located in Cook County.

3. ***<u>Repurchase Agreements</u>***

The Treasurer's Office shall take into consideration the GFOA's Recommended Practices on Repurchase Agreements when entering all repurchase agreements.

VI. INVESTMENT PARAMETERS

1. ***Diversification***

Investments shall be diversified by security type, financial institution, and maturity. Public funds shall be diversified to eliminate the risk of loss resulting from an over-concentration of public funds in a specific class of securities, a specific issuer, a specific financial institution or broker/dealer, or a specific maturity. In order to limit concentration risk, no more than 5% of the Treasurer's Office total non-collateralized, non-U.S. government guaranteed investments shall be with any one security, issuer, or financial institution.

2. ***Maximum Maturities***

To the extent possible, the Treasurer's Office shall attempt to match its investments with anticipated cash-flow requirements. Unless matched to a specific cash flow, the Treasurer's Office will not directly invest in securities maturing more than two (2) years from the date of purchase. As a means of managing interest-rate risk, the weighted average maturity of the investments in the portfolio that are not matched to specific cash flows is limited to less than 180 days.

Reserve funds and other funds with longer-term investment horizons may be invested in securities exceeding two (2) years if the maturity of such investments is made to coincide as nearly as practicable with the expected use of funds. The intent to invest in securities with longer maturities shall be disclosed in writing to the Cook County Board of Commissioners.

A portion of the portfolio shall be continuously invested in readily available funds such as Local Government Investment Pools (LGIP), money market funds, or overnight repurchase agreements to ensure that appropriate liquidity is maintained to meet ongoing obligations.

3. ***Competitive Bids***

Before the Treasurer's Office invests surplus funds, whenever feasible, a competitive "bid" process shall be conducted. If a specific maturity date is required, either for cash flow purposes or for conformance to maturity guidelines, bids shall be requested for instruments that meet the maturity requirement. If no specific maturity is required, a market trend analysis shall be conducted to determine which maturity would be most advantageous. Bids shall be requested for various alternatives with regards to term and instrument. The Treasurer's Office shall maintain a record of all bids and accept the bids that provide the highest rate of return within the maturity required and within the parameters of the Investment Policy. Typically, awards shall be made to the bidder offering the highest effective yield; however, diversification requirements and other factors may be considered when awarding investments. Bids shall be held in confidence until the winning bids are determined and awarded.

VII. REPORTING

1. ***Methods***

The County Treasurer shall be responsible for the monthly reporting of investment activity as required under 55 ILCS 5/3-11007. The monthly County Board report shall include investment, collateral, and financial institution information to fairly inform the general public of the Treasurer's Office's investment activities.

The Treasurer's Office shall also prepare semi-annual investment reports, including a management summary that provides an analysis of the status of the current investment portfolio and a summary of transactions. This management summary will be prepared in a manner that will allow the Treasurer's Office to ascertain whether investment activities during the reporting period have conformed to the Investment Policy. The report shall be provided to the County Board, the County Auditor and the Treasurer's external auditor. The report will include the following:

- *a.* Listing of individual securities held at the end of the reporting period;
- *b.* Realized and unrealized gains or losses resulting from appreciation or depreciation by listing the cost and market value of securities over one-year duration that are not intended to be held until maturity;
- *c.* Average yield to maturity of portfolio on investments as compared to applicable benchmarks;
- *d.* Listing of investments by maturity date; and
- *e.* Percentage of the total portfolio which each type of investment represents.

If it is deemed necessary, the Treasurer's Office shall retain an independent firm to evaluate investment performance and to conduct an operations audit. The purpose of this shall be to obtain suggestions for improved future performance and to verify that investment personnel have acted in accordance with written investment procedures and the Investment Policy.

2. ***Performance Standards***

The investment strategy of the Treasurer's Office shall be designed to obtain a market-average rate of return during a market/economic environment of stable interest rates, taking into account the safety, liquidity, yield, and economic development objectives of this Investment Policy. The following series of benchmarks shall be established against which portfolio performance shall be compared on a regular basis: The Fed funds rate, the average monthly London Interbank Offered Rate [LIBOR], and the 3-Month T-Bill Index.

3. ***Marking to Market***

Taking into consideration the GFOA's Recommended Practice on "Mark-to-Market Practices for State and Local Government Investment Portfolios and Investment Pools," the market value of the portfolio shall be calculated at least quarterly and a statement of the market value of the portfolio shall be issued at least quarterly.

In defining market value, consideration shall be given to Statement No. 31 of the Governmental Accounting Standards Board Accounting and Financial Reporting for Certain Investments and External Investment Pools.

VIII. POLICY CONSIDERATIONS

1. ***Exemption***

Any investment held as of the date of this policy that does not meet the guidelines of this policy shall be exempt from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

2. ***Adoption and Amendments***

The Investment Policy shall be adopted by the Cook County Treasurer. This policy shall be reviewed not less than annually. Any changes to the Investment Policy must be approved by the County Treasurer and CCTO senior staff members of the Investment Policy Committee.

3. ***Environmental Factors***

When selecting investments, the Treasurer's Office will, when within the bounds of financial and fiduciary prudence, select the most environmentally conscious option. Environmental factors may include, but not limited to, the investment's effect on greenhouse gas emissions, air quality, energy management, water and wastewater management, waste and hazardous materials management, and ecological impacts.

Cook County Treasurer's Office Investment Policy-Attachment A

United States Department of Treasury's Category 1 of Acceptable Collateral for 31 CFR Part 202

(Depositaries and Financial Agents of the Government)

Effective: December 13, 2013
Last Updated: December 13, 2013

CATEGORY 1: Obligations issued and fully insured or guaranteed by the United States Government or a United States Government agency. (Also, see Category 4 for insured or guaranteed educational loans.)

Department of the Treasury – *www.treasurydirect.gov*
- Bills
- Notes
- Bonds
- Inflation-Indexed Notes
- Inflation-Indexed Bonds
- Floating Rate Notes
- Treasury STRIPS
- STRIPS - Physical Corpus
- STRIPS - Physical Coupons
- STRIPS - Book-Entry Coupons
- Zero Coupon - Callable Corpus
- Zero Coupon - Non-Callable Corpus
- Inflation-Indexed Note Corpus
- Inflation-Indexed Bond Corpus
- Inflation-Indexed Interest Component

Department of Agriculture – *www.usda.gov*
- Commodity Credit Corporation
  - Export Credit Guaranteed Obligations
- Farm Service Agency (FSA) – *www.fsa.usda.gov*
  - Insured Notes
- Rural Business-Cooperative Service (RBS) – *www.rurdev.usda.gov/rbs*
  - Guaranteed Business and Industry Loans
- Rural Housing Service (RHS) – *www.rurdev.usda.gov/rhs*
  - Certificates of Beneficial Ownership (CBO)
- Rural Utilities Service (RUS) – *www.rurdev.usda.gov/rus*
  - Guaranteed Loans

Department of Commerce – *www.commerce.gov*
- National Oceanographic and Atmospheric Administration – *www.noaa.gov*
  - Guaranteed Fishing Vessel Loans

Department of Health and Human Services – *www.hhs.gov*
- Loan Guarantee Program for Health Center Networks or Plans
- Loan Guarantee Program for Health Center Facilities
- Loan Guarantees for Medical Facilities

Department of Housing and Urban Development – *www.hud.gov*

Federal Housing Administration (FHA) – *www.hud.gov/fha/fhahome*
Debentures
Ginnie Mae (Government National Mortgage Association) – *www.ginniemae.gov*
All securities guaranteed under:
GNMA I Mortgage-Backed Securities Program
GNMA II Mortgage-Backed Securities Program
GNMA Multiclass Program
Platinum Securities
REMICs
Callable Class Securities
Stripped Mortgage-Backed Securities (SMBS) Program
Public Housing Agency
Public Housing Agency Bonds
(Issued under Section 11 of U.S. Housing Act of 1937 for Public Housing Program)
Section 108 Guaranteed Loan Program – *www.hud.gov/progdesc/cdbg-108*
Section 108 Government Guaranteed Notes
Section 108 Government Guaranteed Participation Certificates

Department of Transportation – *www.dot.gov*
Federal Highway Administration- *www.fhwa.dot.gov*
Secured Loans, Loan Guarantees, and Lines of Credit issued under the Transportation Infrastructure Finance and Innovation Act of 1998, Section 1501 et. seq. of Public Law 105-178 (23 U.S.C. 181 et. seq.)
Federal Railroad Administration – *www.fra.dot.gov*
Railroad Loans and Loan Guarantees issued under Title V of the Railroad Revitalization and Regulatory Reform Act of 1976
Maritime Administration – *www.marad.dot.gov*
Title XI Ship & Shipyard Guaranteed Obligations

Department of Veterans Affairs- *www.va.gov*
VA-Backed Mortgages
Collateralized Mortgage Obligations (CMO)
Real Estate Mortgage Investment Conduits (REMIC)

Export-Import Bank – *www.exim.gov*
All Export-Import Bank Guaranteed Loans

Federal Deposit Insurance Corporation – *www.fdic.gov*
FDIC Structured Sale Guaranteed Notes

National Credit Union Administration – *www.ncua.gov*
NCUA Guaranteed Notes

Overseas Private Investment Corporation – *www.opic.gov*
Guaranteed Notes
Guaranteed Certificates of Participation

Small Business Administration (SBA) – *www.sbaonline.sba.gov*
Development Company Loan Program under Title V of the Small Business Investment Act of 1958, as amended:

Development Company Participation Certificates

Small Business Investment Company (SBIC) Program under Title III of the Small Business Investment Act:

SBIC Debenture Trust Certificates

SBIC Participating Security Trust Certificates

Loans Made by Lenders under Section 7(a) of the Small Business Act of 1953, as amended. Must represent interests in the guaranteed portions of Section 7(a) SBA guaranteed loans:

Guaranteed Interest Certificates

Guaranteed Loan Pool Certificates

Secondary Market Guarantee Program for 504 First Mortgage Loan Pools under Section 503 of the American Recovery and Reinvestment Act of 2009:

First Mortgage Loan Pool Certificates

U.S. Agency for International Development (USAID) – *www.usaid.gov*

Notes and Bonds guaranteed under:

Worldwide Housing Guarantee Program (22 U.S.C. §§ 2181-82)

Israel Guarantee Program (22 U.S.C. 2186)

Emergency Wartime Supplemental Appropriations Act of 2003 Guaranteed Notes Program (Title I of Pub. Law 108-11) (Israel or Egypt)