

**AMEND BOARD REPORT 08-0827-PO1
AMEND BOARD REPORT 02-0626-PO02
CHICAGO PUBLIC SCHOOLS INVESTMENT POLICY**

THE CHIEF EXECUTIVE OFFICER RECOMMENDS:

That the Board amend the Chicago Public Schools Investment Policy.

POLICY TEXT:

CHICAGO PUBLIC SCHOOLS INVESTMENT POLICY – INTRODUCTION

The intent of the Investment Policy of the Board of Education of the City of Chicago ("Investment

Policy") is to define the parameters within which funds are to be managed. This Investment Policy is approved by the Board of Education of the City of Chicago (hereinafter referred to as the "Board" the

I. Purpose

This document specifies policies, guidelines and criteria governing investments of all public funds held by the Chicago Public Schools in the course of its operations and mission as provided for in the

II. Investment Objectives and Standards

It is the policy of the Chicago Public Schools to invest public funds in a manner which is consistent with all state and local laws governing the investment of public funds and which will meet the following objectives:

IV. Ethics and Conflict of Interest

~~In addition to all obligations and requirements of the Board's Ethics Policy, all persons authorized~~

to trade on behalf of CPS must refrain from personal business activity that could potentially conflict with proper execution of this Investment Policy or impair their ability to make impartial decisions. The Treasurer shall implement an annual attestation to be completed by all personnel authorized to trade disclosing all personal brokerage relationships. The Treasurer shall collect and review such attestations and file them with the internal audit function.

Under no circumstances shall a participant in the investment process receive any type of financial gain, either directly or indirectly, from the investment of Chicago Public Schools funds. Any real or potential conflict of interest must be reported to the internal audit function and General Counsel.

V. Authority

The Illinois School Code, 105 ILCS 5/34-28

Public Funds Investment Act 30 ILCS 235/1 (et seq.)

~~The Chicago Public Schools may direct its investments in accordance with the Investment Act~~

VIII. Authorized and Suitable Investments

Investments made must comply with the Investment Act and other applicable law. Such investments include:

1. Bond notes, certificates of indebtedness, treasury bills or other securities guaranteed by the full faith and credit of the United States as to principal and interest.
2. U.S. agency and instrumentality obligations which are limited to the following issuers:
 - Federal Home Loan Bank (FHLB)
 - Federal Home Loan Mortgage Corporation (FHLMC)
 - Federal Farm Credit Bank (FFCB)
 - Government National Mortgage Association (GNMA)

- Tennessee Valley Authority (TVA)
- Federal National Mortgage Association (FNMA)
- Any other agency created by an Act of Congress

3. Institutional size depository investments such as interest-bearing savings accounts, interest-bearing certificates of deposit, interest-bearing time deposits or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act, including bankers' acceptances and bank notes. The instruments acquired shall have short term

paper notes, tax anticipation warrants and other debt obligations of such municipalities. The

Asset
Allocation
Range:

The market value of this pool should reflect cash flow requirements at the discretion of the Treasurer, with a minimum of 110% of cash flow needs

Evaluation
Benchmark:
NAME:

Merrill Lynch 3 Month Treasury Bill Index or similar index
ENHANCED CASH MANAGEMNT (ECM)

Objective:

To provide for the longer term investment of funds using established investment approaches as well as money management firms under contract with the Chicago Public

Schools.

Guidelines:

The purchase of securities outlined in the authorized listing. Average portfolio adjusted duration should not exceed the duration of the Merrill Lynch Government 1-5 Index or

Party Custodian Undertaking with a bank or trust company for the purpose of holding and valuing (as such trustee's agent) securities that are the subject of a repurchase agreement entered into by the trustee

pursuant to such indenture.

XI. Risk Management

management. Their definition and the techniques used to control, evaluate and manage them are also discussed below:

Market Risk - the risk that the value of a security will rise or decline as a result of changes in market conditions.

XIV. Internal Controls

The Treasurer shall establish a system of internal controls, which shall be documented and reviewed by the CPS Investment Committee. The controls shall be designed to prevent losses of Chicago Public Schools funds arising from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees.

XV. Investment Committee

The Investment Committee shall be composed of the Treasurer, the Chief Financial Officer, and the Chief Operating Officer. The Treasurer shall be the chair of the Investment Committee.

[REDACTED]

with the Treasurer. The Treasurer may call more frequent meetings as deemed necessary. (Ces

~~Reverse Repurchase Agreements - the leasing of Chicago Public Schools securities for cash~~

proceeds

~~Securities Lending - the leasing of Chicago Public Schools securities for other securities~~

- Short Selling - the sale of a security the Chicago Public Schools does not own

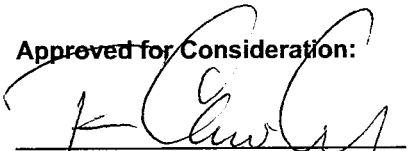
~~Any purchase of securities not authorized in Section VIII VIII - The Board must approve of any~~

- Monitor use of all CPS funds, including bond funds, to ensure appropriateness and compliance with CPS Investment Policy and objectives
- Review policies regarding trading practices
- Review the system of internal controls established by the Treasurer

Responsibilities of the Professional Money Managers include, but are not limited to, the following:


- Manage the portion of the Chicago Public Schools' investment portfolio under their control in accordance with the policy objectives and guidelines as established.
- Comply with any applicable legal or regulatory stipulations.
- Exercise full investment discretion as to buy, hold and sell decisions for all assets under management

Approved for Consideration:



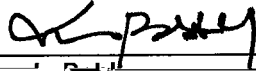
Timothy Cawley
Chief Administrative Officer

Respectfully Submitted:



Barbara Byrd-Bennett
Chief Executive Officer

Approved as to Legal Form: 



General Counsel