

## **4:30 Revenue and Investments**

### Revenue

The Director or designee is responsible for making all claims for State Aid, special State funds for specific programs, federal funds, and categorical grants.

### Investments

The Director shall either appoint a Chief Investment Officer or serve as one. The Chief Investment Officer shall invest money that is not required for current operations, in accordance with this policy and State law.

The Chief Investment Officer and Director shall use the standard of prudence when making investment decisions. They shall use the judgment and care, under circumstances then prevailing, that persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the safety of their capital as well as its probable income.

### Investment Objectives

The objectives for KASEC's investment activities are:

1. Safety of Principal - Every investment is made with safety as the primary and over-riding concern. Each investment transaction shall ensure that capital loss, whether from credit or market risk, is avoided.
2. Liquidity - The investment portfolio shall provide sufficient liquidity to pay KASEC obligations as they become due. In this regard, the maturity and marketability of investments shall be considered.
3. Rate of Return - The highest return on investments is sought, consistent with the preservation of principal and prudent investment principles.
4. Diversification - The investment portfolio is diversified as to materials and investments, as appropriate to the nature, purpose, and amount of the funds.

### Authorized Investments

The Chief Investment Officer may invest KASEC funds in any investment as authorized in 30 ILCS 235/2, and Acts amended thereto.

### Selection of Depositories, Investment Managers, Dealers, and Brokers

The Chief Investment Officer shall establish a list of authorized depositories, investment managers, dealers and brokers based upon the creditworthiness, reputation, minimum capital requirements, qualifications under State law, as well as a long history of dealing with public fund entities. The Board will review and approve the list at least annually.

In order to be an authorized depository, each institution must submit copies of the last two sworn statements of resources and liabilities or reports of examination that the institution is required to

furnish to the appropriate State or federal agency. Each institution designated as a depository shall, while acting as such depository, furnish KASEC with a copy of all statements of resources and liabilities or all reports of examination that it is required to furnish to the appropriate State or federal agency.

The above eligibility requirements of a bank to receive or hold public deposits do not apply to investments in an interest-bearing savings account, interest-bearing certificate of deposit, or interest-bearing time deposit if: (1) KASEC initiates the investment at or through a bank located in Illinois, and (2) the invested public funds are at all times fully insured by an agency or instrumentality of the federal government.

KASEC may consider a financial institution's record and current level of financial commitment to its local community when deciding whether to deposit funds in that financial institution. KASEC may consider factors including:

1. For financial institutions subject to the federal Community Reinvestment Act of 1977, the current and historical ratings that the financial institution has received, to the extent that those ratings are publicly available, under the federal Community Reinvestment Act of 1977;
2. Any changes in ownership, management, policies, or practices of the financial institution that may affect the level of the financial institution's commitment to its community;
3. The financial impact that the withdrawal or denial of KASEC deposits might have on the financial institution;
4. The financial impact to KASEC as a result of withdrawing public funds or refusing to deposit additional public funds in the financial institution; and
5. Any additional burden on KASEC's resources that might result from ceasing to maintain deposits of public funds at the financial institution under consideration.

#### Collateral Requirements

All amounts deposited or invested with financial institutions in excess of any insurance limit shall be collateralized in accordance with the Public Funds Investment Act, 30 ILCS 235/. The Director or designee shall keep the Board informed of collateral agreements.

#### Safekeeping and Custody Arrangements

The preferred method for safekeeping is to have securities registered in KASEC's name and held by a third-party custodian. Safekeeping practices should qualify for the Governmental Accounting Standards Board Statement No. 3, Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements, Category I, the highest recognized safekeeping procedures.

#### Controls and Report

The Chief Investment Officer shall establish a system of internal controls and written operational procedures to prevent losses arising from fraud, employee error, misrepresentation by third parties, or imprudent employee action.

The Chief Investment Officer shall provide a quarterly investment report to the Board. The report will: (1) assess whether the investment portfolio is meeting KASEC's investment objectives, (2) identify each security by class or type, book value, income earned, and market value, (3) identify those institutions providing investment services to KASEC, and (4) include any other relevant information. The investment portfolio's performance shall be measured by appropriate and creditable industry standards for the investment type.

The Board will determine, after receiving the Director's recommendation, which fund is in most need of interest income and the Director shall execute a transfer. This provision does not apply when the use of interest earned on a particular fund is restricted.

### Ethics and Conflicts of Interest

The Board and KASEC officials will avoid any investment transaction or practice that in appearance or fact might impair public confidence. Board members are bound by the Board policy 2:100, *Board Member Conflict of Interest*. No KASEC employee having influence on KASEC's investment decisions shall:

1. Have any interest, directly or indirectly, in any investments in which KASEC is authorized to invest,
2. Have any interest, directly or indirectly, in the sellers, sponsors, or managers of those investments, or
3. Receive, in any manner, compensation of any kind from any investments in that the agency is authorized to invest.

LEGAL REF.: 30 ILCS 235/.

105 ILCS 5/8-7, 5/10-22.44, 5/17-1, and 5/17-11.

CROSS REF.: 2:100 (Board Member Conflict of Interest), 4:10 (Fiscal and Business Management), 4:80 (Accounting and Audits)

ADOPTED: November 14, 2019