

LIVINGSTON COUNTY INVESTMENT POLICY

M. NIKKI MEIER
LIVINGSTON COUNTY TREASURER



Adopted November 17, 2022

TABLE OF CONTENTS

PURPOSE OF INVESTMENT POLICY	3
SCOPE OF INVESTMENT POLICY	3
ETHICS	3
OBJECTIVES	3
PRUDENCE	4
RESPONSIBILITY	4
EXCEPTIONS	5
ACCOUNTING	5
INVESTMENT ADVISORS	5
FINANCIAL INSTITUTIONS	6
INVESTMENT VEHICLES	6
COLLATERAL	7
SAFEKEEPING OF SECURITIES	7
DIVERSIFICATION	8
INDEMNIFICATION	8
INTERNAL CONTROLS	8
SUSTAINABILITY FACTORS	8
PERFORMANCE MEASURES	9
QUARTERLY WRITTEN	10
BONDING	10
GOVERNANCE	10

PURPOSE OF INVESTMENT POLICY

The purpose of this Investment Policy is to set a clear direction for the prudent investment and management of funds under the jurisdiction of the Livingston County Treasurer. The guidelines established herein are intended to allow investments which will provide the highest investment return using authorized instruments, while meeting the daily cash flow demand of participants and conforming to all state statutes governing the investments of public funds. The Livingston County Treasurer hereby adopts the following policy for use.

SCOPE OF INVESTMENT POLICY

This Investment Policy applies to the investment activities of all funds under the jurisdiction of the Livingston County Treasurer. This Investment Policy will also apply to any new funds or temporary funds placed under the jurisdiction of the Livingston County Treasurer. The Illinois State Statutes will take precedence except where this policy is more restrictive, wherein this policy will take precedence.

ETHICS

The Livingston County Treasurer and the appointed Chief Deputy Treasurer shall refrain from personal business activity that could conflict with the proper execution of the investment program or impair their ability to make impartial investment decisions. They shall disclose any material financial interests in financial institutions that conduct business with Livingston County and they shall further disclose any material personal investments related to the performance of the portfolio.

OBJECTIVES

The purpose of the Investment Policy of the Livingston County Treasurer is to establish cash management and investment guidelines for the stewardship of public funds under the jurisdiction of the Livingston County Treasurer. The specific objectives of this investment policy will be as follows:

1. Safety of Principal – The security of monies, whether on hand or invested, shall be the primary concern of the Livingston County Treasurer in selecting depositories or investments. The safety of principal is the foremost objective of the investment program. All investments shall be taken in a manner, which seeks to ensure the preservation of capital in the portfolio. To obtain this objective, diversification is required to ensure that all investments properly manage market, interest rate and credit risk.

2. Liquidity – The investment portfolio shall remain sufficiently liquid to enable all operating requirements, which might be reasonably anticipated.
3. Return – The highest interest rate available will always be the objective of this policy combined with safety of principal, which is left to the discretion of the Livingston county Treasurer, which includes whether or not the Livingston County Treasurer will require collateralization of any deposits. The investment portfolio shall be designed to obtain the highest available return, taking into account the investment risk constraints and cash flow needs.
4. Local Considerations – The Livingston County Treasurer shall have preference to depositories located within Livingston County, provided that the above-mentioned objectives are met, and such investments would be in compliance with all other conditions and limitations of the Investment Policy, however, the Livingston County Treasurer may approve qualified depositories regardless of location.
5. Authorized Brokers and Financial Institutions – Authorized investment staff shall utilize the Livingston County Treasurer’s approved list of financial institutions when selecting institutions to provide investment services. No public deposit shall be made except in a qualified public depository as defined by state statutes.
6. Public Confidence – In maintaining its investment portfolio, the Livingston County Treasurer shall avoid any transaction that might impair public confidence in the Livingston County Treasurer’s office.
7. Length of Investment – All funds will be invested for a period of one day or longer, depending on the requirement for the disbursement of funds.
8. Time Requirement – All funds shall be deposited within two working days at prevailing rates or better in accordance with Illinois State Statutes. The use of U.S. Treasury bills, average Federal Fund rate, Illinois funds, or other stable markets can be used to determine whether market yields are being achieved.

PRUDENCE

The standard of prudence to be used by investment officials shall be the “prudent person” rule, and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and exercising due diligence shall be relieved of personal responsibility for any individual 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.

RESPONSIBILITY

All investment of funds under the control of Livingston County Treasurer is the direct responsibility of the Livingston County Treasurer. The Livingston County Treasurer shall be

responsible for all transactions and shall establish a system of controls of the activities of all subordinates who are directly involved in the assistance of such investment activities.

EXCEPTIONS

This responsibility for investment covers all county funds with the exception of investments for the Public Health Department, Mental Health 377 Board, and Mental Health 708 Board who control the amount, type, and depository of their investments.

ACCOUNTING

The Livingston County Treasurer or the Livingston County Treasurer's staff shall record all investment transactions. A report will be generated, at least monthly unless otherwise agreed upon, listing all active investments. This report will be made available to the Livingston County Board, or other taxing body of which the Livingston County Treasurer is the treasurer. The Livingston County Treasurer will establish an annual independent review for internal control, which assures compliance within the investment policy. This will be accomplished with external auditors.

INVESTMENT ADVISORS

The investment officer will maintain a list of financial institutions authorized to provide investment services. The selection process for inclusion on this list will be based on the provision of audited financial statements, proof of Financial Industry Regulatory Authority (FINRA) certification, proof of state registration, evidence of adequate insurance coverage, and any other relevant factors that may impact the institutions ability to provide investment services. Investments may only be made in financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Association (NCUA).

In addition, a list will be maintained of approved security brokers/dealers selected by creditworthiness. These may include "primary" dealers or regional dealers that qualify under Securities & Exchange Commission Rule 15C3-1 (otherwise known as the uniform net capital rule), which defines the amount of assets that an entity must maintain to meet their obligations. Employees of any firm or financial institution offering securities or investments to the county are expected to be trained in the precautions appropriate to public-sector investments and are expected to familiarize themselves with the county's investment objectives, policies, and constraints. These firms and financial institutions are expected to make reasonable efforts to preclude imprudent transactions involving the county's funds.

Each broker/dealer shall acknowledge that they have read and will adhere to this investment policy.

FINANCIAL INSTITUTIONS

The Livingston County Treasurer, when choosing a financial institution, will have the sole responsibility to select which financial institutions will be depositories for Livingston County Treasurer funds. The Livingston County Treasurer will take into consideration security, size, location, condition, service, fees and the community relations' involvement of the financial institution. Any financial institution, upon meeting the requirements of the Illinois Compiled Statutes and of this policy, may request to become a depository for the Livingston County Treasurer funds.

At no time will the Livingston County Treasurer's investments exceed 65% of the financial institution's capital and surplus.

All financial institutions having any type of financial relationships: deposits, investments, loans, etc. are required to provide a complete and current "Call" or "Thrift Supervision" report, as the case warrants, required by their appropriate regulatory authority each calendar quarter within 30 days of the request date.

INVESTMENT VEHICLES

The Livingston County Treasurer will use the investments approved for governmental units as set forth in the most current issues of the Illinois Revised State Statutes 30 ILCS 235/2. A summary of allowable securities 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, 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.
- d) Short term obligations (corporate paper) of corporations organized in the United States with assets exceeding \$500,000 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 to not exceed 10% of the corporations outstanding obligations or (c) in money market mutual funds registered under the Investment Company Act of 1940.

COLLATERAL

It shall be the discretion of the Livingston County Treasurer to determine whether or not collateral will be required of financial institutions receiving funds from the Livingston County Treasurer. At all times the Livingston County Treasurer will require that deposits in excess of 65% of the capital and surplus of a financial institution will be collateralized. The Livingston County Treasurer may request collateral for any part of deposits in financial institutions when the Livingston County Treasurer determines it to be in the best interests of safeguarding the funds on deposit.

Collateral with a market value equal to at least 110% of the deposits in excess of \$100,000 per institution shall be required. When collateral is required, 110% of the deposit will be required and evidenced by an approved written agreement. Only the following collateral will be accepted:

- U.S. Government direct securities
- Obligations of Federal Agencies
- Obligations of Federal Instrumentalities
- Obligations of the State of Illinois
- Obligations of the County of Livingston
- Obligations of municipalities located within the county of Livingston, subject to acceptance by the Livingston County Treasurer.
- Acceptable Collateral as identified in the Illinois Revised State Statutes for use by the Treasurer of the State of Illinois.

Maturity of acceptable collateral shall not exceed 120 months.

Third party safekeeping is required for all collateral. To accomplish this, the securities will be held at a safekeeping depository as approved from time to time by the Livingston County Treasurer. Safekeeping will be documented by an approved written agreement. Substitution, exchange or release of securities held in safekeeping may be done upon two (2) days prior written notice to the Livingston County Treasurer.

SAFEKEEPING OF SECURITIES

Securities, unless held physically by the Livingston County Treasurer, require third party safekeeping. The Livingston County Treasurer will have the sole responsibility for selecting safekeeping agents. Safekeeping will be documented by an approved written agreement and evidenced by safekeeping receipts.

DIVERSIFICATION

The Investment portfolio shall be diversified to eliminate the risk of loss resulting from concentration of assets in a specific maturity, a specific issuer or a specific class of investment vehicles.

INDEMNIFICATION

Investments shall be made with judgement 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 possible income to be derived.

The above standards are established as standards for professional responsibility and shall be applied in the context of managing the Livingston County Treasurer's portfolio.

The Livingston County Treasurer and employees of the Livingston County Treasurer, acting in accordance with this investment policy and procedures as have been or may be established, and exercising due diligence shall be relieved of personal liability for an individual investments credit risk or market changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

INTERNAL CONTROLS

Only the Livingston County Treasurer should be authorized to establish financial accounts for the office of the Livingston County Treasurer. At all times either the Livingston County Treasurer, singly or two, jointly, or two or more signatories as designated by the Livingston County Treasurer should be authorized to sign on financial accounts of the office of the Livingston County Treasurer. Authorized Signatories are NOT permitted to reconcile bank accounts at any time.

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 investment agents.

SUSTAINABILITY FACTORS

Livingston County believes that consideration of sustainability factors is vital for maximizing the safety and performance of public funds. The county shall prudently integrate sustainability factors into the investment decision making, investment analysis, portfolio construction, due diligence, and investment ownership of county funds to maximize anticipated financial returns, minimize projected risks and more effectively execute fiduciary duties.

Therefore, when evaluating potential investments, the Treasurer and any designated investment professional shall consider material, relevant, and decision-useful sustainability factors, within the bounds of financial and fiduciary prudence. 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, 30 ILCS 238/.

Sustainability factors may include, but are not limited to, the following:

1. Corporate governance and leadership factors, such as the independence of boards and auditors, the expertise and competence of corporate boards and executives, systemic risk management practices, executive compensation structures, transparency and reporting, leadership diversity, regulatory and legal compliance, shareholder rights, and ethical conduct.
2. Environmental factors that may have an adverse or positive financial impact on investment performance, such as greenhouse gas emissions, air quality, energy management, water and wastewater management, waste and hazardous materials management, and ecological impacts.
3. Social capital factors that impact relationships with key outside parties, such as customers, local communities, the public, and the government, which may impact investment performance. Social capital factors include human rights, customer welfare, customer privacy, data security, access and affordability, selling practices and product labeling, community reinvestment, and community relations.
4. Human capital factors that recognize that the workforce is an important asset to delivering long-term value, including factors such as labor practices, responsible contractor and responsible bidder policies, employee health and safety, employee engagement, diversity and inclusion, and incentives and compensation.
5. Business model and innovation factors that reflect an ability to plan and forecast opportunities and risks, and whether a company can create long-term shareholder value, including factors such as supply chain management, materials sourcing and efficiency, business model resilience, product design and life cycle management, and physical impacts of climate change.

PERFORMANCE MEASURES

Livingston County's investment portfolio will be designed to obtain a market average yield during budgetary and economic cycles, taking into account the county's investment risk constraints and cash flow needs.

Market Yield (Benchmark): Livingston County's investment strategy is primarily buy and hold. Given this strategy, the benchmark used by the investment officer to determine whether market yields of Operating and Capital Improvement Project monies are being

achieved shall be the current six-month United States Treasury Bill and/or the Average Federal Reserve Funds rate. Since these indices are relatively risk-free benchmarks, they comprise a minimum standard for the portfolio's rate of return. The investment program shall seek to augment returns above this threshold, consistent with prudent investment principles and the risk limitations identified herein.

Reserve monies which may be invested with longer maturities shall be benchmarked against the ICE BofA 1-5 Year U.S. Treasury/Agency Index. The County's reserve monies will be invested to obtain a rate of return exceeding the benchmark during budgetary and economic cycles, taking into account Livingston County's investment risk constraints and cash flow needs.

QUARTERLY WRITTEN

The investment officer shall submit a quarterly investment report that summarizes the description of the portfolio in terms of investment securities, maturities, risk characteristics and other features. The report shall explain the quarter's total investment yield, compare the yield with the benchmark yield and budgetary expectations.

BONDING

The Livingston County Treasurer and all employees shall be bonded for the benefit of Livingston County for an amount determined to be reasonable. The surety shall be a corporate surety company.

GOVERNANCE

This policy may be reviewed from time to time and revised upon approval of the Livingston County Treasurer.

This policy is hereby approved and in full force and effect this 1st day of December 2022.

X

M. Nikki Meier
Livingston County Treasurer