

NORTHERN ILLINOIS UNIVERSITY  
Investment and Cash Management Policy

Submitted by: NIU Investment Committee  
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## **I. Philosophy**

The University shall manage its cash and investments in a manner that will preserve principal, meet operating cash flow needs, and produce a yield which would be described in the current marketplace as acceptable by conservative investment managers. Investment strategies will evolve over time as market conditions, interest rates, and operational needs change. Such strategies must comply with applicable State and Federal statutes and bond indentures.

University cash and investments shall be managed with prudent judgment and care. The investment portfolio shall be managed with the intention of obtaining the highest possible net return, balancing reasonable growth and yield with acceptable risk. In addition, the portfolio shall exhibit diversity with respect to instrument type and duration.

## **II. Guidelines**

### **A. Board of Trustees Regulations**

Regulations of the Board of Trustees ([Section V.D.](#)) allow the combining of funds of the same category or classification in a single account with an authorized depository as long as the University's books and records reflect the amount deposited in each fund and the charges against each fund. Any amount of such deposits in excess of the amount reasonably necessary to meet the anticipated expenses of such funds may be invested in any investment permitted by the laws of the State of Illinois for the investment of public funds unless otherwise restricted by a bond or other legal covenant.

### **B. Bond Funds and Other Debt Instruments**

The Resolutions authorizing the issuance of revenue bonds and other debt instruments may place restrictions on the investment of these funds. The maturity of investments purchased should be aligned with drawdown and/or use of funds schedules. The investments are limited to those permitted by resolution or meeting the requirements of this investment policy. In the event of a conflict between the regulations and the requirements of specific bond resolutions, the latter shall govern.

### **C. Depositories**

All funds not required to be paid into the State Treasury shall be deposited in banks authorized by the Board of Trustees to serve as depositories. University depositories must be insured with the Federal Deposit Insurance Corporation. University accounts shall be held in the name of Northern Illinois University. Banking activities will be conducted in a manner that is compliant with State statute and Board of Trustees regulations.

### III. Authorized Investments

Funds should be invested in accordance with the State of Illinois Public Funds Investment Act ([30 ILCS 235](#)). Acceptable investments include but are not limited to:

- Instruments guaranteed by the full faith and credit of the United States of America
- Bonds, notes, debentures, or other similar obligations of the United States of America or its agencies
- Interest-bearing savings accounts, certificates of deposit or time deposits, or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act ([205 ILCS 5](#))
- Commercial paper, as outlined in the Public Funds Investment Act
- Money market mutual funds, as outlined in the Public Funds Investment Act
- Public Treasurers' Investment Pool, commonly known as the [Illinois Funds](#)

Foreign investments are prohibited. Additionally, the Investment Committee may specify criteria more restrictive than those of the Illinois Public Funds Investment Act.

### IV. Diversification and Allocation

The investment portfolio should be reasonably diversified among instrument types and maturities. With the exception of US Treasuries, no single instrument type should comprise more than 50% of the portfolio. Maturities should be laddered to coincide with operational needs. The weighted average duration of the portfolio will be determined by the Investment Committee and will be adjusted as appropriate.

The Investment Committee will determine target asset allocation strategies that allow for the maximum rates of return while providing a stable income stream.

### V. Collateralization

Funds on deposit which exceed the amount of federal deposit insurance coverage must be collateralized with bonds or pledged securities. The State Finance Act ([30 ILCS 105/6a-1a](#)) limits the types of pledged securities to those which the State Treasurer may accept for amounts not insured by the Federal Deposit Insurance Corporation (FDIC) or the Federal Savings and Loan Insurance Corporation. The market value of the bonds or pledged securities shall at all times be equal to or greater than the uninsured portion of the deposit.

## VI. Risk

*Custodial Credit Risk* is the risk of loss due to a financial institution or counterparty failing. This would result in the University not receiving the full value of its deposits held by such party. In accordance with the Illinois Public Funds Investment Act ([30 ILCS 235](#)), public funds on deposit not covered by FDIC insurance require pledged securities to be placed by financial institutions or counterparty. Collateral agreements are to provide for a third party custodian to hold such pledged securities. To mitigate custodial credit risk, all pledged securities on behalf of the University are held in an account in the name of Northern Illinois University.

*Credit Risk* represents a loss due to the failure of a security issuer to fulfill its obligation to make interest and/or principal payments in accordance with required dates. By limiting investments to only those authorized by the Illinois Public Funds Investment Act ([30 ILCS 235](#)), the University's exposure to credit risk is mitigated.

*Interest Rate Risk* is the risk that a change in interest rate will adversely affect the fair value of an investment. The University mitigates interest rate risk by maintaining adequate cash or cash equivalent balances that are consistent with expected cash flows of the University, thus minimizing risk associated with changes in market value and/or interest rate fluctuation.

*Concentration of Credit Risk* is managed with diversification of investments held at any one time in the University's portfolio. The risk of loss due to having a significant portion of University resources invested in a single issuer is minimized and controlled by limitations as set forth in this policy.

*Foreign Currency Risk* or investments exposed to currency rate fluctuations are controlled by adherence to the Illinois Public Funds Investment Act ([30 ILCS 235](#)).

## VII. Roles and Responsibilities

### A. Board of Trustees

Northern Illinois University Board of Trustees shall approve the Investment and Cash Management Policy and revisions, new depository relationships, changes/additions to signatory authority, and the quarterly written reports of investments status and activity.

### B. Finance, Audit, Compliance, Facilities and Operations Committee

The Finance, Audit, Compliance, Facilities and Operations Committee (FACFO) has oversight responsibilities for the Investment Committee. FACFO submits investment reports to the Board of Trustees on a quarterly basis.

### **C. Investment Advisory Group**

The Investment Committee is an advisory group established to advise the Board Treasurer and Vice President of Administration & Finance and Chief Financial Officer (VPCFO) on investment goals, objectives and strategies, and is comprised of the Associate Vice President for Finance and Treasury, the Controller, the Deputy Controller (non-voting), and any others appointed by the VPCFO. To ensure shared governance, a faculty representative shall be appointed by the VPCFO.

The Investment Committee was established to assist the University in fulfilling its fiduciary investment responsibilities. The Investment Committee shall:

- Meet at least once per quarter in advance of the FACFO meeting.
- Review and recommend investment goals, objectives, and policy as needed.
- Recommend target asset allocation strategies.
- Recommend performance measures.
- Recommend external investment advisors, managers, and/or brokers.
- Review and revise quarterly reports to the President and Board of Trustees, through the FACFO, the results of investment activity.
- Review and recommend changes in report content and/or format.
- Periodically review the investment portfolio for its effectiveness in meeting University needs regarding safety, liquidity, return, and diversification.
- Recommend new committee members.

### **D. Board Treasurer and Vice President of Administration & Finance and Chief Financial Officer**

The Board Treasurer is authorized to designate depositories at such locations that require local banking services away from the Northern Illinois University main campus. Consistent with Board of Trustees regulations all new depository relationships require specific Board approval.

The Board Treasurer is authorized to delegate signature authority for a single specific purpose, bank, and/or investment account. The delegation involves University departments and/or agency relationships within the University.

The Board Treasurer acts as the Investment Committee Chair.

### **E. Deputy Controller**

The Deputy Controller serves as the University's Chief Investment Officer. The Deputy Controller shall:

- Establish a system of internal controls and written procedures designed to prevent fraud, misrepresentation, and employee error.
- Draft and distribute reports as required by Illinois statutes, Board of Trustees Regulations, and University policy.
- Execute investment trades.

## VIII. Reporting

Investment reports should demonstrate the status and performance of cash and investments.

The Accountability for the Investment of Public Funds Act ([30 ILCS 237](#)) requires the University to provide the following information online by the 15<sup>th</sup> of each month:

- the amount of funds held by that agency on the last day of the preceding month or the average daily balance for the preceding month;
- the total monthly investment income and yield for all funds invested by that agency;
- the asset allocation of the investments made by that agency; and
- a complete listing of all approved depository institutions, commercial paper issuers, and broker-dealers approved to do business with that agency.

The Illinois Public Funds Investment Act ([30 ILCS 235](#)) requires quarterly reporting to the Board of Trustees and the University President. At a minimum, the reports shall include securities by class or type, income earned, book value, and market value as of the report date.

Regulations of the Board of Trustees ([Section V.D.](#)) require the University to submit an annual Report of Depositories as of June 30<sup>th</sup>. The report consists of beginning balances, withdrawals, and ending balances for all bank accounts. In addition, a statement of investment policy shall be submitted with the Report of Depositories.

## IX. Advisors

The University may utilize the services of external advisors to assist in trade executions and the management of investments. The Investment Committee will develop a selection process to research and analyze prospective vendors for inclusion in the pool of investment advisors.

## X. Ethics

All employees are responsible for compliance with this policy and applicable State and federal laws, including the State Officials and Employees Ethics Act ([5 ILCS 430](#)).

University employees involved in the investment process shall refrain from any actions and/or activity that would be in conflict with the proper execution of the investment program.

## **XI. Sustainability Factors**

Material, relevant, and decision-useful sustainability factors have been or are regularly considered by the agency, within the bounds of financial and fiduciary prudence, in evaluating investment decisions. Such factors include but are not limited to: (i) corporate governance and leadership factors; (ii) environmental factors; (iii) social capital factors; (iv) human capital factors; and (v) business model and innovation factors, as provided under the Illinois Sustainable Investing Act.