

# The Illinois State Toll Highway Authority Investment Policy

## **1 POLICY:**

Under this instrument, The Illinois State Toll Highway Investment Policy ("Policy"), it is the intent of The Illinois State Toll Highway Authority ("Tollway") to invest all funds under Tollway control in a manner that accomplishes the objectives listed below, while maintaining conformance with all applicable State statutes and any trust indenture governing the investment of Tollway funds. This Policy applies to all investments entered into on or after the adoption of this instrument. Until the expiration of investments made prior to the adoption of this Policy, such prior investments will continue to be governed by the policies in effect at the time such investments were made.

### Applicable Statutes (including but not limited to):

- The Toll Highway Act (605 ILCS 10/),
- The Public Funds Investment Act (30 ILCS 235/),
- The Trust Indenture dated as of December 1, 1985, as amended, restated and supplemented (the "Indenture"), between the Tollway and The Bank of New York Mellon Trust Company, N.A., as successor Trustee (the "Trustee").

### Funds under Tollway control include funds held by the:

- Treasurer of the State of Illinois (the "Treasurer") as ex officio custodian for the Tollway;
- Trustee subject to the provisions of the Indenture; and
- Tollway in locally held revolving accounts as permitted by the Toll Highway Act and the Indenture.

### Authorized Investment Officers include:

- For the Tollway, the Executive Director, Chief of Finance, Deputy Chief of Finance, and Controller;
- For Treasurer-held funds, those Officers identified by the Treasurer as Authorized Investment Officers; and
- For Trustee-held funds, those Officers identified in the most recent contractual agreement between the Trustee and the Tollway.

## **2 OBJECTIVES:**

Following are the objectives of the Policy.

### **2.1 Safety:**

The primary objective of the Policy is preservation of principal.

### **2.2 Liquidity:**

A secondary objective of the Policy is sufficient liquidity to enable the Tollway to meet its operating and capital needs on the earliest dates that such needs are projected.

### **2.3 Return On Investment:**

A secondary objective of the Policy is to increase investment return to the extent possible without compromising the primary objective and taking into account investment constraints.

## **3 ETHICS AND CONFLICTS OF INTEREST:**

Authorized Investment Officers of the Tollway and Tollway employees involved in investment decisions shall refrain from personal business activity that could conflict, or give the appearance of a conflict, with proper execution of the investment program, or that could impair their ability to make impartial investment decisions. Such individuals shall subordinate their personal investment transactions to those of the investment portfolio, particularly with regard to the time of purchases and sales. Authorized Investment Officers and Tollway employees involved in investment decisions with questions or concerns about compliance with this section should seek guidance from the Tollway's Ethics Officer. Each of the Authorized Investment Officers of the Tollway and Tollway employees involved in investment decisions shall be included on the list of Tollway personnel required to file a Statement of Economic Interests with the Secretary of State.

#### **4 AUTHORIZED BROKERS/DEALERS, INVESTMENT ADVISORS AND FINANCIAL INSTITUTIONS:**

Broker services to purchase/sell securities in connection with the investment of Tollway funds shall be obtained from either: (i) the Trustee pursuant to any contractual agreement between the Trustee and the Tollway; or (ii) firms on the list of approved brokers maintained by the Treasurer. For each Tollway investment security to be purchased from or sold to a broker, except for the purchase of any investment security which is part of a new issue offering, a minimum of three bids will be solicited and a purchase will be awarded to the broker offering the highest yield or a sale will be awarded to the broker bidding the highest price. The Tollway may also hire broker/dealers and investment advisors, and may do so in accordance with the State procurement rules.

The State Treasurer manages the selection of financial institutions for Tollway funds held by the State. The selection of financial institutions for funds not under the control of the State Treasurer will be made in accordance with applicable state statutes and the Indenture.

#### **5 AUTHORIZED AND SUITABLE INVESTMENTS:**

The Tollway authorizes the following types of investments subject to the provisions of the Toll Highway Act, Public Funds Investment Act and the Indenture:

**5.1** Bonds, notes, treasury bills or other obligations of the United States, its agencies and its instrumentalities;

**5.2** Bonds, notes, debentures or other evidences of indebtedness that are guaranteed by the full faith and credit of the United States as to principal and interest;

**5.3** Money market mutual funds registered under the Investment Company Act of 1940 (15 U.S.C.A. § 80a-1 et seq.), provided that the portfolio of any such money market mutual fund is limited to obligations described in 5.1 and 5.2 and, to the extent such becomes allowable under the Indenture, agreements to repurchase such obligations.

**5.4** Interest-bearing savings accounts, interest-bearing certificates of deposit, or interest-bearing time deposits of a bank, savings and loan association or credit union, to the extent such amounts are either federally insured or continuously secured or collateralized by obligations described in 5.1, 5.2 and 5.3.

**5.5** The Illinois Funds money market mutual fund created under Section 17 of the State Treasurer Act (15 ILCS 505/17), for purposes of investment of the I-Pass Escrow Account.

**5.6** Repurchase agreements of government securities having the meaning set out in the Government Securities Act of 1986 (1 U.S.C.A. § 78o-5).

**5.7** Municipal bonds which have and maintain a rating not lower than "Aa3" by Moody's Investors Service and "AA-" by Standard & Poor's Corporation, to the extent such securities become allowable under the Public Funds Investment Act.

#### **6 COLLATERALIZATION:**

All Tollway deposits, to the extent not federally insured, shall be secured by U.S. Government guaranteed securities held as collateral. The Tollway, or the Treasurer and Trustee as applicable on behalf of the Tollway, may take possession and title to any securities held as collateral and hold such securities until it is prudent to dispose of them.

#### **7 TERM AND DIVERSIFICATION:**

The Tollway shall seek to diversify the assets in its investment portfolio based on the nature and purpose of the funds at the time of purchase, in accordance with the primary objective of the investment policy, preservation of principal. The portfolio is monitored on a routine basis and as maturities of instruments occur, adjustments are made as appropriate.

The Tollway shall invest the majority of Tollway funds, excluding bond proceeds, in authorized investments of less than one-year maturity. Funds identified as having longer term liquidity needs can be invested in authorized investments of greater than one year.

The Tollway shall invest bond proceeds in authorized investments with durations not to exceed a reasonably estimated schedule of expenditures.

Those funds not invested in short-term (less than one year) securities of the United States and its agencies and instrumentalities 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 securities.

No investment shall exceed a ten-year maturity as per Indenture Section 603(1).

#### **8 CUSTODY AND SAFEKEEPING:**

The custody and safekeeping of collateral and securities will be handled by financial institutions under contractual arrangements as designated by the Tollway and/or Treasurer, and evidenced by safekeeping receipts.

#### **9 INTERNAL CONTROLS:**

The Chief of Finance, with the assistance of the Controller and the Deputy Chief of Finance, shall establish a system of internal controls and written operating procedures designed to prevent the loss of public funds that would arise from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets or imprudent actions by Authorized Investment Officers.

Except for newly issued securities, Authorized Investment Officers shall obtain competitive bids from at least three (3) broker/dealers prior to executing the purchase or sale of any authorized investments.

Certificates of deposit shall be purchased by Authorized Investment Officers on the basis of the institution's ability to pay and rate of interest.

#### **10 LIMITATION OF LIABILITY:**

The standard of prudence to be used by Authorized Investment Officers shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Authorized Investment Officers acting in accordance with written procedures and this Policy and exercising due diligence will be relieved of personal liability for an individual security's credit risk or market price changes, provided that deviations from expectations are reported in a timely manner and necessary action is taken to control adverse developments.

#### **11 REVIEW AND REPORTING:**

In accordance with the Public Funds Investment Act, the Tollway's Executive Director and Board of Directors will be provided, not less than quarterly, with an investment report listing securities in the portfolio by class or type, book value, income earned, and market value as of the report date. In addition, a review of the investment portfolio will be conducted by the Chief of Finance regarding the effectiveness in meeting the portfolio's objectives, diversification and general performance against established performance measures. The Tollway will conduct a review of this policy no less than every two years.

#### **12 EFFECTIVE DATE:**

This policy was adopted on May 22, 2014. The Tollway reserves the right to amend this Policy at any time upon the advice and consent of the Tollway Board of Directors.