

## **ADDISON FIRE PROTECTION DISTRICT INVESTMENT POLICY**

The Addison Fire Protection District is a public taxing body whose purpose is providing Fire Protection, Fire Prevention, Rescue and Emergency Medical Services to persons within the boundaries of the District. The purpose of this investment policy is to provide guidelines for the prudent investment of the funds of the Addison Fire Protection District.

### **I. SCOPE**

This investment policy applies to all assets of the Addison Fire Protection District and to those parties responsible for its administration as described in Section III of this document.

### **II. INVESTMENT OBJECTIVES**

The primary objectives of the Board of Trustees of the Addison Fire Protection District, (hereinafter "Board"), in order of priority, are as follows:

#### **A. Safety**

Investments shall be undertaken in a manner that seeks to ensure the preservation of capital. As such, the Board shall diversify the aggregate investments to ensure that adverse or unexpected results will not have an excessively detrimental impact on the entire portfolio. Diversification shall be interpreted to include diversification by asset type, characteristic, number of investments, and in the case of Investment Managers, investment style.

#### **B. Liquidity**

The investment portfolio shall remain sufficiently liquid to enable the Board to pay all necessary benefits and meet all operating requirements, which might be reasonably anticipated.

#### **C. Return on Investment**

Assets shall be invested to achieve attractive real rates of return. Following the Prudent Person Standard for preservation of capital, assets will be invested to achieve the highest possible rate of return, consistent with the plan's tolerance for risk, as determined by the Board in its role as a fiduciary.

### **III. DELEGATION OF AUTHORITY**

Management responsibility for the investment program is borne by the Board of Trustees of the Addison Fire Protection District, who shall establish written procedures and investment Guidelines for the operation of the investment program, consistent with this investment policy. Such Procedures and Guidelines may include explicit delegation of authority to other persons responsible for investment transactions and investment records. No person may engage in an investment transaction except as provided under the terms of this policy and the Procedures and Guidelines established by the Board. The Board shall be advised of and have oversight over all appointees, and shall establish a system for internal controls to regulate the activities of the Investment Manager(s).

Parties which may be associated with the plan:

#### **A. Board of Trustees for the Addison Fire Protection District**

1. Holds ultimate responsibility for the investment of funds and the appropriateness of its investment policy and its execution.
2. Retains consultants, money managers, and other advisors to implement and execute investment policy as it relates to the investment of funds.
3. Reviews adequacy or need for change of this statement.
4. Meets regularly and reviews reports concerning asset management of the investment.
5. Engages a custodian.
6. Defines investment policy, objectives and guidelines for the investment of funds, including risk tolerance.
7. Administers the investments in accordance with the Public Funds Investment Act, 30 ILCS 235 et seq.

#### **B. Custodian**

1. Accepts possession of securities for safe keeping, collects and disburses income; collects principal of sold, matured, or called items; and provides accurate, timely market value pricing, including accrued interest, for all securities under their care.
2. Provides timely monthly statements which accurately detail all transactions in the accounts, as well as accurately describe all of the securities owned.
3. Effects receipt and delivery following purchases and sales of securities on a timely and accurate basis.
4. Ensures that all cash is productively employed at all times.
5. Meets periodically with the Board and provides reports relative to the status of the investments when required to do so.

**C. Investment Consultant**

1. Assists the Board in developing investment policy guidelines including; asset class choices, asset allocation targets and risk diversification.
2. Conducts investment manager searches when requested by the Board.
3. Provides the Board with objective information on a broad spectrum of investment alternatives, and assists in evaluating the merits of each particular investment product.
4. Evaluates investment managers as to their track records, management style, and quality.
5. Monitors the performance of the aggregate investments and investment managers. Provides regular reports to the Board to aid them in determining the progress toward meeting their investment objectives.

**D. Investment Managers**

1. Subject to overall investment guidelines established by the Board, has full discretion over the management of the allocated assets.
2. Serves as fiduciary; responsible for specific securities decisions.
3. Will abide by the Public Funds Investment Act, 30 ILCS 235, et seq., and shall abide by the duties, responsibilities and guidelines detailed in any specific investment manager agreement entered into by the manager and Board.
4. Shall prepare periodic reports detailing individually all investments, by class and type, the book value, the income earned and the market value and all account transactions since the last report.
5. Shall communicate to the Board any major changes in economic outlook, investment strategy, or any other factors that effect implementation of their investment process, or the investment objectives.
6. Shall communicate to the Board any qualitative change in the investment management organization. Examples include, but are not limited to; changes in portfolio management personnel, ownership structure, or investment philosophy.

**IV. ETHICS AND CONFLICT OF INTEREST POLICY**

It is the policy of the Board of Trustees that no Board member, officer or District employee shall be also an employee of or have any interest in any institution, investment manager, whether individual or company, or investment advisor, whether individual or company, under any agreement with the District for the investment of District Funds. Additionally it is the policy of the Board of Trustees that all elected, and appointed officials and employees of the District shall comply with the Public Officer Prohibited Activities Act, 50 ILCS 105/3 et seq.

## **V. PRUDENCE**

Investments shall be made with judgment and care, under circumstances then prevailing, by persons of prudence, discretion, and intelligence; experienced in the management of their own affairs, not for speculation, but for investment; considering the primary objective of safety as well as the secondary objective of the attainment of market rates of return. The standard of prudence to be used by investment officials shall be that of a "Prudent Person" and shall be applied in the context of managing an overall portfolio. The members of the Board, and other District officials, acting in accordance with written procedures and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that deviations from expectations are reported in a timely fashion, and appropriate action is taken to control adverse developments.

## **VI. PROHIBITED TRANSACTIONS**

Prohibited transactions shall include, but are not limited to:

- A. Short selling
- B. Margin transactions
- C. Transactions involving futures or options contracts
- D. Reverse repurchase agreements
- E. Repurchase agreements other than those permitted by 30 ILCS 235(g) and (h)

Prohibited investments shall include, but are not limited to:

- A. CATS-Zero Coupon
- B. TIGERS-Zero Coupon
- C. TR-Treasury Receipt Zero Obligation
- D. CMO-Collateralized Mortgage Obligation
- E. Sallie-Mae-Student Loan Marketing Association

## **VIII. INVESTMENTS**

The Board may invest the funds of the District only in investments authorized by 30 ILCS 235/2, as it may be amended from time to time, and as authorized by other applicable law. As of the date of adoption of this Policy, permitted investments are:

1. In bonds, notes, certificates of indebtedness, Treasury bills or other securities now or hereinafter issued, which are guaranteed by the full faith and credit of the United States of America as to principal and interest.
2. In bonds, notes, debentures, or other similar obligations of the United States of America or its agencies.

3. In interest-bearing savings accounts, interest-bearing certificates of deposit, or interest-bearing time deposits, or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act.
4. In short-term obligations of corporations, organized in the United States, with assets exceeding \$500 million if (i) such obligations are rated at the time of purchase at one of the three highest classifications established by at least two standard rating services, and which mature not later than 180 days from the date of purchase, (ii) such purchases do not exceed ten percent of the corporation's outstanding obligations, and (iii) no more than one-third of the District's funds may be invested in short-term obligations of corporations.
5. Interest bearing bonds of any county, township, city, village, incorporated town, municipal corporation or school district, of the State of Illinois, or of any other state or of any political subdivision or agency of the State of Illinois or of any other state. The bonds must be rated "A" (or the equivalent) or higher by a rating service of nationally recognized expertise at the time of purchase.
6. In money market mutual funds registered under the Investment Company Act of 1940, provided that the portfolio of any such money market mutual fund is limited to obligations described in Paragraphs (1) and (2) above, and to agreements to repurchase such obligations.
7. Investments may be made only in banks that are insured by the Federal Deposit Insurance Corporation. The District may invest public funds in short-term discount obligations of the Federal National Mortgage Association or in shares or other forms of securities legally issuable by savings banks or savings and loan associations incorporated under the laws of Illinois or any other state or under the laws of the United States. Investments may be made only in those savings banks or savings and loan associations, the shares, or investment certificates of which are insured by the Federal Deposit Insurance Corporation.
8. The District may invest public funds in dividend-bearing share accounts, share certificate accounts, or class of share accounts of a credit union chartered under the laws of Illinois or the laws of the United States: provided, however, the principal office of such credit union must be located within the state of Illinois. Investments may be made only in those credit unions the accounts of which are insured by applicable law.
9. The District may invest public funds in the Public Treasurer's Investment Pool created under Section 17 of the State Treasurer's Act.

10. Any monies invested in interest bearing cash accounts and/or a savings and loan association, banks, or credit unions must be insured by federal law or collateralized with Treasury Securities in an amount equal to 110% of the amount in any cash account that exceeds One Hundred Thousand Dollars (\$100,000).
11. Any other security authorized by law and pre-approved by the Board of Trustees.

**VIII. INVESTMENT SELECTION CRITERIA**

Investments of the District's funds will be selected on the following basis:

1. The institution offering the investment must meet all the criteria as stated in the "Financial Institutions" section of this Policy.
2. The duration of the investment must coincide with the cash flow requirements of the District to meet short-term or long-term needs.
3. The rate of interest on the investment must be at least equivalent to the average rate of return available in the market place;
4. Short-term investment in Certificates of Deposit (CDs) and other lawful investment instruments shall be permitted.
5. Investments of the Board shall be held in a custodial trust account for the benefit of the Board at a commercial bank located in the State of Illinois. Safekeeping account receipts will be held by the Addison Fire Protection District.
6. At all times the long term invested funds shall be invested in a balanced portfolio duration as set by the Board, on advice of the Board's Investment Manager, in accordance with terms of maturity. By example, but not limited to, the balance might be set as follows:

NO MORE THAN 30% SHORT	O TO 1 YEAR OR LESS
NO MORE THAN 60% INTERMEDIATE	1 TO 10 YEARS
NO MORE THAN 40% LONG	OVER 10 YEARS

7. This balance will be set and reviewed not less than semi-annually by the Board. The balance components as to maturity will be based on the dedicated components of the immediate cash flow required for current obligations, long term needs for capital purchases, long term needs budgeted in capital equipment or building accounts, and a current review of the current conditions of the investment market.

8. Assets within the balance shall be diversified to control the risk of loss resulting from over-concentration in a specific maturity, a specific issuer, or a specific instrument. No more than 40% of the assets shall be concentrated in a single instrument or class of instruments other than U.S. Treasury Obligation.
9. All securities purchased or sold will be transferred when possible only under "Delivery Vs Payment" (DVP) method or "Receipt Vs Payment" (RVP) method to ensure that funds or securities are not released until all criteria related to the specific transaction are met.

#### **IX. SPECIFIC INVESTMENT GOALS**

Performance objectives and measures:

1. Over a 5-year investment horizon it is the goal of the aggregate plan to meet or exceed the annual rate of return as reported by the Illinois Public Treasurer's Investment Trust, which shall be the bench mark against which all other investment performance will be ranked.
2. The Board of Trustees understands that in order to achieve its objectives for the investment of assets, the investments will experience volatility of returns and fluctuations of market value as well as periods of losses. Losses will be viewed within the context of appropriate market indices.
3. Performance will be reviewed for the following periods: the most current month, quarter to date, year to date, one, three, and five years, and since inception.

#### **X. CONTROLS**

The Treasurer of the Board shall be the Chief Investment Officer and shall establish a system of internal controls, which shall be documented in writing. The internal controls shall be reviewed by and with an independent auditor. 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 employees and officers of the Addison Fire Protection District or the financial managers and advisors.

#### **XI. SELECTION CRITERIA FOR INVESTMENT MANAGERS, ADVISORS AND INSTITUTIONS.**

All investment managers, investment advisors and institutions in which public funds are invested shall be selected on the basis of the results of proposals submitted to the Board based on such criteria as are selected by the Board of Trustees. The criteria used may include, but not be limited to, fee structure,

performance measures, security procedures, convenience of accessing funds, services included in fees, and community investment record among others.

**XII. CUSTODY OF ASSETS**

All investments of the District's funds shall be clearly held and accounted for to indicate ownership by the Board. The Board will direct the registration of securities in its own name or in the name of a fiduciary nominee for the Board created for the express purpose of registration of securities by a national or state bank or trust company authorized to conduct a trust business in the State of Illinois.

**XIII. MEETING SCHEDULES**

The Board shall determine a schedule that allows the Board to meet as often as necessary to monitor the investments and investment managers. The Board may include the review of investments and investment managers at their regularly scheduled monthly meeting.

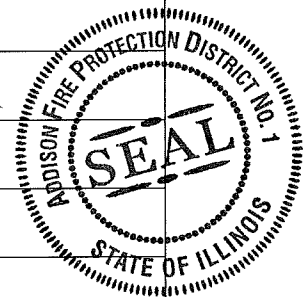
**XIV. EFFECTIVE DATE**

This policy was prepared under the authority of the Board. The policy shall be effective immediately for all investments purchased after the date of its adoption. All investments of the District's funds shall be brought into compliance with the Policy. A copy of the policy shall be provided to the independent auditor of the District.

**XV. POLICY AVAILABLE TO THE PUBLIC**

This investment policy shall be readily available to the public at the main administrative offices of the Addison Fire Protection District.

Title	Signature
President	<i>M. J. [Signature]</i>
Secretary	<i>Chal. [Signature]</i>
Treasurer	<i>Bernardo [Signature]</i>



On this the 1<sup>ST</sup> day of MARCH, 2017.