

**State of Illinois  
Office of the Treasurer  
Fiscal Officer Responsibilities**

Financial Audit  
For the Years Ended June 30, 2020 and 2019

And Compliance Examination  
For the Year Ended June 30, 2020

Performed as Special Assistant Auditors  
for the Auditor General, State of Illinois

**State of Illinois  
Office of the Treasurer  
Fiscal Officer Responsibilities**

**Financial Audit  
For the Years Ended June 30, 2020 and 2019**

**Compliance Examination  
For the Year Ended June 30, 2020**

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**State of Illinois  
Office of the Treasurer**

**Fiscal Officer Responsibilities  
Office of the Treasurer's Officials  
For the Year Ended June 30, 2020**

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**Office of the Treasurer's Officials**

Treasurer	The Honorable Michael W. Frerichs
Chief of Staff	Mr. G. Allen Mayer
Deputy Treasurer & Chief Investment Officer	Mr. Rodrigo Garcia
General Counsel & Ethics Officer (December 1, 2019 to Present)	Ms. Laura Duque
General Counsel & Ethics Officer ( <i>Acting</i> ) (July 1, 2019 to November 30, 2019)	Mr. Chris Flynn
Executive Inspector General for the Illinois State Treasurer ( <i>Acting</i> ) (February 17, 2020 to Present)	Mr. Dennis Rendleman
Executive Inspector General for the Illinois State Treasurer (January 1, 2020 to February 16, 2020)	Vacant
Executive Inspector General for the Illinois State Treasurer (July 1, 2019 to December 31, 2019)	Mr. Raymond Watson
Chief Internal Auditor	Ms. Leighann Manning
Director of State Investments and Banking	Ms. Elizabeth Turner
Director of Fiscal Operations	Ms. Deborah Miller

**Office of the Treasurer's Offices**

The Office of the Treasurer had the following administrative office locations during the year:

Executive Office  
State Capitol  
219 State House  
Springfield, Illinois 62706

Chicago Office Legal/Programmatic  
James R Thompson Center  
100 West Randolph Street, Suite 15-600  
Chicago, Illinois 60601

Operational Divisions  
Illinois Business Center  
400 West Monroe, Suite 401  
Springfield, Illinois 62704

Unclaimed Property Division  
Myers Building  
1 W. Old State Capital Plaza, 1<sup>st</sup> & 4<sup>th</sup> Floors  
Springfield, Illinois 62701

## **COMPLIANCE REPORT**



**OFFICE OF THE ILLINOIS STATE TREASURER  
MICHAEL W. FRERICHS**

**MANAGEMENT ASSERTION LETTER**

March 16, 2021

Crowe LLP  
Certified Public Accountants  
3601 Wabash Avenue Suite 201  
Springfield, Illinois 62711

Ladies and Gentlemen:

We are responsible for identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the State of Illinois, Office of the Treasurer (“Office”) Fiscal Officer Responsibilities. We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the Office’s compliance with the following specified requirements during the year ended June 30, 2020. Based on this evaluation, we assert that during the year ended June 30, 2020, the Office has materially complied with the assertions below.

- A. The Office has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Office has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, receipt, or use.
- C. The Office has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the Office are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate, and in accordance with law.

State Capitol  
Room 219  
Springfield, IL 62706  
Phone: (866) 458-7327  
Fax: (217) 785-2777  
TTY: (866) 877-6013

James R. Thompson Center  
100 West Randolph Street  
Suite 15-600  
Chicago, IL 60601  
Phone: (866) 458-7327  
Fax: (312) 814-5930  
TTY: (866) 877-6013

Marine Bank Building  
1 East Old State Capitol Plaza  
Springfield, IL 62701  
Phone: (866) 458-7327  
Fax: (217) 524-3822  
TTY: (866) 877-6013

- E. Money or negotiable securities or similar assets handled by the Office on behalf of the State or held in trust by the Office have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Yours very truly,

State of Illinois, Office of the Treasurer

**SIGNED ORIGINAL ON FILE**

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The Honorable Michael W. Frerichs  
Treasurer

**SIGNED ORIGINAL ON FILE**

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Mr. G. Allen Mayer  
Chief of Staff

**SIGNED ORIGINAL ON FILE**

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Mr. Rodrigo Garcia  
Deputy Treasurer & Chief Investment Officer

**SIGNED ORIGINAL ON FILE**

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Ms. Laura Duque  
General Counsel & Ethics Officer

**State of Illinois  
Office of the Treasurer**

**Fiscal Officer Responsibilities  
For the Year Ended June 30, 2020**

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**Compliance Report**

**Summary**

The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and the Illinois State Auditing Act.

**Accountant's Report**

The Independent Accountant's Report on State Compliance and on Internal Control Over Compliance does not contain scope limitations or disclaimers, but does contain a modified opinion on compliance and identifies a material weakness over internal control over compliance.

**Summary of Findings**

<u>Number of</u>	<u>Current Report</u>	<u>Prior Report</u>
Findings	1	0
Repeated findings	0	0
Prior recommendations implemented or not repeated	0	0

**SCHEDULE OF FINDINGS**

Item No.	Page	New/Last Report	Description	Finding Type
<b>FINDINGS (Government Auditing Standards)</b>				
2020-001	10	New	Inadequate Internal Controls Related to Review of Financial Statements	Material Noncompliance and Material Weakness
<b>FINDINGS (State Compliance)</b>				
2020-001	10	New	Inadequate Internal Controls Related to Review of Financial Statements	Material Noncompliance and Material Weakness

**Exit Conference**

The Office waived an exit conference in correspondence from Leighann Manning, Chief Internal Auditor, on February 22, 2021. The responses to the recommendations were provided by Leighann Manning, Chief Internal Auditor, in a correspondence dated March 3, 2021.



## Independent Accountant's Report on State Compliance and on Internal Control Over Compliance

The Honorable Frank J. Mautino  
Auditor General  
State of Illinois

### **Compliance**

As Special Assistant Auditors for the Auditor General, we have examined compliance by the State of Illinois (State), Office of the Treasurer, Fiscal Officer Responsibilities' (the Office) with the specified requirements listed below, as more fully described in the *Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide)* as adopted by the Auditor General, during the year ended June 30, 2020. Management of the Office is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the Office's compliance with the specified requirements based on our examination.

The specified requirements are:

- A. The Office has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Office has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The Office has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the Office are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the Office on behalf of the State or held in trust by the Office have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the *Audit Guide*. Those standards, the Act, and the *Audit Guide* require that we plan and perform the examination to obtain reasonable assurance about whether the Office complied with the specified requirements in all material respects. An examination involves performing procedures to obtain evidence about whether the Office complied with the specified requirements. The nature, timing and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance with the specified requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our modified opinion.

Our examination does not provide a legal determination on the Office's compliance with specified requirements.

Our examination disclosed material noncompliance with the following specified requirements applicable to the Office during the year ended June 30, 2020.



#### Specified Requirement C

As described in the accompanying Schedule of Findings as item 2020-001, the Office had not complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

#### Specified Requirement E

As described in the accompanying Schedule of Findings as item 2020-001, money or negotiable securities or similar assets handled by the Office on behalf of the State or held in trust by the Office had not been properly and legally administered and the accounting and recordkeeping relating thereto was not proper, accurate, and in accordance with law.

In our opinion, except for the material deviations from the specified requirements described in the preceding paragraph, the Office complied with the specified requirements during the year ended June 30, 2020, in all material respects.

The Office's response to the compliance finding identified in our examination is described in the accompanying Schedule of Findings. The Office's response was not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the response.

The purpose of this report is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

#### **Internal Control Over Compliance**

Management of the Office is responsible for establishing and maintaining effective internal control over compliance with the specified requirements (internal control). In planning and performing our examination, we considered the Office's internal control to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Office's compliance with the specified requirements and to test and report on the Office's internal control in accordance with the *Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control. Accordingly, we do not express an opinion on the effectiveness of the Office's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the specified requirements on a timely basis. *A material weakness in internal control* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that material noncompliance with the specified requirements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not yet been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings as item 2020-001 that we consider to be a material weakness.

As required by the *Audit Guide*, immaterial findings excluded from this report have been reported in a separate letter.

The Office's response to the internal control finding identified in our examination is described in the accompanying Schedule of Findings. The Office's response was not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the response.

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing based on the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Crowe LLP

Springfield, Illinois  
March 16, 2021

**Independent Auditor's Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***

The Honorable Frank J. Mautino  
Auditor General  
State of Illinois

### **Report on the Financial Statements**

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the State of Illinois (State), Office of the Treasurer, Fiscal Officer Responsibilities (the Office), which are comprised of the Statement of Assets and Other Debits, Liabilities and Accountabilities as of June 30, 2020, the related Statement of Investment Income for the year then ended and the related notes to the financial statements, and have issued our report thereon dated March 16, 2021. As described in Note B of the financial statements, the financial statements are prepared by the Office on the basis of the financial reporting provisions determined by the Illinois Office of the State Comptroller, which is a basis of accounting other than accounting principles generally accepted in the United States of America to meet the requirements of the State of Illinois. Our opinion was not modified with respect to this matter.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Office's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings as item 2020-001.

### **Internal Control Over Financial Reporting**

Management of the Office is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit of the financial statements, we considered the Office's internal control as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control. Accordingly, we do not express an opinion on the effectiveness of the Office's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings as item 2020-001 that we consider to be a material weakness.

#### **Office's Response to the Finding**

The Office's response to the finding identified in our audit is described in the accompanying Schedule of Findings. The Office's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

#### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Office's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe LLP

Springfield, Illinois  
March 16, 2021

**State of Illinois  
Office of the Treasurer**

**Fiscal Officer Responsibilities  
Schedule of Findings  
For the Year Ended June 30, 2020**

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2020-001            **Finding** (Inadequate Internal Controls Related to Review of Financial Statements)

The Office of the Treasurer (the Office) had inadequate internal controls over the Office's Fiscal Officer Responsibilities financial statement review process.

During testing of the Statements of Assets and Other Debits, Liabilities and Accountabilities (financial statements), footnotes to the financial statements, and supplementary information, various errors were identified. The Office corrected the financial statements, footnotes to the financial statements, and supplementary information for these errors which included:

- General Obligation Certificates Series June 2020 totaling \$1,200,000,000 in principal and \$45,840,000 in interest were excluded from the financial statements, notes to the financial statements, and supplementary information which led to several corrections and multiple iterations of the financial statements.
- June 30, 2019 investments in commercial paper reported in the financial statements did not agree to the Fiscal Year 2019 audited financial statements. Fiscal Year 2019 audited financial statements reported cash and cash equivalents for commercial paper of \$2,257,757,590. Fiscal Year 2020 financial statements reported Fiscal Year 2019 cash and cash equivalents for commercial paper of \$2,273,028,612. Fiscal Year 2019 audited financial statements reported short-term investments for commercial paper of \$1,956,901,445. Fiscal Year 2020 financial statements reported Fiscal Year 2019 short-term investments for commercial paper of \$1,941,630,423.
- The notes to the financial statements reported Fiscal Year 2019 information which did not agree to the Fiscal Year 2019 audited notes to the financial statements including:
  - Note D, Deposits and Investments, Fiscal Year 2019 audited notes to the financial statements disclosed total unfunded commitments for Illinois Technology Development Accounts I and II (TDA I and II) of \$113 million, with \$5 million and \$108 million related to TDA I and TDA II, respectively. Fiscal Year 2020 notes to the financial statements disclosed Fiscal Year 2019 total unfunded commitments of \$110.8 million, with \$2.4 million and \$108.4 million related to TDA I and TDA II, respectively.
  - Note E, Defeased Debt, Fiscal Year 2019 audited notes to the financial statements disclosed General Obligation Refunding Bonds issued of \$1,106,050,000. Fiscal Year 2020 notes to the financial statements disclosed Fiscal Year 2019 General Obligation Refunding Bonds issued of \$1,106,050.
- The notes to the financial statements included several errors in reporting of Fiscal Year 2020 information including:
  - Note D, Deposits and Investments, concentration of credit risk table excluded ASL Capital as an investment in which the Office had a concentration exceeding 5%.
  - Note D, Deposits and Investments, interest rate risk disclosure stated 5% of the investment portfolio shall be allocated to investments in a 5 to 10-year maturity band. The Office's investment policy section 9.0(d)ix requires no more than 10% of the investment portfolio be allocated to investments in a 5 to 10-year maturity band.

**State of Illinois  
Office of the Treasurer**

**Fiscal Officer Responsibilities  
Schedule of Findings  
For the Year Ended June 30, 2020**

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- Note D, Deposits and Investments, disclosed total unfunded commitment amounts for TDA I and II of \$139 million, with \$2 million related to TDA I. Unfunded commitment amounts for TDA I and II totaled \$141 million with \$4 million related to TDA I.
- Note D, Deposits and Investments, investment maturity table disclosed investments in The Illinois Funds as \$2,273,086, but should have been disclosed as \$2,273,381.
- Supplementary Information to the financial statements, Assets and Other Debits – Detail, reported total demand deposits of \$565,619,800. The financial statements reported total demand deposits of \$565,897,239.

In accordance with the financial reporting provisions determined by the Illinois Office of the State Comptroller (IOC), the Office's assets and liabilities should be properly reported in the financial statements and footnotes. The financial reporting provisions determined by the IOC also require the proper recording of underlying transactions. The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports to maintain accountability over the State's resources. Strong management controls, due diligence and fiduciary responsibility require procedures to include proper checks and balances and adequate supervision to ensure proper financial reporting.

Office management attributed the above conditions to errors in source document versions and a breakdown in communication related to information needed for financial statement reporting.

Failure to maintain adequate internal controls over the financial reporting process led to errors not being identified in the financial statements, notes to the financial statements, and supplementary information. (Finding Code No. 2020-001)

**Recommendation**

We recommend the Office improve controls over the financial reporting process of the Fiscal Officer Responsibilities, specifically:

- Verify the accuracy of all information reported.
- Verify prior fiscal year information reported within the financial statements, notes and supplementary information agrees to the prior fiscal year report.
- Verify all amounts within the financial statements, notes and supplementary information has been updated.
- Verify amounts reported agree between statements and note schedules.

**Office Response**

We accept the recommendations. We will review and improve procedures related to both current and prior year financial statement information, footnotes, and supplementary information, as well as evaluate appropriate staffing and workflow processes.

## **FINANCIAL STATEMENT REPORT**

**State of Illinois  
Office of the Treasurer**

**Fiscal Officer Responsibilities  
For the Years Ended June 30, 2020 and 2019**

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**Financial Statement Report**

**Summary**

The audits of the accompanying financial statements of the State of Illinois, Office of the Treasurer, Fiscal Officer Responsibilities (Office) as of and for the years ended June 30, 2020 and 2019 were performed by Crowe LLP.

Based on their audits, the auditors expressed an unmodified opinion on the Office's financial statements. The financial statements are special purpose framework financial statements prepared on a basis of accounting determined by the Illinois Office of the State Comptroller that is not in conformity with accounting principles generally accepted in the United States of America (GAAP) (see Note B).

**Summary of Findings**

The auditors identified a matter involving the Office's internal control over financial reporting that they considered to be a material weakness. The material weakness is described in the accompanying Schedule of Findings on pages 10-11 of this report as item 2020-001, (Inadequate Internal Controls Related to Review of Financial Statements).

**Exit Conference**

The Office waived an exit conference in correspondence from Leighann Manning, Chief Internal Auditor, on February 22, 2021.



**INDEPENDENT AUDITOR'S REPORT**

## Independent Auditor's Report

The Honorable Frank J. Mautino  
Auditor General  
State of Illinois

### Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the State of Illinois, Office of the Treasurer, Fiscal Officer Responsibilities (the Office), which comprise the Statements of Assets and Other Debits, Liabilities and Accountabilities as of June 30, 2020 and 2019, the related statements of Investment Income for the years then ended and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions determined by the Illinois Office of the State Comptroller as described in Note B. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the Assets and Other Debits, Liabilities and Accountabilities of the Office, as of June 30, 2020 and 2019, and the Investment Income for the years then ended in accordance with the financial reporting provisions determined by the Illinois Office of the State Comptroller described in Note B of the financial statements.

## ***Emphasis of Matter***

### *Basis of Accounting*

We draw attention to Note B of the financial statements, which describes the basis of accounting. The financial statements are prepared by the Office on the basis of the financial reporting provisions determined by the Illinois Office of the State Comptroller, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State of Illinois. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### *Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements of the Office. The accompanying Supplementary Information (pages 54-67) and the Other Information (pages 68-127) as listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the financial statements.

The accompanying Supplementary Information (pages 54-67) is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The accompanying Supplementary Information (pages 54-67) has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying Supplementary Information (pages 54-67) is fairly stated, in all material respects, in relation to the financial statements as a whole.

The accompanying Other Information (pages 68-127) has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

## ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2021 on our consideration of the Office's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Office's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Office's internal control over financial reporting and compliance.

## ***Restricted Use of this Auditor's Report***

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the Comptroller and Office Management and is not intended to be and should not be used by anyone other than these specified parties.

Springfield, Illinois  
March 16, 2021

Crowe LLP

## **FINANCIAL STATEMENTS**

**State of Illinois  
Office of the Treasurer**

**Fiscal Officer Responsibilities  
Statements of Assets and Other Debts, Liabilities and Accountabilities  
June 30, 2020 and 2019**

	2020	2019
<b>Assets and Other Debits</b>		
Cash and Cash Equivalents		
Demand Deposits	\$ 565,897,239	\$ 16,862,861
Clearing Account Deposits and Deposits in Transit	55,551,456	70,596,559
Total Cash	621,448,695	87,459,420
Repurchase Agreements	1,309,365,754	1,251,254,847
Commercial Paper	612,792,729	2,257,757,590
The Illinois Funds	2,273,380,801	1,408,702,096
Corporate Bonds	12,561,170	-
Money Market Mutual Funds	3,100,820,658	1,089,024,805
Total Cash and Cash Equivalents	7,930,369,807	6,094,198,758
Deposits and Investments		
Short-term Investments		
Time Deposits	241,681,500	199,543,000
Commercial Paper	2,667,666,278	1,956,901,445
U.S. Treasury Bills	3,371,410,681	994,802,130
U.S. Treasury Notes	954,730,243	747,763,678
Federal Home Loan Mortgage Corporation	-	94,925,000
Federal National Mortgage Association	-	204,370,200
Federal Home Loan Bank	225,460,000	214,517,750
Federal Farm Credit Banks	130,007,900	74,710,750
Federal Agriculture Mortgage Corporation	215,016,350	327,589,330
Federal Home Loan Mortgage Corporation Discount Notes	49,965,778	-
Federal Home Loan Bank Discount Notes	49,970,250	497,858,792
Federal Agriculture Mortgage Corporation Discount Notes	-	24,779,500
Supranational Bonds	75,090,900	29,922,200
Municipal Bonds	4,468,541	1,613,567
Municipal Bonds Externally Managed	6,117,107	8,662,302
Corporate Bonds	520,929,296	46,098,620
Foreign Investments	20,000,000	10,000,000
State of Illinois Secondary Pool Investment Program	1,149	-
Long-term Investments		
Time Deposits	83,566,367	75,756,291
U.S. Treasury Notes	51,675,780	945,861,010
Federal Home Loan Mortgage Corporation	126,985,850	659,578,700
Federal Home Loan Bank	-	249,407,500
Federal National Mortgage Association	60,883,050	129,536,200
Federal Farm Credit Banks	66,390,700	179,934,400
Federal Agriculture Mortgage Corporation	24,993,750	214,475,250
Supranational Bonds	122,263,140	89,426,600
State of Illinois Secondary Pool Investment Program	6,242	13,277
Illinois Technology Development I	22,541,360	31,439,445
Illinois Technology Development II	161,232,861	77,565,630
Foreign Investments	50,000,000	50,000,000
Municipal Bonds	40,208,321	29,666,883
Municipal Bonds Externally Managed	92,973,042	41,309,429
Corporate Bonds	183,643,048	310,614,806
Corporate Bonds Externally Managed	207,766,193	100,817,432
Total Deposits and Investments	9,827,645,677	8,619,461,117

(Continued)

**State of Illinois  
Office of the Treasurer**

**Fiscal Officer Responsibilities  
Statements of Assets and Other Debts, Liabilities and Accountabilities (Continued)  
June 30, 2020 and 2019**

	2020	2019
Securities Lending Collateral		
Invested in Repurchase Agreements	\$ 4,344,267,500	\$ 3,103,274,125
Total Securities Lending Collateral	4,344,267,500	3,103,274,125
Other Assets		
Receivables from Universities and Agencies for Moneys Advanced	1,769,139	253,787
Receivable from City of Edwardsville	215,020	219,280
Receivable for Warrants Cashed	135,000	5,000
Investment Income Earned, but not Received	42,066,658	63,362,128
Total Other Assets	44,185,817	63,840,195
Other Debts		
Amount of Future General Revenue Obligated for Debt Service	39,078,463,342	38,424,448,341
Total Assets and Other Debts	\$ 61,224,932,143	\$ 56,305,222,536
<b>Liabilities and Accountabilities</b>		
Liabilities for Balances on Deposit		
Comptroller		
Protested Taxes	\$ 85,913,587	\$ 76,603,454
Available for Appropriation or Expenditure	14,021,723,634	11,724,461,818
Agencies' Deposits Outside the State Treasury	1,753,263,498	926,195,407
Comptroller's Warrants Outstanding	576,550,468	733,311,349
Total Liabilities for Balances on Deposit	16,437,451,187	13,460,572,028
Other Liabilities		
Obligations under Securities Lending	4,344,267,500	3,103,274,125
Total Other Liabilities	4,344,267,500	3,103,274,125
General Obligation Indebtedness		
Principal and Interest Due Within One Year	4,432,069,144	3,095,106,859
Principal and Interest Due Thereafter	35,898,885,861	36,554,608,453
Total General Obligation Indebtedness	40,330,955,005	39,649,715,312
Accountabilities		
Receivable from City of Edwardsville	215,020	219,280
Investment Income Earned, but not Received (Net of Cumulative Market Adjustments)	112,043,431	91,441,791
Total Accountabilities	112,258,451	91,661,071
Total Liabilities and Accountabilities	\$ 61,224,932,143	\$ 56,305,222,536

See Notes to the Financial Statements.

State of Illinois  
Office of the Treasurer

Fiscal Officer Responsibilities  
Statements of Investment Income  
For the Years Ended June 30, 2020 and 2019

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	2020	2019
Investment Income Earned	<u>\$ 285,369,228</u>	<u>\$ 417,849,014</u>

See Notes to the Financial Statements

**State of Illinois  
Office of the Treasurer**

**Fiscal Officer Responsibilities  
Notes to the Financial Statements  
For the Years Ended June 30, 2020 and 2019**

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**NOTE A. AUTHORIZING LEGISLATION**

The State of Illinois, Office of the Treasurer (Office), is authorized by the State Treasurer Act (15 ILCS 505/et seq.). The Office shall receive the revenue and all other public monies of the State, and all monies authorized by law to be paid to him and safely keep the same.

**NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Financial Reporting Entity: The Office is not a legally separate entity. It is an office of the primary government, which is the State of Illinois (the State) and is considered part of the State financial reporting entity. As such, it is included in the State of Illinois reporting entity. The Office is custodian of the State's cash and investments comprised of the balances in the separate funds, which are considered to be either in the State Treasury or outside the State Treasury. Accounting control for funds outside the State Treasury is the responsibility of other State agencies. Further, the Office is not responsible for determining that all cash received by State agencies is deposited in the State Treasury.

Basis of Presentation and Accounting: The basis of the presentation of the financial statements for the Office is to have a set of financial statements that present the financial position of the State's assets that the Office is custodian of and responsible for safeguarding and investing as well as State liabilities including general obligation indebtedness that the Office is responsible for making payments.

The format of the Fiscal Officer Responsibilities financial statements was created to aid the Illinois Office of the State Comptroller (Comptroller) in the preparation of the State's Comprehensive Annual Financial Report. The Comptroller, acting as the State's accountant, designates which agencies are considered part of the primary government required to prepare financial statements (SAMS 27.10.10-B). The basis of presentation, Statements of Assets and Other Debits, Liabilities and Accountabilities and Statements of Investment Income have been determined by the Comptroller.

The Office's financial statements consist of the Statements of Assets and Other Debits, Liabilities and Accountabilities and Statements of Investment Income. These financial statements are not presented in the traditional framework of Generally Accepted Accounting Principles (GAAP) because the statements only present those assets and activities for which the Office is held accountable by his fiscal officer responsibilities. Exceptions to the traditional GAAP framework are the securities, funds and other assets of The Illinois Funds, the College Savings Program, the Secure Choice Program and the ABLE Program and amounts receivable from inheritance tax assessments are not included in the Fiscal Officer financial statements. In addition, the Fiscal Officer financial statements do not include financial statements of the various funds administered by the Fiscal Officer. The Illinois Funds, the College Saving Program, the Secure Choice Program and the ABLE Program are audited annually and reported upon separately. Other exceptions to the traditional GAAP framework are that a traditional presentation of the Statement of Net Position is not included, a Statement of Revenues, Expenses and Changes in Net Position and, where applicable, a Statement of Cash Flows, are excluded entirely, some note disclosures required by GAAP are not included in the Fiscal Officer financial statements, and Management's Discussion and Analysis is not presented.

The basis of accounting is essentially a full accrual basis in that investment revenues are reported when earned, regardless of when the related cash flow takes place, subject to certain exceptions as described in the sections that follow.



**State of Illinois  
Office of the Treasurer**

**Fiscal Officer Responsibilities  
Notes to the Financial Statements  
For the Years Ended June 30, 2020 and 2019**

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**NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

State Treasury Funds: The accounting for the State Treasury Fund group, with the exception of general obligation indebtedness and the related amount of future general revenue obligated for debt service, is presented on a basis whereby: (a) assets in the State Treasury and the related liability to the Comptroller for available balances on deposit are recognized at the time the Comptroller "orders" cash into the State Treasury; (b) the liability to the Comptroller is reduced as warrants are presented to the Office for countersignature; and (c) the cash in the State Treasury is reduced as warrants are paid by the Office.

Funds Outside the State Treasury: Funds outside the State Treasury consist of State assets held by the Office, primarily deposits in clearing accounts, demand deposits and temporary investments, which are not under the accounting control of the Comptroller. Such funds and the related liabilities or accountabilities to the depositing State agencies are recognized when the funds are deposited in clearing accounts or certain demand deposit accounts with the Office. This liability or accountability is transferred to funds available for appropriation or expenditure when the Comptroller orders the funds into the State Treasury.

General Obligation Indebtedness: The liability for general obligation indebtedness is the aggregate amount of all future principal and interest payments necessary to retire such outstanding debt. The amount to be derived from future revenue for debt service (the "Other Debits") is the difference between the currently outstanding certificates and bonded indebtedness and available balances in the bond redemption and interest fund. The expenditures from the proceeds of the certificates and bond issues are accounted for by other State agencies. This balance represents a liability that is not in compliance with accounting principles generally accepted in the United States of America. It represents the future revenue that will be needed to provide for future debt service.

Investment Income: Investment income is recorded by the Office using the accrual basis of accounting whereby income is recognized and an accountability established as income is earned. Funds participating in the investment pool are allocated income monthly based on their proportionate share of the pooled investment base. As authorized by statute, segregated funds are individually invested and specifically credited with the income earned on those investments.

Cash and Cash Equivalents: Cash and cash equivalents include deposits and short-term, highly liquid investments readily convertible to cash, with a maturity of 90 days or less at the time of purchase. Demand deposit accounts are the principal accounts used to process cash and investment transactions within the State Treasury. The clearing accounts are used to process collected receipts and to identify nonsufficient fund checks.

Other Assets: Items reported in the Statements of Assets and Other Debits, Liabilities and Accountabilities as "Other Assets" are transactions in process and assets not available for investment. Receivables from Universities and Agencies for Monies Advanced represent unreimbursed amounts advanced for statutorily authorized imprest funds. The cash balance of the Universities and Agencies imprest funds is reclassified to "Demand Deposits" under Cash and Cash Equivalents on the Statements of Assets, Liabilities and Accountabilities.

The noninterest-bearing amount, reported as "Receivable from the City of Edwardsville," is reported as an Other Asset and is the unpaid balance of funds advanced to the City in 1967 for the planning and construction of a water main. The receivable from the City of Edwardsville is also reported as an "Accountability." Investment income earned but not received is reported as an "Other Asset" and represents accrued income on investments not yet matured or collected. Investment income earned but not received, net of cumulative market adjustments, is reported as an "Accountability."

State of Illinois  
Office of the Treasurer

Fiscal Officer Responsibilities  
Notes to the Financial Statements  
For the Years Ended June 30, 2020 and 2019

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**NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Protested Taxes: The fund balance of the Protest Fund is reported separately from funds available for appropriation and is recorded as a liability for balances on deposit called "Protested Taxes."

Available for Appropriation or Expenditure: This amount is the State of Illinois' balance available to be appropriated by the General Assembly or expended by State agencies at June 30.

Use of Estimates: In preparing financial statements, management is required to make estimates and assumptions that affect the reported amount of assets and liabilities during the reporting period. Actual results could differ from those estimates.

**NOTE C. COMPENSATING BANKS FOR SERVICES**

The principal method of payment for receipt and disbursement processing services provided by banks is by warrant from the Office's Bank Services Trust Fund appropriation.

**NOTE D. DEPOSITS AND INVESTMENTS**

Overview: The Office's investment activities are governed by the Office's published investment policy that was developed in accordance with State statute. In addition, the Office has adopted its own investment practices that supplement the statutory requirements.

Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, generally requires state and local governments to measure assets that meet the definition of an investment at fair value. GASB defines an investment asset as a security or other asset that a government holds primarily for the purpose of income or profit and its present service capacity is based solely on its ability to generate cash or to be sold to generate cash. In addition, GASB Statement No. 72 defines fair value as the price that would be received for the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments exempt from fair value measurement include the following:

- Money market investments and participating interest-earning investment contracts (non-negotiable CDs) that have remaining maturity at time of purchase of one year or less and are held by governments other than external investment pools may be measured using amortized cost.
- Qualified state and local government external investment pools should be measured at amortized cost.
- Certain short-term investments that have a maturity date of less than one year from the date of acquisition should be measured at amortized cost.

**State of Illinois  
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**Fiscal Officer Responsibilities  
Notes to the Financial Statements  
For the Years Ended June 30, 2020 and 2019**

**NOTE D. DEPOSITS AND INVESTMENTS (CONTINUED)**

Investments are recorded at fair market value, with the exception of Commercial Paper, Money Market Mutual Funds, Repurchase Agreements, The Illinois Funds, U.S. Agency Discount Notes, and U.S. Treasury Bills which are valued at amortized cost. Certain short-term investments have a maturity date of less than one year from the date of acquisition and are valued at amortized cost as permitted by GASB Statement No. 72. The Office's investments in U.S. Treasury Bills and U.S. Agency Discount Notes are short-term investments with no coupon payments. The investments in repurchase agreements have maturities less than one year from date of acquisition. The Illinois Funds meets the criteria established in GASB Statement No. 79 and, thus, reports all investments at amortized cost.

GASB Statement No. 72 also established a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instrument measured at fair value on a recurring basis:

- Level 1 Investments whose values are based on quoted prices (unadjusted) for identical assets in active markets that a government can access at the measurement date.
- Level 2 Investments with inputs – other than quoted prices included within Level 1 – that are observable for an asset, either directly or indirectly.
- Level 3 Investments classified as Level 3 have unobservable inputs for an asset and may require a degree of professional judgment.

The following tables summarize investments within the fair value hierarchy at June 30, 2020 and 2019 (expressed in thousands):

<b>FY20 Investments by Fair Value Level:</b>	<b>Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
U.S. Treasury Notes	\$ 1,006,406	\$ -	\$ 1,006,406	\$ -
Foreign Investments	70,000	-	70,000	-
Federal Home Loan Mortgage Corporation	126,986	-	126,986	-
Federal Home Loan Bank	225,460	-	225,460	-
Federal National Mortgage Association	60,883	-	60,883	-
Federal Farm Credit Banks	196,399	-	196,399	-
Federal Agriculture Mortgage Corporation	240,010	-	240,010	-
Municipal Bonds	143,767	-	143,767	-
Corporate Bonds	924,900	-	924,900	-
Supranational Bonds	197,354	-	197,354	-
State of Illinois Secondary Pool Investment Program	7	-	7	-
<b>Total Investments by Fair Value Level</b>	<b>\$ 3,192,172</b>	<b>\$ -</b>	<b>\$ 3,192,172</b>	<b>\$ -</b>

**State of Illinois  
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**Fiscal Officer Responsibilities  
Notes to the Financial Statements  
For the Years Ended June 30, 2020 and 2019**

**NOTE D. DEPOSITS AND INVESTMENTS (CONTINUED)**

**FY20 Investments measured at net asset value (NAV)**

**Illinois Technology Development I**

Apex Venture Partners	\$ 1,102
Baird Venture Partners III. LP	1,262
Beecken, Petty, O'Keefe & Company, LLP	69
Ceres Venture LP	151
Illinois Emerging Technologies Fund II	115
Illinois Innovation Accelerator Fund LLC - I2A	593
JK & B Capital V, LP	1,527
MK Capital LP	345
MK Capital II, LP	7,439
MVC Private Equity Fund, LP	2,224
OCA Venture Partners II, LP	1,428
Open Prairie Ventures II, LP	1,182
Patriot Capital II LP	356
Prairie Capital V LP	2,649
Sterling Partners - Small Market Growth 2009, LP	1,075
Sterling Venture Partners II, LP	1,060
Svoda, Collins Fund II, LP	(36)

**Illinois Technology Development II**

Agent Capital	3,795
Baird Venture Partners III. LP	1,441
Beecken, Petty, O'Keefe & Company, LLP	6,486
Brightwood Capital Fund LP	11,107
Builders VC Fund I LP	4,457
Bullpen Capital III LP	3,014
Chicago Ventures Fund II LP	12,796
Chicago Ventures Fund III LP	2,532
Chingona	1,802
Corazon Capital II LP	3,451
First Leaf	339
GreatPoint Ventures Innovation Fund, LP	11,294
GreatPoint Ventures Innovation Fund, LP II	5,458
Hyde Park Venture Partners II LP	5,488
Hyde Park Venture Partners III LP	496
Impact Engine Ventures II LP	704
Listen Ventures II LP	3,360
Math Venture Partners II LP	3,723
Madison Dearborn Partners LLC	5,905
Method Capital LLC (formerly KDWC Ventures)	3,445
Moderne Ventures Fund I LP	1,840
New Enterprise Associates 16 LP	11,295
New Mainstream Capital Fund III LP	2,539
Palladium	5,683
Patriot Capital IV	4,793
PPC MM LP	5,016
Reverence	1,210
Techstars Ventures 2017 LP	3,663
Tensility Venture Partners	638
Thoma Bravo Discover Fund II LP	2,763
Vista	2,421
Vistra Group	8,833
Windpoint Partners VIII-A LP	8,502
Windpoint IX	1,675
1818	9,269

Total Investments measured at net asset value (NAV)	<u>\$ 183,774</u>
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Total FY20 Investments at Fair Value	<u>\$ 3,375,946</u>
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Investments classified in Level 2 of the fair value hierarchy are valued using the market approach by using either matrix pricing or quoted prices for identical assets in markets that are not active.

**State of Illinois  
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**Fiscal Officer Responsibilities  
Notes to the Financial Statements  
For the Years Ended June 30, 2020 and 2019**

**NOTE D. DEPOSITS AND INVESTMENTS (CONTINUED)**

FY19 Investments by Fair Value Level:	Fair Value	Level 1	Level 2	Level 3
U.S. Treasury Notes	\$ 1,693,625	\$ -	\$ 1,693,625	\$ -
Foreign Investments	60,000	-	60,000	-
Federal Home Loan Mortgage Corporation	754,504	-	754,504	-
Federal Home Loan Bank	463,925	-	463,925	-
Federal National Mortgage Association	333,906	-	333,906	-
Federal Farm Credit Banks	254,645	-	254,645	-
Federal Agriculture Mortgage Corporation	542,065	-	542,065	-
Municipal Bonds	81,252	-	81,252	-
Corporate Bonds	457,531	-	457,531	-
Supranational Bonds	119,349	-	119,349	-
State of Illinois Secondary Pool Investment Program	13	-	13	-
Total Investments by Fair Value Level	<u>\$ 4,760,815</u>	<u>\$ -</u>	<u>\$ 4,760,815</u>	<u>\$ -</u>

**FY19 Investments measured at net asset value (NAV)**

**Illinois Technology Development I**

Apex Venture Partners	\$ 2,389
Baird Venture Partners III, LP	4,224
Beecken, Petty, O'Keefe & Company, LLP	455
Ceres Venture LP	215
Illinois Emerging Technologies Fund II	311
Illinois Innovation Accelerator Fund LLC - I2A	1,083
JK & B Capital V, LP	1,461
MK Capital LP	437
MK Capital II, LP	6,171
MVC Private Equity Fund, LP	2,985
OCA Venture Partners II, LP	3,637
Open Prairie Ventures II, LP	1,213
Patriot Capital II LP	746
Prairie Capital V LP	3,273
Sterling Partners - Small Market Growth 2009, LP	1,776
Sterling Venture Partners II, LP	1,044
Sboda, Collins Fund II, LP	19

**Illinois Technology Development II**

Agent Capital	2,334
Brightwood Capital Fund LP	5,212
Builders VC Fund I LP	778
Bullpen Capital III LP	2,370
Chicago Ventures Fund II LP	10,003
Corazon Capital II LP	2,386
GreatPoint Ventures Innovation Fund, LP	8,960
GreatPoint Ventures Innovation Fund, LP II	1,570
Hyde Park Venture Partners II LP	2,996
Impact Engine Ventures II LP	322
Listen Ventures II LP	1,367
Math Venture Partners II LP	947
Madison Dearborn Partners LLC	4,455
Method Capital LLC (formerly KDWC Ventures)	3,733
Moderne Ventures Fund I LP	460
New Enterprise Associates 16 LP	5,947
New Mainstream Capital Fund III LP	1,333
Patriot Capital IV	3,273
PPC MM LP	2,376
Techstars Ventures 2017 LP	1,130
Tensility Venture Partners	161
Thoma Bravo Discover Fund II LP	670
Vistra Group	6,044
Windpoint Partners VIII-A LP	8,739

Total Investments measured at net asset value (NAV) \$ 109,005

Total FY19 Investments at Fair Value \$ 4,869,820

Investments classified in Level 2 of the fair value hierarchy are valued using the market approach by using either matrix pricing or quoted prices for identical assets in markets that are not active.

**State of Illinois  
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**Fiscal Officer Responsibilities  
Notes to the Financial Statements  
For the Years Ended June 30, 2020 and 2019**

**NOTE D. DEPOSITS AND INVESTMENTS (CONTINUED)**

Additional disclosures for investments measured using the net asset value per share are listed below (expressed in thousands):

FY20 Investments measured at net asset value (NAV)	NAV	Unfunded Commitments
<b>Illinois Technology Development I</b>		
Apex Venture Partners	\$ 1,102	\$ -
Baird Venture Partners III. LP	1,262	-
Beecken, Petty, O'Keefe & Company, LLP	69	-
Ceres Venture LP	151	61
Illinois Emerging Technologies Fund II	115	367
Illinois Innovation Accelerator Fund LLC - I2A	593	-
JK & B Capital V, LP	1,527	180
MK Capital LP	345	-
MK Capital II, LP	7,439	600
MVC Private Equity Fund, LP	2,224	1,373
OCA Venture Partners II, LP	1,428	32
Open Prairie Ventures II, LP	1,182	-
Patriot Capital II LP	356	750
Prairie Capital V LP	2,649	900
Sterling Partners - Small Market Growth 2009, LP	1,075	-
Sterling Venture Partners II, LP	1,060	-
Svboda, Collins Fund II, LP	(36)	149
<b>Illinois Technology Development II</b>		
Agent Capital	3,795	3,255
Baird Venture Partners III. LP	1,441	5,391
Beecken, Petty, O'Keefe & Company, LLP	6,486	8,247
Brightwood Capital Fund LP	11,107	1,126
Builders VC Fund I LP	4,457	3,375
Bullpen Capital III LP	3,014	500
Chicago Ventures Fund II LP	12,796	609
Chicago Ventures Fund III LP	2,532	4,875
Chingona	1,802	4,025
Corazon Capital II LP	3,451	2,000
First Leaf	339	2,617
GreatPoint Ventures Innovation Fund, LP	11,294	928
GreatPoint Ventures Innovation Fund, LP II	5,458	5,734
Hyde Park Venture Partners II LP	5,488	850
Hyde Park Venture Partners III LP	496	6,975
Impact Engine Ventures II LP	704	1,700
Listen Ventures II LP	3,360	63
Math Venture Partners II LP	3,723	1,325
Madison Dearborn Partners LLC	5,905	2,020
Method Capital LLC (formerly KDWC Ventures)	3,445	621
Moderne Ventures Fund I LP	1,840	565
New Enterprise Associates 16 LP	11,295	4,950
New Mainstream Capital Fund III LP	2,539	11,681
Palladium	5,683	8,511
Patriot Capital IV	4,793	6,000
PPC MM LP	5,016	5,755
Reverence	1,210	1,872
Techstars Ventures 2017 LP	3,663	1,913
Tensility Venture Partners	638	1,749
Thoma Bravo Discover Fund II LP	2,763	2,522
Vista	2,421	7,402
Vistra Group	8,833	981
Windpoint Partners VIII-A LP	8,502	2,865
Windpoint IX	1,675	8,253
1818	9,269	15,600
Total Investments measured at net asset value (NAV)	<u>\$ 183,774</u>	<u>\$ 141,267</u>

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**Fiscal Officer Responsibilities  
Notes to the Financial Statements  
For the Years Ended June 30, 2020 and 2019**

**NOTE D. DEPOSITS AND INVESTMENTS (CONTINUED)**

FY19 Investments measured at net asset value (NAV)	NAV	Unfunded Commitments
<b>Illinois Technology Development I</b>		
Apex Venture Partners	\$ 2,389	\$ -
Baird Venture Partners III. LP	4,224	-
Beecken, Petty, O'Keefe & Company, LLP	455	-
Ceres Venture LP	215	61
Illinois Emerging Technologies Fund II	311	367
Illinois Innovation Accelerator Fund LLC - I2A	1,083	-
JK & B Capital V, LP	1,461	255
MK Capital LP	437	-
MK Capital II, LP	6,171	600
MVC Private Equity Fund, LP	2,985	1,373
OCA Venture Partners II, LP	3,637	32
Open Prairie Ventures II, LP	1,213	-
Patriot Capital II LP	746	750
Prairie Capital V LP	3,273	900
Sterling Partners - Small Market Growth 2009, LP	1,776	-
Sterling Venture Partners II, LP	1,044	-
Svoda, Collins Fund II, LP	19	149
<b>Illinois Technology Development II</b>		
Agent Capital	2,334	5,203
Brightwood Capital Fund LP	5,212	4,876
Builders VC Fund I LP	778	6,375
Bullpen Capital III LP	2,370	750
Chicago Ventures Fund II LP	10,003	1,700
Corazon Capital II LP	2,386	3,000
GreatPoint Ventures Innovation Fund, LP	8,960	2,975
GreatPoint Ventures Innovation Fund, LP II	1,570	8,166
Hyde Park Venture Partners II LP	2,996	2,750
Impact Engine Ventures II LP	322	2,125
Listen Ventures II LP	1,367	1,187
Math Venture Partners II LP	947	3,875
Madison Dearborn Partners LLC	4,455	3,247
Method Capital LLC (formerly KDWC Ventures)	3,733	1,000
Moderne Ventures Fund I LP	460	1,663
New Enterprise Associates 16 LP	5,947	9,712
New Mainstream Capital Fund III LP	1,333	13,528
Patriot Capital IV	3,273	7,000
PPC MM LP	2,376	7,640
Techstars Ventures 2017 LP	1,130	3,900
Tensility Venture Partners	161	2,275
Thoma Bravo Discover Fund II LP	670	3,759
Vistra Group	6,044	4,209
Windpoint Partners VIII-A LP	8,739	7,524
Total Investments measured at net asset value (NAV)	<u>\$ 109,005</u>	<u>\$ 112,926</u>

**State of Illinois  
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**Fiscal Officer Responsibilities  
Notes to the Financial Statements  
For the Years Ended June 30, 2020 and 2019**

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**NOTE D. DEPOSITS AND INVESTMENTS (CONTINUED)**

The Illinois Technology Development Account I and II (ITD I and ITD II) investments are privately-held limited partnership investment funds in accordance with the Technology Development Act (TDA) (30 ILCS 265) in which each fund's primary focus is investing in privately-held companies. The TDA Accounts, collectively known as the Illinois Growth and Innovation Fund, invest in Illinois venture capital firms. An "Illinois venture capital firm" provides equity financing for starting up or expanding a company, or related purposes such as financing for seed capital, research and development, introduction of a product or process into the marketplace, or similar needs requiring risk capital. This includes, but is not limited to, investment funds or fund managers classified as venture capital, mezzanine, buyout, or growth. The firms will have a strong Illinois presence with an overall goal to attract, assist and retain quality technology businesses in Illinois.

These investments cannot be redeemed with the funds. Instead, the nature of these investments is that distributions are received through various means including, but not limited to the cash distributed by the fund from business income from portfolio companies, dividend payments paid by a company to a fund, or the liquidation of the underlying assets or interests of the fund over the contractual term lives of each partnership investment. The contractual terms of these investments generally range between 10-15 years from the original investment date depending upon whether optional extensions are exercised by the General Partners of the partnerships. Based on the terms of the limited partnership investments, it is anticipated that the last of the proceeds of these investments will be returned no later than February 10, 2024 for ITD I and September 16, 2031 for ITD II, with the bulk of the proceeds being received sooner. The fair values of the ownership interests in the various limited partnership investments have been determined based on the most recent capital account balances provided by the respective general partners of each limited partnership. Due to the uniqueness and illiquid nature of the underlying privately-held investments, general partners use valuation techniques that rely on unobservable inputs such as estimates and appraisals derived from comparable market transactions to determine the net asset value per share for limited partner investors, which are audited annually by independent auditors for each partnership investment.

Interest Rate Risk: Interest rate risk is the risk that changes in the interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Office's investment policy limits the investment portfolio to maturities not to exceed ten years with no limit to the amount allocated to investments with less than a two-year maturity. No more than 55% of the investment portfolio shall be allocated to investments with a 2 to 3 year maturity band. No more than 30% of the investment portfolio shall be allocated to investments with a 3 to 4 year maturity band (not including Foreign Government Securities). No more than 15% of the investment portfolio shall be allocated to investments with a 4 to 5 year maturity band. No more than 10% of the investment portfolio shall be allocated to investments with a 5 to 10 year maturity band. The portfolio shall not deviate from these guidelines unless specifically authorized by the Office in writing. The Office uses the segmented time distribution method to identify and manage interest rate risk.

Investments: Most of the Office's investments at June 30, 2020 and 2019 are short-term due to the responsibility to keep funds "liquid" to reimburse banks for warrants paid.

Investments in the Office's pooled accounts are authorized by statute. Certain investments are held in segregated accounts and are purchased at the request of the agency administering the segregated trust fund.

Excluding Time Deposits, the Office had the following investments, stated at fair value except as noted below and maturities as of June 30. Unrealized gains and losses are accounted for in the investment in which the change in fair value occurred. (Expressed in thousands.)



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**NOTE D. DEPOSITS AND INVESTMENTS (CONTINUED)**

<u>2020</u>	Maturing in:					Total
	Less than 1 year	1 - 5 years	6 - 10 years	NA***		
Commercial Paper *	\$ 3,280,459	\$ -	\$ -	\$ -	\$ -	3,280,459
Repurchase Agreements*	1,309,366	-	-	-	-	1,309,366
U.S. Treasury Bills *	3,371,411	-	-	-	-	3,371,411
U.S. Treasury Notes	954,730	51,676	-	-	-	1,006,406
Federal Home Loan Bank	225,460	-	-	-	-	225,460
Federal Farm Credit Banks	130,008	66,391	-	-	-	196,399
Federal Home Loan Mortgage Corporation	-	126,986	-	-	-	126,986
Federal National Mortgage Association	-	45,883	15,000	-	-	60,883
Federal Agriculture Mortgage Corporation	215,016	24,994	-	-	-	240,010
Federal Home Loan Mortgage Corporation Discount Notes*	49,966	-	-	-	-	49,966
Federal Home Loan Bank Discount Notes*	49,970	-	-	-	-	49,970
State of Illinois Secondary Pool	1	6	-	-	-	7
Supranational Bonds	75,091	122,263	-	-	-	197,354
Municipal Bonds	4,469	24,577	15,631	-	-	44,677
Municipal Bonds Externally Managed	6,117	53,498	39,475	-	-	99,090
Corporate Bonds	533,491	183,643	-	-	-	717,134
Corporate Bonds Externally Managed	-	139,390	68,376	-	-	207,766
Foreign Investments**	20,000	50,000	-	-	-	70,000
Securities Lending Collateral Invested in Repurchase Agreements*	4,344,268	-	-	-	-	4,344,268
Illinois Technology Development I	-	-	-	22,541	-	22,541
Illinois Technology Development II	-	-	-	161,233	-	161,233
The Illinois Funds*	-	-	-	2,273,381	-	2,273,381
Money Market Mutual Funds*	-	-	-	3,100,821	-	3,100,821
<b>Total Investments and Securities Lending Collateral, excluding Time Deposits</b>	<b>\$ 14,569,823</b>	<b>\$ 889,307</b>	<b>\$ 138,482</b>	<b>\$ 5,557,976</b>	<b>\$ -</b>	<b>\$ 21,155,588</b>

\* Reported at Amortized Cost

\*\* These securities are denominated in U.S. dollars

\*\*\* Categorization not applicable

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**NOTE D. DEPOSITS AND INVESTMENTS (CONTINUED)**

<u>2019</u>	Maturing in:					<b>Total</b>
	<b>Less than 1 year</b>	<b>1 - 5 years</b>	<b>6 - 10 years</b>	<b>NA***</b>		
Commercial Paper *	\$ 4,214,659	\$ -	\$ -	\$ -	\$ -	\$ 4,214,659
Repurchase Agreements*	1,251,255	-	-	-	-	1,251,255
U.S. Treasury Bills *	994,802	-	-	-	-	994,802
U.S. Treasury Notes	747,764	945,861	-	-	-	1,693,625
Federal Home Loan Bank	214,518	249,407	-	-	-	463,925
Federal Farm Credit Banks	74,711	179,934	-	-	-	254,645
Federal Home Loan Mortgage Corporation	94,925	659,579	-	-	-	754,504
Federal National Mortgage Association	204,370	129,536	-	-	-	333,906
Federal Agriculture Mortgage Corporation	327,589	214,476	-	-	-	542,065
Federal Home Loan Bank Discount Notes*	497,859	-	-	-	-	497,859
Federal Agriculture Mortgage Association Discount Notes*	24,780	-	-	-	-	24,780
State of Illinois Secondary Pool	-	13	-	-	-	13
Supranational Bonds	29,922	89,427	-	-	-	119,349
Municipal Bonds	1,613	17,802	11,865	-	-	31,280
Municipal Bonds Externally Managed	8,662	22,701	18,609	-	-	49,972
Corporate Bonds	46,099	310,615	-	-	-	356,714
Corporate Bonds Externally Managed	-	100,817	-	-	-	100,817
Foreign Investments**	10,000	50,000	-	-	-	60,000
Securities Lending Collateral Invested in Repurchase Agreements*	3,103,274	-	-	-	-	3,103,274
Illinois Technology Development I	-	-	-	31,439	-	31,439
Illinois Technology Development II	-	-	-	77,566	-	77,566
The Illinois Funds*	-	-	-	1,408,702	-	1,408,702
Money Market Mutual Funds*	-	-	-	1,089,025	-	1,089,025
<b>Total Investments and Securities Lending Collateral, excluding Time Deposits</b>	<b>\$ 11,846,802</b>	<b>\$ 2,970,168</b>	<b>\$ 30,474</b>	<b>\$ 2,606,732</b>	<b>\$ -</b>	<b>\$ 17,454,176</b>

\* Reported at Amortized Cost

\*\* These securities are denominated in U.S. dollars.

\*\*\* Categorization not applicable.

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**NOTE D. DEPOSITS AND INVESTMENTS (CONTINUED)**

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Cash received by the Office is initially deposited in clearing accounts maintained in banks located in Illinois that are insured by the Federal Deposit Insurance Corporation (FDIC). Surplus funds, as determined by the Office, may be invested in time deposits, certificates of deposit and other interest-bearing accounts in FDIC-insured banks located in the State, credit unions whose principal office is located in Illinois, short-term obligations of corporations whose obligations (i.e., commercial paper) were rated by two or more standard rating services at a level that is at least as high as the following: A-2 by Standard & Poor's, P-2 by Moody's Investor Service, or F-2 by Fitch, repurchase agreements or other investments approved by State law.

As of June 30, 2020, excluding the securities lending program, the Office's investments in commercial paper were rated P-1 by Moody's Investors Service and A-1+ by Standard & Poor's Ratings, except for those issued by Citigroup Global, Glaxo Smith Kline, ING Funding, and JP Morgan which were rated A-1, and HSBC and Walt Disney which were rated A-2 by Standard & Poor's. The Office's short-term investments in all U.S. Agency obligations, including collateral for repurchase agreements, were rated P-1 by Moody's Investors Service, except for Federal Agriculture Mortgage Corporation securities which were not rated. The Office's long-term investments in all U.S. Agency obligations were rated Aaa by Moody's Investors Service or AA+ by Standard & Poor's Ratings, except for Federal Agriculture Mortgage Corporation securities which were not rated. The Office's short-term investment in foreign debt securities were rated A-1+ by Standard & Poor's Ratings. The Office's long-term investment in foreign debt securities were rated A1 by Moody's Investors Service and AA- by Standard & Poor's Ratings. The Office's long-term investments in Supranational Bonds were rated Aaa by Moody's Investors Service and AAA by Standard & Poor's Ratings. The Office's investments in The Illinois Funds were rated AAAM by Standard & Poor's Ratings. The Office's investments in money market mutual funds were rated Aaa by Moody's Investors Service or AAAM by Standard & Poor's Ratings. The Office's short-term investments in Municipal Bonds and Corporate Bonds were rated by Moody's and Standard & Poor's in the following tables:

<b>Municipal Bonds:</b>		<b>S&amp;P</b>	<b>Mdy</b>
ALAMO CAPITAL	VILLAGE OF ADDISON	AA	NR
ALAMO CAPITAL	CITY OF COLLINSVILLE	NR	Aa3
ALAMO CAPITAL	COOK CNTY HIGH SCH DIST #202	NR	Aaa
ALAMO CAPITAL	COOK CNTY CCD524 MORAIN VALLEY	NR	Aa1
ALAMO CAPITAL	DU PAGE CNTY SCH SD #60	AA+	NR
ALAMO CAPITAL	GRUNDY & WILL CNTY SD 1	NR	Aa3
ALAMO CAPITAL	LAKE CNTY CMNTY SCD 50	AA+	Aa2
ALAMO CAPITAL	LAKE CNTY WARREN TWP SCD #121	AA+	NR
ALAMO CAPITAL	MCLEAN & WOODFORD CNTY HS DIST #5	NR	Aa2
ALAMO CAPITAL	S HOLLAND TXBL REF SER A	NR	Aa3
ALAMO CAPITAL	WINNEBAGO COUNTY	NR	Aa2
CABRERA CAPITAL	CHICAGO HOUSING AUTH	AA-	NR
INT'L FCSTONE	CHAMPAIGN CNTY CMNTY SD #4	AA	NR
INT'L FCSTONE	COOK CNTY TWP HS DIST #225	AAA	Aaa
MISCHLER FINANCIAL	KANE CNTY FOREST PRESERVE DIST	AA+	NR
MISCHLER FINANCIAL	VILLAGE OF ORLAND PARK IL	AA+	Aa1
MISCHLER FINANCIAL	DU PAGE CNTY SCH DIST #12	AA	Aa3
MISCHLER FINANCIAL	MADISON CNTY SCH DIST #1	AA-	NR
MULTI-BANK SECURITIES	WILL GRUNDY ETC CNTYS CCD 525	NR	Aa2
MULTI-BANK SECURITIES	CHICAGO PARK DIST	AA	NR
MULTI-BANK SECURITIES	CHICAGO WATERWORKS REV	AA	A2

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**NOTE D. DEPOSITS AND INVESTMENTS (CONTINUED)**

<b>Municipal Bonds: (continued)</b>		<b>S&amp;P</b>	<b>Mdy</b>
MULTI-BANK SECURITIES	IL ST CLEAN WTR INITIATIVE REV	AAA	NR
MULTI-BANK SECURITIES	MARSHALL CNTY SD #7 MIDLAND	AA	A1
MULTI-BANK SECURITIES	WOOD DALE CITY OF	AA+	NR
PENSERRA SECURITIES	CHICAGO WATERWORKS REV	AA	A2
PENSERRA SECURITIES	COOK CNTY HIGH SCH DIST #205	AA	A1
PENSERRA SECURITIES	REGIONAL TRANSPORTATION AUTH	AA	A2
PENSERRA SECURITIES	VILLAGE OF ROSEMONT SER A-TXBL	AA	A2
PENSERRA SECURITIES	WILL & KANKAKEE CNTYS CCSD 207	NR	Aa3
PIPER JAFFRAY & CO	COOK CNTY HS 207 MAINE TOWNSHIP	NR	Aa1
PIPER JAFFRAY & CO	VILLAGE OF SKOKIE IL	NR	Aa2
PIPER JAFFRAY & CO	BOLINGBROOK PARK DIST	NR	Aa2
PIPER JAFFRAY & CO	LAKE CNTY CMNTY SCD #50	AA+	Aa2
PIPER JAFFRAY & CO	MADISON MAC CMNTY CLG DIST #536	AA	NR
PIPER JAFFRAY & CO	NAPERVILLE PARK DIST	NR	Aaa
PIPER SANDLER	CHAMPAIGN CITY OF	NR	Aaa
PIPER SANDLER	DUPAGE & WILL CNTYS CMNTY SD #204	AA	Aa3
PIPER SANDLER	FULTON CNTY CMNTY SD #3	AA	NR
PIPER SANDLER	VILLAGE OF NORTHBROOK	AAA	Aaa
RAMIREZ & CO	CHANNAHON VLG	NR	Aa2
RAMIREZ & CO	KANE MCHENRY & DEKALB CNTY SD #300	AA	NR
RAYMOND JAMES	LAKE & MCHEN CNTY SCH DIST #118	AA-	NR
ROBERT BAIRD	WILL & KENDALL CCSD #202 PLAINFIELD	NR	Aa2
ROBERT BAIRD	VILLAGE OF ADDISON	AA	NR
ROBERT BAIRD	VILLAGE OF BEDFORD PARK	AA	NR
ROBERT BAIRD	CHAMPAIGN CNTY CUSD 116 URBANA	AA-	NR
ROBERT BAIRD	CITY OF EVANSTON IL	NR	Aa2
ROBERT BAIRD	CITY OF ROCK FALLS	AA	NR
ROBERT BAIRD	COOK CNTY SCH DIST #117 N PALOS	NR	Aa2
ROBERT BAIRD	COOK CNTY SCH SD #155	AA	NR
ROBERT BAIRD	COOK CNTY SD #31 WEST NORTHFIELD	NR	Aa2
ROBERT BAIRD	COOK CNTY CCD #524 MORAIN VALLEY	NR	Aa1
ROBERT BAIRD	COOK CNTY TWP DIST #220 REAVIS	AA	A2
ROBERT BAIRD	GRUNDY KENDALL & WILL CUSD 201	NR	Aa3
ROBERT BAIRD	HENRY WHITESIDE CNTY CUSD #228	AA	NR
ROBERT BAIRD	KANE CNTY SD #129 AURORA W SIDE	AA	A1
ROBERT BAIRD	MENARD SANGAMON LOGAN CUSD #213	AA	NR
ROBERT BAIRD	MOLINE CITY OF	AA	A1
ROBERT BAIRD	RANDOLPH CNTY CUSD #140 SPARTA	AA	NR
ROBERT BAIRD	ST. CLAIR CNTY SCH #118	AA	NR
ROBERT BAIRD	SYCAMORE CMNTY UNIT SD #427	AA	NR
ROBERT BAIRD	VILLAGE OF NORTHBROOK	AAA	Aaa
ROBERT BAIRD	VILLAGE OF PALATINE	AA+	NR
ROBERT BAIRD	VILLAGE OF ROSEMONT SER A-TXBL	AA	A2
ROBERT BAIRD	VILLAGE OF SKOKIE IL	NR	Aa2
ROBERT BAIRD	WILL CNTY SD #33 HOMERGLLEN	AA	NR
ROBERT BAIRD	WILL CNTY CCSD 30-C TROY TWP	NR	Aa2

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**NOTE D. DEPOSITS AND INVESTMENTS (CONTINUED)**

<b>Municipal Bonds: (continued)</b>		<b>S&amp;P</b>	<b>Mdy</b>
ROBERT BAIRD	WINNEBAGO COUNTY	NR	Aa2
STIFEL NICHOLAS	COOK CNTY SD #64 PARK RIDGE	NR	Aa2
STIFEL NICHOLAS	COOK CNTY CMNTY HS DIST #218 OAK	AA	NR
STIFEL NICHOLAS	KANKAKEE CNTY CMNTY SD #258	AA	NR
STIFEL NICHOLAS	PARK RIDGE CITY OF	NR	Aa2
STIFEL NICHOLAS	ROCKISLAND CNTY SD #40 MOLINE	NR	Aa2
STIFEL NICHOLAS	CITY OF ROCKFORD TXBL REF SR C	AA	A3
STIFEL NICHOLAS	WILL & KANKAKEE CNTYS CCSD 207	AA	A3
SUN TRUST	VILLAGE OF OAK PARK	AA	A1
 <b>Municipal Bonds External Manager:</b>		<b>S&amp;P</b>	<b>Mdy</b>
GARCIA HAMILTON EXTERNAL MNG	ADAMS CNTY SD#172	AA	A2
GARCIA HAMILTON EXTERNAL MNG	BOLINGBROOK PARK DIST	NR	Aa2
GARCIA HAMILTON EXTERNAL MNG	BOONE MCHENRY & DEKALB SD#100	AA	Aa3
GARCIA HAMILTON EXTERNAL MNG	BURBANK CITY OF	AA	A3
GARCIA HAMILTON EXTERNAL MNG	CARROLL & WHITESIDE CNTY SD #399	AA	NR
GARCIA HAMILTON EXTERNAL MNG	CENTRAL LAKE CNTY JT ACTWTR	NR	Aa2
GARCIA HAMILTON EXTERNAL MNG	CHAMPAIGN COLES CMNTY#505	AA	NR
GARCIA HAMILTON EXTERNAL MNG	CNTY CMNTY SD#4	AA	Aa2
GARCIA HAMILTON EXTERNAL MNG	CHERRY VALLEY FIRE PROT DIST	AA	A1
GARCIA HAMILTON EXTERNAL MNG	CITY OF CHICAGO IL WATERWORKS	AA+	NR
GARCIA HAMILTON EXTERNAL MNG	CHI MET A WTR RECLAMATION DIST	AA+	AAA
GARCIA HAMILTON EXTERNAL MNG	CHICAGO MIDWAY ARPT REV	A	NR
GARCIA HAMILTON EXTERNAL MNG	CHICAGO PARK DIST	AA	NR
GARCIA HAMILTON EXTERNAL MNG	COOK & WILL CNTY CLG DIST#515	AA	A1
GARCIA HAMILTON EXTERNAL MNG	COOK CNTY	AA-	NR
GARCIA HAMILTON EXTERNAL MNG	COOK CNTY SD#21 WHEELING	NR	Aa3
GARCIA HAMILTON EXTERNAL MNG	COOK CNTY SD #63 E.MAINE	NR	Aa2
GARCIA HAMILTON EXTERNAL MNG	COOK CNTY SD #78 ROSEMONT	AA	NR
GARCIA HAMILTON EXTERNAL MNG	COOK CNTY SD #99 CICERO	NR	Aa3
GARCIA HAMILTON EXTERNAL MNG	COOK CNTY SD#105	AA	NR
GARCIA HAMILTON EXTERNAL MNG	COOK CNTY SD#151 SOUTH HOLLAND	AA-	NR
GARCIA HAMILTON EXTERNAL MNG	COOK CNTY SD#159 MATTESON	NA	Aa3
GARCIA HAMILTON EXTERNAL MNG	COOK CNTY SD#205 THORNTON TWP	AA	A1
GARCIA HAMILTON EXTERNAL MNG	COOK CNTY HIGH SD#218 OAKLAWN	AA	NR
GARCIA HAMILTON EXTERNAL MNG	COOK CNTY COMM COLLEGE DIST 524	NR	Aa1
GARCIA HAMILTON EXTERNAL MNG	COOK CNTY CCD 524 MORAIN VLY	NR	Aa1
GARCIA HAMILTON EXTERNAL MNG	COOK CNTY HIGH SD#220 REAVIS	AA	A2
GARCIA HAMILTON EXTERNAL MNG	CREST HILL CITY OF	AA	NR
GARCIA HAMILTON EXTERNAL MNG	DEKALB & LASALLE CNTY SD#432	AA	A1
GARCIA HAMILTON EXTERNAL MNG	DEKALB CNTY CUSD 428	NR	Aa2
GARCIA HAMILTON EXTERNAL MNG	DUPAGE COOK & WILL CNTYS CCDI#502	AA+	Aaa
GARCIA HAMILTON EXTERNAL MNG	DUPAGE CNTY FOREST PRESERVE	AAA	Aaa
GARCIA HAMILTON EXTERNAL MNG	BBSD 3 BEACH PARK	AA	NR

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<b>Municipal Bonds External Manager: (continued)</b>	<b>S&amp;P</b>	<b>Mdy</b>
GARCIA HAMILTON EXTERNAL MNG DUPAGE CNTY SD#62 GOWER	NR	Aa1
GARCIA HAMILTON EXTERNAL MNG DU PAGE CNTY HS DIST #88	NR	Aa1
GARCIA HAMILTON EXTERNAL MNG CITY OF EVANSTON IL	NR	Aa2
GARCIA HAMILTON EXTERNAL MNG FOUNTAINDALE PUBLIC LIBRARY	AA	NR
GARCIA HAMILTON EXTERNAL MNG FRANKLIN PARK VILLAGE OF	AA	NR
GARCIA HAMILTON EXTERNAL MNG GLENVIEW PARK DISTRICT	NR	Aaa
GARCIA HAMILTON EXTERNAL MNG GRUNDY CNTY PUBLIC BLDG COMMIS	AA	NR
GARCIA HAMILTON EXTERNAL MNG GRUNDY KENDALL WILL CHSD111	NR	Aa2
GARCIA HAMILTON EXTERNAL MNG IL ST CLEAN WTR INITIATIVE	AAA	NR
GARCIA HAMILTON EXTERNAL MNG KANE COUNTY SD 131 AURORA	AA	A1
GARCIA HAMILTON EXTERNAL MNG KANKAKEE CNTY SD#1	AA	NR
GARCIA HAMILTON EXTERNAL MNG KENDALL&KANE CNTYS SD#115	NR	Aa3
GARCIA HAMILTON EXTERNAL MNG LA GRANGE PARK	AA+	NR
GARCIA HAMILTON EXTERNAL MNG MACON & LOGAN CNTYS SD#11	AA	NR
GARCIA HAMILTON EXTERNAL MNG MADISON CNTY CMNTY SD#8	AA	NR
GARCIA HAMILTON EXTERNAL MNG MCHENRY CNTY CONSV DIST	AA+	Aa1
GARCIA HAMILTON EXTERNAL MNG MCLEAN & WOODFORD SD#5	NR	Aa2
GARCIA HAMILTON EXTERNAL MNG MOLINE CITY OF	AA	A1
GARCIA HAMILTON EXTERNAL MNG NORTHLAKE PUBLIC LIBRARY	AA	NR
GARCIA HAMILTON EXTERNAL MNG VILLAGE OF OAK PARK	AA	A1
GARCIA HAMILTON EXTERNAL MNG OGLE & WINNEBEGO CNTY CUSD 223	AA	A1
GARCIA HAMILTON EXTERNAL MNG PEORIA CNTY SD 150	AA	NR
GARCIA HAMILTON EXTERNAL MNG REGIONAL TRANS AUTHORITY	AA	A2
GARCIA HAMILTON EXTERNAL MNG RIVERSIDE VILLAGE OF	AA+	NR
GARCIA HAMILTON EXTERNAL MNG ROCK ISLAND CNTY SD 41	AA	Aa3
GARCIA HAMILTON EXTERNAL MNG ST CLAIR CNTY PUBLIC BLDG COMM	AA-	Aa3
GARCIA HAMILTON EXTERNAL MNG WAUKEGAN CITY OF	AA	A2
GARCIA HAMILTON EXTERNAL MNG WILL & KENDALL CNTY CCSD 207	NR	Aa3
GARCIA HAMILTON EXTERNAL MNG WILL CNTY SD#204 JOLIET	AA	Aa3
GARCIA HAMILTON EXTERNAL MNG WINNEBAGO CNTY TXBL	NR	Aa2
GARCIA HAMILTON EXTERNAL MNG WOODRIDGE PARK DISTRICT	AA	NR
RAMIREZ EXTERNAL MNG VILLAGE OF ADDISON	AA	NR
RAMIREZ EXTERNAL MNG BEDFORD PARK TXBL	AA	A2
RAMIREZ EXTERNAL MNG BOLINGBROOK PARK DIST	NR	Aa2
RAMIREZ EXTERNAL MNG BD & MONTGOMERY CCSD 2 GREENVILLE	AA	NR
RAMIREZ EXTERNAL MNG BUFFALO GROVE VILLAGE OF	AAA	NR
RAMIREZ EXTERNAL MNG CHAMPAIGN CNTY SD 116 URBANA	AA-	NR
RAMIREZ EXTERNAL MNG CHICAGO HOUSING AUTH	AA-	NR
RAMIREZ EXTERNAL MNG CHICAGO PARK DIST	AA-	NR
RAMIREZ EXTERNAL MNG CITY OF COLLINSVILLE	NR	Aa3
RAMIREZ EXTERNAL MNG COOK CNTY	A+	A2
RAMIREZ EXTERNAL MNG CCSD31 WEST NORTHFIELD	NR	Aa2
RAMIREZ EXTERNAL MNG COOK CNTY SD#100 BERWYN S.	AA	NR
RAMIREZ EXTERNAL MNG COOK CNTY SD #104 SUMMIT	AA	NR
RAMIREZ EXTERNAL MNG COOK CNTY SD#105	AA	NR
RAMIREZ EXTERNAL MNG COOK CNTY SD #135	AA+	NR

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<b>Municipal Bonds External Manager: (continued)</b>		<b>S&amp;P</b>	<b>Mdy</b>
RAMIREZ EXTERNAL MNG	COOK CNTY SD#148 DOLTON	AA	NR
RAMIREZ EXTERNAL MNG	COOK CNTY SD 153 HOMEWOOD	AA	NR
RAMIREZ EXTERNAL MNG	CCSD 155 CALUMET	AA	NR
RAMIREZ EXTERNAL MNG	CC SD 162 MATTESON	AA	Aa3
RAMIREZ EXTERNAL MNG	COOK CNTY COMM COLLEGE DIST 524	Aa1	NR
RAMIREZ EXTERNAL MNG	COOKCNTY CMNTY CLG D#535 OAKTON	NR	Aaa
RAMIREZ EXTERNAL MNG	COOK CNTY HIGH SD#220 REAVIS	A2	AA
RAMIREZ EXTERNAL MNG	DEKALB CNTY CUSD 428	NR	Aa2
RAMIREZ EXTERNAL MNG	DEKALB LASALLE CNTY CLG DST523	AA-	NR
RAMIREZ EXTERNAL MNG	CITY OF DECATUR	AA	A2
RAMIREZ EXTERNAL MNG	DOWNERS GROVE VILLAGE OF	AAA	NR
RAMIREZ EXTERNAL MNG	DUPAGE COOK CNTY CUSD 181 HINSDALE	NR	Aaa
RAMIREZ EXTERNAL MNG	DUPAGE CNTY SD #60	AA+	NR
RAMIREZ EXTERNAL MNG	DUPAGE CNTY SD200 WHEATON	AA+	NR
RAMIREZ EXTERNAL MNG	CITY OF EVANSTON IL	NR	Aa2
RAMIREZ EXTERNAL MNG	CITY OF GRANITE CITY	AA	NR
RAMIREZ EXTERNAL MNG	GRUNDY KENDALL & WILL CNTY SD 201	NR	Aa3
RAMIREZ EXTERNAL MNG	HENRY WHITESIDE CNTY CUSD 228	AA	NR
RAMIREZ EXTERNAL MNG	VILLAGE OF HODGKINS IL	AA-	NR
RAMIREZ EXTERNAL MNG	HODGKINS VILLAGE OF TXBL	AA-	NR
RAMIREZ EXTERNAL MNG	VILLAGE OF JOHNSBURG	AA-	NR
RAMIREZ EXTERNAL MNG	KANE COUNTY FOREST PRESERVE	AA+	NR
RAMIREZ EXTERNAL MNG	KANE CNTY SD 129 AURORA W SIDE	AA	A1
RAMIREZ EXTERNAL MNG	LAKE CNTY BBSD 3 BEACH PARK	AA	NR
RAMIREZ EXTERNAL MNG	LAKE COUNTY CCSD 50 WOODLAND	AA+	Aa2
RAMIREZ EXTERNAL MNG	LAKE CNTY CMNTY SD#73 HAWTHORN	AA+	NR
RAMIREZ EXTERNAL MNG	LAKE CNTY WARREN TWP DIST 121	AA+	NR
RAMIREZ EXTERNAL MNG	VILLAGE OF LEMONT	NR	Aa2
RAMIREZ EXTERNAL MNG	MADISON BOND ETC CNTYS CUSD 5	AA	NR
RAMIREZ EXTERNAL MNG	MADISON MACOUPIN CNTYS ICCD536	AA	NR
RAMIREZ EXTERNAL MNG	MCHENRY & KANE CNTY SD#158	AA	NR
RAMIREZ EXTERNAL MNG	MCLEAN CNTY CUSD 3 TRI-VALLEY	AA	NR
RAMIREZ EXTERNAL MNG	MENARD SANGAMON LOGAN CUSD 213	AA	NR
RAMIREZ EXTERNAL MNG	NAPERVILLE PARK DIST	NR	Aaa
RAMIREZ EXTERNAL MNG	VILLAGE OF NORTHBROOK	AAA	Aaa
RAMIREZ EXTERNAL MNG	VILLAGE OF OAK PARK	AA	A1
RAMIREZ EXTERNAL MNG	VILLAGE OF OSWEGO	NR	Aa2
RAMIREZ EXTERNAL MNG	VILLAGE OF PALATINE	AA+	NR
RAMIREZ EXTERNAL MNG	PEORIA CNTY SD 150	AA	NR
RAMIREZ EXTERNAL MNG	PEORIA CITY OF	AA	A2
RAMIREZ EXTERNAL MNG	CITY OF PRINCETON	AA	NR
RAMIREZ EXTERNAL MNG	RANDOLPH CNTY CUSD 140 SPARTA	AA	NR
RAMIREZ EXTERNAL MNG	VILLAGE OF RANTOUL	AA	NR
RAMIREZ EXTERNAL MNG	ROCK ISLAND CNTY SD 41	AA	Aa3
RAMIREZ EXTERNAL MNG	CITY OF ROCKFORD	AA	A3

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<b>Municipal Bonds External Manager: (continued)</b>		<b>S&amp;P</b>	<b>Mdy</b>
RAMIREZ EXTERNAL MNG	ST. CLAIR CNTY	AA-	Aa3
RAMIREZ EXTERNAL MNG	SALES TAX SECURITIZATION CORP	AA-	NR
RAMIREZ EXTERNAL MNG	SANGAMON CNTY IL WATER DIST	A+	NR
RAMIREZ EXTERNAL MNG	VILLAGE OF SKOKIE	NR	Aa2
RAMIREZ EXTERNAL MNG	STEPHENSON CNTY SD145 FREEPORT	AA	NR
RAMIREZ EXTERNAL MNG	VILLAGE OF VERNON HILLS	AAA	NR
RAMIREZ EXTERNAL MNG	WHITESIDE CNTY CUSD 6 MORRISON	AA	NR
RAMIREZ EXTERNAL MNG	WILL & KENDALL CNTY CCSD 207	NR	Aa2
RAMIREZ EXTERNAL MNG	WILL & KENDALL CNTY CCSD 202	NR	Aa2
RAMIREZ EXTERNAL MNG	WILL CNTY CCSD 30-C TROY TWP	NR	Aa2
RAMIREZ EXTERNAL MNG	WINNEBAGO CNTY TXBL	NR	Aa2
 <b>Corporate Bonds:</b>		<b>S&amp;P</b>	<b>Mdy</b>
ALAMO CAPITAL	APPLE INC	AA+	Aa1
ALAMO CAPITAL	ADP	AA	Aa3
ALAMO CAPITAL	BONY MELLON CORP	A	A1
ALAMO CAPITAL	CHEVRON CORP	AA	Aa2
ALAMO CAPITAL	COCA COLA	A+	A1
ALAMO CAPITAL	EXXON MOBIL CORPORATION	AA	Aa1
ALAMO CAPITAL	JOHNSON AND JOHNSON	AAA	Aaa
ALAMO CAPITAL	PROCTER AND GAMBLE	AA-	Aa3
ALAMO CAPITAL	3M COMPANY	A+	A1
ALAMO CAPITAL	US BANK NA CINCINNATI	AA-	A1
CABRERA CAPITAL	ALPHABET INC	AA+	Aa2
CABRERA CAPITAL	APPLE INC.	AA+	Aa1
CABRERA CAPITAL	BANK OF AMERICA	A+	Aa2
CABRERA CAPITAL	BONY MELLON CORP	A	A1
CABRERA CAPITAL	CHEVRON CORP	AA	Aa2
CABRERA CAPITAL	CITIBANK	A+	Aa3
CABRERA CAPITAL	COCA COLA	A+	A1
CABRERA CAPITAL	COLGATE-PALMOLIVE	AA-	Aa3
CABRERA CAPITAL	EXXON MOBIL CORPORATION	AA	Aa1
CABRERA CAPITAL	JPMORGAN CHASE & CO	A-	A2
CABRERA CAPITAL	MICROSOFT CORP	AAA	Aaa
CABRERA CAPITAL	PROCTER AND GAMBLE	AA-	Aa3
CABRERA CAPITAL	3M COMPANY	A+	A1
CABRERA CAPITAL	US BANK NA CINCINNATI	AA-	A1
CASTLEOAK	APPLE INC.	AA+	Aa1
CASTLEOAK	BONY MELLON CORP	A	A1
DREXEL HAMILTON LLC	COCA COLA	A+	A1
DREXEL HAMILTON LLC	EXXON MOBIL CORPORATION	AA	Aa1
LOOP CAPITAL MARKETS	ADP	AA	Aa3
LOOP CAPITAL MARKETS	TRUIST FINANCIAL CORP	A-	A3
LOOP CAPITAL MARKETS	BANK OF AMERICA	A+	Aa2
LOOP CAPITAL MARKETS	BONY MELLON CORP	A	A1



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<b>Corporate Bonds: (continued)</b>		<b>S&amp;P</b>	<b>Mdy</b>
LOOP CAPITAL MARKETS	CHEVRON CORP	AA	Aa2
LOOP CAPITAL MARKETS	CITIBANK	A+	Aa3
LOOP CAPITAL MARKETS	JPMORGAN CHASE & CO	A-	A2
LOOP CAPITAL MARKETS	JOHNSON AND JOHNSON	AAA	Aaa
LOOP CAPITAL MARKETS	PNC BANK NA	A	A2
LOOP CAPITAL MARKETS	US BANK NA CINCINNATI	AA-	A1
MFR SECURITIES	US BANK NA CINCINNATI	AA-	A1
MICROSOFT/ CABRERA	MICROSOFT CORP	AAA	Aaa
MISCHLER FINANCIAL	APPLE INC.	AA+	Aa1
MISCHLER FINANCIAL	ADP	AA	Aa3
MISCHLER FINANCIAL	TRUIST FINANCIAL CORP	A-	A3
MISCHLER FINANCIAL	CHEVRON CORP	AA	Aa2
MISCHLER FINANCIAL	CHEVRON	AA	Aa2
MISCHLER FINANCIAL	CITIBANK	A+	Aa3
MISCHLER FINANCIAL	COCA COLA	A+	A1
MISCHLER FINANCIAL	EXXON MOBIL CORPORATION	AA	Aa1
MISCHLER FINANCIAL	JPMORGAN CHASE & CO	A-	A2
MISCHLER FINANCIAL	JOHNSON AND JOHNSON	AAA	Aaa
MISCHLER FINANCIAL	PROCTER AND GAMBLE	AA-	Aa3
MISCHLER FINANCIAL	TRUIST FINANCIAL CORP	A-	A3
MISCHLER FINANCIAL	3M COMPANY	A+	A1
MISCHLER FINANCIAL	US BANK NA CINCINNATI	AA-	A1
MISCHLER FINANCIAL	UNITED HEALTH GRP INC	A+	A3
MULTI-BANK SECURITIES	ALPHABET INC	AA+	Aa2
MULTI-BANK SECURITIES	CHEVRON CORP	AA	Aa2
MULTI-BANK SECURITIES	MICROSOFT CORP	AAA	Aaa
PENSERRA SECURITIES	TRUIST FINANCIAL CORP	A-	A3
PENSERRA SECURITIES	BANK OF AMERICA	A+	Aa2
PENSERRA SECURITIES	CITIBANK	A+	Aa3
PENSERRA SECURITIES	JPMORGAN CHASE & CO	A-	A2
PENSERRA SECURITIES	UNITED PARCEL SERVICES	A-	A2
PENSERRA SECURITIES	US BANK NA CINCINNATI	AA-	A1
PENSERRA SECURITIES	UNITED HEALTH GRP INC	A+	A3
PIPER JAFFRAY & CO	APPLE INC.	AA+	Aa1
PIPER JAFFRAY & CO	ADP	AA	Aa3
PIPER JAFFRAY & CO	BANK OF AMERICA	A+	Aa2
PIPER JAFFRAY & CO	BONY MELLON CORP	A	A1
PIPER JAFFRAY & CO	CHEVRON CORP	AA	Aa2
PIPER JAFFRAY & CO	EXXON MOBILE CORPORATION	AA	Aa1
PIPER JAFFRAY & CO	JOHNSON AND JOHNSON	AAA	Aaa
PIPER JAFFRAY & CO	MICROSOFT CORP	AAA	Aaa
PIPER JAFFRAY & CO	PROCTER AND GAMBLE	AA-	Aa3
PIPER JAFFRAY & CO	3M COMPANY	A+	A1
PIPER JAFFRAY & CO	US BANK NA CINCINNATI	AA-	A1
PIPER SANDLER	TRUIST FINANCIAL CORP	A-	A3

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**NOTE D. DEPOSITS AND INVESTMENTS (CONTINUED)**

<b>Corporate Bonds: (continued)</b>		<b>S&amp;P</b>	<b>Mdy</b>
PIPER SANDLER	BANK OF AMERICA	A+	Aa2
PIPER SANDLER	CITIBANK	A+	Aa3
PIPER SANDLER	JPMORGAN CHASE & CO	A-	A2
PIPER SANDLER	PNC BANK NA	A	A2
PIPER SANDLER	SUNTRUST BANK	A	A2
PIPER SANDLER	US BANK NA CINCINNATI	AA-	A1
PIPER SANDLER	UNITED HEALTH GRP INC	A+	A3
RAMIREZ & CO	ALPHABET INC	AA+	Aa2
RAMIREZ & CO	APPLE INC.	AA+	Aa1
RAMIREZ & CO	BONY MELLON CORP	A	A1
RAMIREZ & CO	TRUIST FINANCIAL CORP	A-	A3
RAMIREZ & CO	CHEVRON CORP	AA	Aa2
RAMIREZ & CO	COCA COLA	A+	A1
RAMIREZ & CO	EXXON MOBIL CORPORATION	AA	Aa1
RAMIREZ & CO	JPMORGAN CHASE & CO	A-	A2
RAMIREZ & CO	PNC BANK NA	A	A2
RAMIREZ & CO	PROCTER AND GAMBLE	AA-	Aa3
RAMIREZ & CO	US BANK NA CINCINNATI	AA-	A1
RAYMOND JAMES	CHEVRON CORP	AA	Aa2
RAYMOND JAMES	COCA COLA	A+	A1
RAYMOND JAMES	JPMORGAN CHASE & CO	A-	A2
RAYMOND JAMES	JOHNSON AND JOHNSON	AAA	Aaa
RAYMOND JAMES	UNITED HEALTH GRP INC	A+	A3
SIEBERT WILLIAMS SHANK	US BANK NA CINCINNATI	AA-	A1
STIFEL NICHOLAS	JPMORGAN CHASE & CO	A-	A2
SUN TRUST	TRUIST FINANCIAL CORP	A-	A3
SUN TRUST	EXXON MOBILE CORPORATION	AA	Aa1
SUN TRUST	JOHNSON AND JOHNSON	AAA	Aaa
SUN TRUST	PROCTER AND GAMBLE	AA-	Aa3
SUN TRUST	3M COMPANY	A+	A1
TD SECURITIES	MICROSOFT CORP	AAA	Aaa
TORONTO DOMINION	JOHNSON AND JOHNSON	AAA	Aaa
WILLIAMS CAPITAL	APPLE INC.	AA+	Aa1

<b>Corporate Bonds External Manager:</b>		<b>S&amp;P</b>	<b>Mdy</b>
GARCIA HAMILTON EXTERNAL MNG	AMERICAN EXPRESS-FLOAT	BBB+	A3
GARCIA HAMILTON EXTERNAL MNG	ARCHER DANIELS MIDLAND ADM	A	A2
GARCIA HAMILTON EXTERNAL MNG	TRUIST BANK	A-	A3
GARCIA HAMILTON EXTERNAL MNG	BANK OF AMERICA FLOATING RATE	A-	A2
GARCIA HAMILTON EXTERNAL MNG	BANK OF NEW YORK FLOATING RATE	A	A1
GARCIA HAMILTON EXTERNAL MNG	CATERPILLAR FINL SERV	A	A3
GARCIA HAMILTON EXTERNAL MNG	CITIBANK-FLOATING	BBB+	A3
GARCIA HAMILTON EXTERNAL MNG	CITIGROUP	BBB+	A3
GARCIA HAMILTON EXTERNAL MNG	COMCAST CORP	A-	A3
GARCIA HAMILTON EXTERNAL MNG	JOHN DEERE CAP-FLOATING	A	A2

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**NOTE D. DEPOSITS AND INVESTMENTS (CONTINUED)**

<b>Corporate Bonds External Manager: (continued)</b>		<b>S&amp;P</b>	<b>Mdy</b>
GARCIA HAMILTON EXTERNAL MNG	WALT DISNEY COMPANY	A-	A2
GARCIA HAMILTON EXTERNAL MNG	FIFTH THIRD BANK	A-	A3
GARCIA HAMILTON EXTERNAL MNG	GOLDMAN SACHS-FLOATING	BBB+	A3
GARCIA HAMILTON EXTERNAL MNG	IBM CORPORATION FLOATING RATE	BBB+	A3
GARCIA HAMILTON EXTERNAL MNG	IBM	A	A2
GARCIA HAMILTON EXTERNAL MNG	JP MORGAN-FLOATING	A-	A2
GARCIA HAMILTON EXTERNAL MNG	JPMORGAN CHASE & CO	A-	A2
GARCIA HAMILTON EXTERNAL MNG	KEY BANK	A-	A3
GARCIA HAMILTON EXTERNAL MNG	MORGAN STANLEY-FLOATING	BBB+	A3
GARCIA HAMILTON EXTERNAL MNG	NY LIFE GLOBAL FLOATING	AA+	Aaa
GARCIA HAMILTON EXTERNAL MNG	ORACLE CORP	A	A3
GARCIA HAMILTON EXTERNAL MNG	PNC BANK	A-	A3
GARCIA HAMILTON EXTERNAL MNG	UPS FLOATING RATE	A-	A2
GARCIA HAMILTON EXTERNAL MNG	US BANCORP	A+	A1
GARCIA HAMILTON EXTERNAL MNG	WELLS FARGO-FLOATING	A-	A2
RAMIREZ EXTERNAL MNG	ABBOTT LABS	A-	A3
RAMIREZ EXTERNAL MNG	ALLSTATE CORP	A-	A3
RAMIREZ EXTERNAL MNG	AMAZON.COM	AA-	A2
RAMIREZ EXTERNAL MNG	APPLE	AA+	Aa1
RAMIREZ EXTERNAL MNG	BANK OF AMERICA	A-	A2
RAMIREZ EXTERNAL MNG	BMO BANK OF MONTREAL	A-	A2
RAMIREZ EXTERNAL MNG	BANK OF NEW YORK MELLON	A	A1
RAMIREZ EXTERNAL MNG	BERKSHIRE HATHAWAY FINANCIAL	AA	Aa2
RAMIREZ EXTERNAL MNG	BP CAP MARKETS	A-	A1
RAMIREZ EXTERNAL MNG	CATERPILLAR FINL SERV	A	A3
RAMIREZ EXTERNAL MNG	CITIGROUP	BBB+	A3
RAMIREZ EXTERNAL MNG	COMCAST CORP	A-	A3
RAMIREZ EXTERNAL MNG	COMMONWEALTH EDISON CO	A	A1
RAMIREZ EXTERNAL MNG	CONOCOPHILLIPS CO	A	A3
RAMIREZ EXTERNAL MNG	JOHN DEERE CAP CORP	A	A2
RAMIREZ EXTERNAL MNG	ERP OPERATING LP	A-	A3
RAMIREZ EXTERNAL MNG	ECOLAB INC	A-	Baa1
RAMIREZ EXTERNAL MNG	EXXON MOBIL CORP	AA	Aa1
RAMIREZ EXTERNAL MNG	FIFTH THIRD BANK	A-	A3
RAMIREZ EXTERNAL MNG	GOLDMAN SACHS GROUP INC	BBB+	A3
RAMIREZ EXTERNAL MNG	GRAINGER WW INC	A+	A3
RAMIREZ EXTERNAL MNG	HSBC HOLDINGS PLC	A-	A2
RAMIREZ EXTERNAL MNG	HONEYWELL INTERNATIONAL	A	A2
RAMIREZ EXTERNAL MNG	INTEL CORP	A+	A1
RAMIREZ EXTERNAL MNG	IBM	A	A2
RAMIREZ EXTERNAL MNG	JPMORGAN CHASE & CO	BBB+	A3
RAMIREZ EXTERNAL MNG	KEY BANK	A-	A3
RAMIREZ EXTERNAL MNG	LOCKHEED MARTIN CORP	A-	A3
RAMIREZ EXTERNAL MNG	MORGAN STANLEY	A-	A3
RAMIREZ EXTERNAL MNG	NORTHERN TRUST CORP	BBB+	A3

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<b>Corporate Bonds External Manager: (continued)</b>		<b>S&amp;P</b>	<b>Mdy</b>
RAMIREZ EXTERNAL MNG	NVIDIA CORP	A-	A3
RAMIREZ EXTERNAL MNG	ORACLE CORP	A	A3
RAMIREZ EXTERNAL MNG	PNC BANK	A-	A3
RAMIREZ EXTERNAL MNG	PACCAR FINANCIAL CORP	A+	A1
RAMIREZ EXTERNAL MNG	PFIZER	AA-	A1
RAMIREZ EXTERNAL MNG	QUALCOMM INC	A-	A2
RAMIREZ EXTERNAL MNG	ROYAL BANK OF CANADA (RBC)	AA-	Aa2
RAMIREZ EXTERNAL MNG	SALESFORCE.COM INC	A	A3
RAMIREZ EXTERNAL MNG	SIMON PROPERTY GROUP LP	A	A2
RAMIREZ EXTERNAL MNG	TRUIST BANK	A	A2
RAMIREZ EXTERNAL MNG	TJX COS INC.	A	A2
RAMIREZ EXTERNAL MNG	TARGET CORPORATION	A	A2
RAMIREZ EXTERNAL MNG	TD TORONTO-DOMINION BANK	AA-	Aa1
RAMIREZ EXTERNAL MNG	US BANCORP	A-	A1
RAMIREZ EXTERNAL MNG	UNITEDHEALTH GROUP INC	A+	A3
RAMIREZ EXTERNAL MNG	WALMART INC	AA	Aa2
RAMIREZ EXTERNAL MNG	WELLS FARGO & CO.	A-	A2
RAMIREZ EXTERNAL MNG	WISCONSIN ELECTRIC POWER	A-	A2

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As of June 30, 2020, credit ratings of collateral for securities lending collateral invested in repurchase agreements are as follows:

Standard & Poor's Rating	Percentage % (Percent of Total)	Moody's Rating	Percentage % (Percent of Total)
AAA	2.17%	Aaa	8.79%
AA+	0.80%	Aa1	1.01%
AA	1.48%	Aa2	1.37%
AA-	0.49%	Aa3	0.59%
A-2	0.45%	A1	2.57%
A-1+	0.00%	A2	2.58%
A-1	0.00%	A3	6.11%
A+	3.37%	Baa1	7.33%
A	1.53%	Baa2	8.40%
A-	6.85%	Baa3	5.47%
BBB+	8.34%	Ba1	2.44%
BBB	5.73%	Ba2	1.54%
BBB-	6.55%	Ba3	1.26%
BB+	3.59%	B1	0.68%
BB	0.90%	B2	1.04%
BB-	1.61%	B3	2.35%
B+	1.33%	Caa1	1.72%
B	0.71%	Caa2	0.58%
B-	1.96%	Caa3	1.38%
CCC+	2.59%	Ca	0.19%
CCC	0.69%	C	0.16%
CCC-	0.93%	P-1	0.44%
CC	0.04%	P-2	0.01%
C	0.19%	Not Rated	41.99%
Not Rated	47.70%		
	<b>100.00%</b>		<b>100.00%</b>

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**NOTE D. DEPOSITS AND INVESTMENTS (CONTINUED)**

As of June 30, 2019, excluding the securities lending program, the Office's investments in commercial paper were rated P-1 by Moody's Investors Service except for Caterpillar Financial, Nextera Energy, and United Health which were rated P-2 and A-1 by Standard & Poor's Ratings, except for those issued by BNY Mellon, CISCO Systems, Eli Lilly, Exxon Mobile, National Sec Clearing Corporation, Novartis, Pfizer, and Roche Holdings Incorporated which were rated A-1+, and Nextera energy which was rated A-2 by Standard & Poor's. The Office's short-term investments in all U.S. Agency obligations, including collateral for repurchase agreements, were rated P-1 by Moody's Investors Service, except for Federal Agriculture Mortgage Corporation securities which were not rated. The Office's long-term investments in all U.S. Agency obligations were rated Aaa by Moody's Investors Service or AA+ by Standard & Poor's Ratings, except for Federal Agriculture Mortgage Corporation securities which were not rated. The Office's short-term investment in foreign debt securities were rated A-1+ by Standard & Poor's Ratings. The Office's long-term investment in foreign debt securities were rated A1 by Moody's Investors Service and AA- by Standard & Poor's Ratings. The Office's long-term investments in Supranational Bonds were rated Aaa by Moody's Investors Service and AAA by Standard & Poor's Ratings. The Office's investments in The Illinois Funds were rated AAAM by Standard & Poor's Ratings. The Office's investments in money market mutual funds were rated Aaa by Moody's Investors Service or AAAM by Standard & Poor's Ratings. The Office's short-term investments in Municipal Bonds and Corporate Bonds were rated by Moody's and Standard & Poor's in the following tables:

<b>Municipal Bonds:</b>		<b>S&amp;P</b>	<b>Mdy</b>
ALAMO CAPITAL	VILLAGE OF ADDISON	AA	NR
ALAMO CAPITAL	CITY OF COLLINSVILLE	NR	Aa3
ALAMO CAPITAL	COOK CNTY CCD524 MORAIN VALLEY	NR	Aa1
ALAMO CAPITAL	DU PAGE CNTY SCH SD #60	AA+	NR
ALAMO CAPITAL	LAKE CNTY CMNTY SD #50	AA+	Aa2
ALAMO CAPITAL	LAKE CNTY WARREN TWP SD #121	AA+	NR
ALAMO CAPITAL	S HOLLAND TXBL REF SER A	NR	Aa3
ALAMO CAPITAL	WINNEBAGO CNTY	NR	Aa2
CABRERA CAPITAL	CHICAGO HOUSING AUTHORITY	NR	NR
MISCHLER FINANCIAL	KANE CNTY FOREST PRESERVE DIST	AA+	NR
MISCHLER FINANCIAL	VILLAGE OF ORLAND PARK IL	AA+	Aa1
MISCHLER FINANCIAL	DU PAGE CNTY SCH DIST #12	NR	Aa3
MISCHLER FINANCIAL	MADISON CNTY SCH DIST #1	AA-	NR
MULTI-BANK SECURITIES	WILL GRUNDY ETC CNTYS CCD 525	NR	Aa2
PIPER JAFFRAY & CO	COOK CNTY HS 207 MAINE TOWNSHIP	NR	Aaa
PIPER JAFFRAY & CO	VILLAGE OF SKOKIE IL	NR	Aa1
PIPER JAFFRAY & CO	BOLINGBROOK PARK DIST	Aa2	NR
PIPER JAFFRAY & CO	LAKE CNTY CMNTY SCD #50	AA+	Aa2
PIPER JAFFRAY & CO	MADISON MAC CMNTY CLG DIST #536	A-	NR
PIPER JAFFRAY & CO	NAPERVILLE PARK DIST	NR	Aaa
RAYMOND JAMES	LAKE & MCHEN CNTY SCH DIST#118	AA-	NR
ROBERT BAIRD	CHAMPAIGN CNTY CUSD 116 URBANA	AA-	NR
ROBERT BAIRD	CITY OF EVANSTON IL	NR	Aa2
ROBERT BAIRD	CITY OF ROCK FALLS	A	NR
ROBERT BAIRD	COOK CNTY HIGH SCH DIST #212	NR	Aa2
ROBERT BAIRD	COOK CNTY SCH DIST #117 N PALOS	NR	Aa2
ROBERT BAIRD	COOK CNTY SCH SD #155	A	NR
ROBERT BAIRD	COOK CNTY SD #31 WEST NORTHFIELD	NR	Aa2

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		<b>S&amp;P</b>	<b>Mdy</b>
ROBERT BAIRD	COOK CNTY CCD 524 MORAIN VALLEY	NR	Aa1
ROBERT BAIRD	DEWITTFORD CNTY CCD 540 HEARTLAND	AA+	NR
ROBERT BAIRD	GREENE JERSEY MACOUPIN CUSD9	A+	NR
ROBERT BAIRD	GRUNDY KENDALL & WILL CUSD 201	NR	Aa3
ROBERT BAIRD	HENRY WHITESIDE CNTY CUSD228	A+	NR
ROBERT BAIRD	KANE CNTY SD 129 AURORA W SIDE	AA	A1
ROBERT BAIRD	MADISON MACOUPIN ETC CCD536	A-	NR
ROBERT BAIRD	MENARD SANGAMON LOGAN CUSD 213	A+	NR
ROBERT BAIRD	RANDOLPH CNTY CUSD 140 SPARTA	A	NR
ROBERT BAIRD	ST. CLAIR CNTY SCH #118	A	NR
ROBERT BAIRD	VILLAGE OF ADDISON	AA	NR
ROBERT BAIRD	VILLAGE OF BEDFORD PARK	AA-	NR
ROBERT BAIRD	VILLAGE OF NORTHBROOK	AAA	Aaa
ROBERT BAIRD	VILLAGE OF PALATINE	AA+	NR
ROBERT BAIRD	VILLAGE OF ROSEMONT SER A-TXBL	A	Baa1
ROBERT BAIRD	VILLAGE OF SKOKIE IL	NR	Aa1
ROBERT BAIRD	WILL CNTY SD33 HOMER GLEN	AA	NR
ROBERT BAIRD	WILL CNTY CCSD 30-C TROY TWP	NR	Aa2
ROBERT BAIRD	WILL & KENDALL CCSD 202 PLAINFIELD	NR	Aa2
ROBERT BAIRD	WINNEBAGO CNTY	NR	Aa2
STIFEL NICHOLAS	CITY OF ROCKFORD TXBL REF SR C	NR	A2
STIFEL NICHOLAS	WILL & KANKAKEE CNTYS CCSD 207	NR	Aa3
SUN TRUST	VILLAGE OF OAK PARK	AA	A1

**Municipal Bonds External Manager:**

		<b>S&amp;P</b>	<b>Mdy</b>
RAMIREZ EXTERNAL MNG	BD & MONTGOMERY CCSD 2 GREENVILLE	AA	NR
RAMIREZ EXTERNAL MNG	BEDFORD PARK TXBL	AA	NR
RAMIREZ EXTERNAL MNG	BOLINGBROOK PARK DIST	NR	Aa2
RAMIREZ EXTERNAL MNG	CC SD 162 MATTESON	AA	Aa3
RAMIREZ EXTERNAL MNG	CC SD 155 CALUMET	AA	NR
RAMIREZ EXTERNAL MNG	CC SD 31 WEST NORTHFIELD	NR	Aa2
RAMIREZ EXTERNAL MNG	CHAMPAIGN CNTY SD 116 URBANA	AA-	NR
RAMIREZ EXTERNAL MNG	CHICAGO HOUSI NG U AUTH	AA-	NR
RAMIREZ EXTERNAL MNG	CITY OF ROCKFORD	AA	A2
RAMIREZ EXTERNAL MNG	CITY OF COLLINSVILLE	NR	Aa3
RAMIREZ EXTERNAL MNG	CITY OF EVANSTON IL	NR	Aa2
RAMIREZ EXTERNAL MNG	CITY OF GRANITE CITY	AA	NR
RAMIREZ EXTERNAL MNG	CITY OF WAUKEGAN	AA	A2
RAMIREZ EXTERNAL MNG	COOK CNTY COMM COLLEGE DIST 524	NR	Aa1
RAMIREZ EXTERNAL MNG	COOK CNTY SD #104 SUMMIT	AA	NR
RAMIREZ EXTERNAL MNG	COOK CNTY SD #135	AA+	NR
RAMIREZ EXTERNAL MNG	COOK CNTY SD 117 N PALOS	NR	Aa2
RAMIREZ EXTERNAL MNG	COOK CNTY SD 153 HOMEWOOD	AA	NR
RAMIREZ EXTERNAL MNG	DEKALB CNTY CUSD 428	NR	Aa2
RAMIREZ EXTERNAL MNG	DUPAGE CNTY SD #60	AA+	NR

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**NOTE D. DEPOSITS AND INVESTMENTS (CONTINUED)**

<b>Municipal Bonds External Manager: (continued)</b>	<b>S&amp;P</b>	<b>Mdy</b>
RAMIREZ EXTERNAL MNG DUPAGE COOK CNTY CUSD 181 HINSDALE	NR	Aaa
RAMIREZ EXTERNAL MNG GREENE JERSEY & MACOUUPON SD9	AA	NR
RAMIREZ EXTERNAL MNG GRUNDY KENDALL & WILL CNTY SD 201	NR	Aa3
RAMIREZ EXTERNAL MNG HENRY WHITESIDE CNTY CUSD 228	AA	NR
RAMIREZ EXTERNAL MNG HODGKINS VILLAGE OF TXBL	AA-	NR
RAMIREZ EXTERNAL MNG KANE CNTY SD 129 AURORA W SIDE	AA	A1
RAMIREZ EXTERNAL MNG COUNTY FOREST PRESERVE	AA+	NR
RAMIREZ EXTERNAL MNG KANE MCHENRY COOK DEKALB CUSD 300	AA	NR
RAMIREZ EXTERNAL MNG KANKAKEE COUNTY SD 111	NR	A3
RAMIREZ EXTERNAL MNG LAKE CNTY CMNTY SD #73 HAWTHORN	AA+	NR
RAMIREZ EXTERNAL MNG LAKE CNTY WARREN TWP DIST 121	AA+	NR
RAMIREZ EXTERNAL MNG LAKE COUNTY CCSD 50 WOODLAND	AA+	Aa2
RAMIREZ EXTERNAL MNG MADISON BOND ETC CNTYS CUSD 5	AA	NR
RAMIREZ EXTERNAL MNG MADISON COUNTY COMMUNITY SD 9	A-	NR
RAMIREZ EXTERNAL MNG MADISON MACOUPIN CNTYS ICCD536	AA	NR
RAMIREZ EXTERNAL MNG MCLEAN CNTY CUSD 3 TRI-VALLEY	AA	NR
RAMIREZ EXTERNAL MNG MENARD SANGAMON LOGAN CUSD 213	AA	NR
RAMIREZ EXTERNAL MNG MONROE CNTY CUSD 3	A+	NR
RAMIREZ EXTERNAL MNG NAPERVILLE PARK DIST	NR	Aaa
RAMIREZ EXTERNAL MNG PEORIA CNTY SD 150	AA	NR
RAMIREZ EXTERNAL MNG RANDOLPH CNTY CUSD 140 SPARTA	AA	NR
RAMIREZ EXTERNAL MNG REGIONAL TRANS AUTHORITY	AA	NR
RAMIREZ EXTERNAL MNG ROCKFORD PARK DISTRICT	NR	Aa3
RAMIREZ EXTERNAL MNG SALES TAX SECURITIZATION CORP	AA-	NR
RAMIREZ EXTERNAL MNG ST.CLAIR CNTY HS 201 BELLEVILLE	AA	NR
RAMIREZ EXTERNAL MNG STEPHENSON CNTY SD 145 FREEPORT	AA	NR
RAMIREZ EXTERNAL MNG TAZEWELL CNTY SD 51	AA-	NR
RAMIREZ EXTERNAL MNG UNIV OF IL TXBL SER B	A-	A1
RAMIREZ EXTERNAL MNG VILLAGE OF ADDISON	AA	NR
RAMIREZ EXTERNAL MNG VILLAGE OF BEDFORD PARK	AA	NR
RAMIREZ EXTERNAL MNG VILLAGE OF HODGKINS IL	AA-	NR
RAMIREZ EXTERNAL MNG VILLAGE OF JOHNSBURG	AA	NR
RAMIREZ EXTERNAL MNG VILLAGE OF LAKE ZURICH	AAA	NR
RAMIREZ EXTERNAL MNG VILLAGE OF NORTHBROOK	AAA	Aaa
RAMIREZ EXTERNAL MNG VILLAGE OF OAK PARK	AA	A1
RAMIREZ EXTERNAL MNG VILLAGE OF ORLAND PARK	AA+	Aa1
RAMIREZ EXTERNAL MNG VILLAGE OF PALATINE	AA+	NR
RAMIREZ EXTERNAL MNG VILLAGE OF RANTOUL	AA	NR
RAMIREZ EXTERNAL MNG VILLAGE OF ROSEMONT	AA	A2
RAMIREZ EXTERNAL MNG VILLAGE OF ROUND LAKE PARK	AA	NR
RAMIREZ EXTERNAL MNG VILLAGE OF SKOKIE	NR	Aa1
RAMIREZ EXTERNAL MNG VILLAGE OF VERNON HILLS	AAA	NR
RAMIREZ EXTERNAL MNG WHITESIDE CNTY CUSD 6 MORRISON	AA	NR
RAMIREZ EXTERNAL MNG WILL & KENDALL CNTY CCSD 202	NR	Aa2
RAMIREZ EXTERNAL MNG WILL & KENDALL CNTY CCSD 207	NR	Aa3



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<b>Municipal Bonds External Manager: (continued)</b>		<b>S&amp;P</b>	<b>Mdy</b>
RAMIREZ EXTERNAL MNG	WILL CNTY CCSD 30-C TROY TWP	NR	Aa2
RAMIREZ EXTERNAL MNG	WILLIAMSON JACKSON CNTY IL CC	AA	NR
RAMIREZ EXTERNAL MNG	WINNEBAGO CNTY TXBL	NR	Aa2
RAMIREZ EXTERNAL MNG	WINNEBAGO & BOONE CNTY CHSD 207	NR	Aa3
 <b>Corporate Bonds:</b>		<b>S&amp;P</b>	<b>Mdy</b>
ALAMO CAPITAL	3M COMPANY	AA-	A1
ALAMO CAPITAL	ADP	AA	Aa3
ALAMO CAPITAL	APPLE INC.	AA+	Aa1
ALAMO CAPITAL	BONY MELLON CORP	AA-	Aa1
ALAMO CAPITAL	CHEVRON	AA	Aa2
ALAMO CAPITAL	COCA COLA	A+	A1
ALAMO CAPITAL	EXXON MOBIL CORPORATION	AA+	Aaa
ALAMO CAPITAL	JOHNSON AND JOHNSON	AAA	Aaa
ALAMO CAPITAL	PROCTER AND GAMBLE	AA-	Aa3
ALAMO CAPITAL	US BANK NA CINCINNATI	AA-	Aa1
CABRERA CAPITAL	3M COMPANY	AA-	A1
CABRERA CAPITAL	ALPHABET INC	AA+	Aa2
CABRERA CAPITAL	APPLE INC.	AA+	Aa1
CABRERA CAPITAL	BONY MELLON CORP	AA-	Aa1
CABRERA CAPITAL	CHEVRON CORP	AA	Aa2
CABRERA CAPITAL	COCA COLA	A+	A1
CABRERA CAPITAL	COLGATE-PALMOLIVE	AA-	Aa3
CABRERA CAPITAL	EXXON MOBIL CORPORATION	AA+	Aaa
CABRERA CAPITAL	MICROSOFT CORP	AAA	Aaa
CABRERA CAPITAL	PROCTER AND GAMBLE	AA-	Aa3
CABRERA CAPITAL	US BANK NA CINCINNATI	AA-	Aa1
CASTLEOAK	APPLE INC.	AA+	Aa1
CASTLEOAK	BONY MELLON CORP	AA-	Aa1
DREXEL HAMILTON LLC	COCA COLA	A+	A1
DREXEL HAMILTON LLC	EXXON MOBIL CORPORATION	AA+	Aaa
DREXEL HAMILTON LLC	MICROSOFT CORP	AAA	Aaa
LOOP CAPITAL MARKETS	ADP	AA	Aa3
LOOP CAPITAL MARKETS	CHEVRON CORP	AA	Aa2
LOOP CAPITAL MARKETS	JOHNSON AND JOHNSON	AAA	Aaa
LOOP CAPITAL MARKETS	US BANK NA CINCINNATI	AA-	Aa1
MICROSOFT/CABRERA	MICROSOFT CORP	AAA	Aaa
MISCHLER FINANCIAL	3M COMPANY	AA-	A1
MISCHLER FINANCIAL	ADP	AA	Aa3
MISCHLER FINANCIAL	APPLE INC.	AA+	Aa1
MISCHLER FINANCIAL	CHEVRON	AA	Aa2
MISCHLER FINANCIAL	COCA COLA	A+	A1
MISCHLER FINANCIAL	EXXON MOBIL CORPORATION	AA+	Aaa
MISCHLER FINANCIAL	JOHNSON AND JOHNSON	AAA	Aaa

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**NOTE D. DEPOSITS AND INVESTMENTS (CONTINUED)**

<b>Corporate Bonds: (continued)</b>		<b>S&amp;P</b>	<b>Mdy</b>
MISCHLER FINANCIAL	MICROSOFT CORP	AAA	Aaa
MISCHLER FINANCIAL	PROCTER AND GAMBLE	AA-	Aa3
MISCHLER FINANCIAL	US BANK NA CINCINNATI	AA-	Aa1
MULTI-BANK SECURITIES	ALPHABET INC	AA+	Aa2
MULTI-BANK SECURITIES	CHEVRON CORP	AA	Aa2
MULTI-BANK SECURITIES	MICROSOFT CORP	AAA	Aaa
PIPER JAFFRAY & CO	3M COMPANY	AA-	A1
PIPER JAFFRAY & CO	ADP	AA	Aa3
PIPER JAFFRAY & CO	APPLE INC.	AA+	Aa1
PIPER JAFFRAY & CO	BONY MELLON CORP	AA-	Aa1
PIPER JAFFRAY & CO	CHEVRON	AA	Aa2
PIPER JAFFRAY & CO	EXXON MOBILE CORPORATION	AA+	Aaa
PIPER JAFFRAY & CO	JOHNSON AND JOHNSON	AAA	Aaa
PIPER JAFFRAY & CO	MICROSOFT CORP	AAA	Aaa
PIPER JAFFRAY & CO	PROCTER AND GAMBLE	AA-	Aa3
PIPER JAFFRAY & CO	US BANK NA CINCINNATI	AA-	Aa1
RAMIREZ & CO	ALPHABET INC	AA+	Aa2
RAMIREZ & CO	APPLE INC.	AA+	Aa1
RAMIREZ & CO	BONY MELLON CORP	AA-	Aa1
RAMIREZ & CO	CHEVRON CORP	AA	Aa2
RAMIREZ & CO	COCA COLA	A+	A1
RAMIREZ & CO	EXXON MOBIL CORPORATION	AA+	Aaa
RAMIREZ & CO	PROCTER AND GAMBLE	AA-	Aa3
RAMIREZ & CO	US BANK NA CINCINNATI	AA-	Aa1
RAYMOND JAMES	CHEVRON CORP	AA	Aa2
RAYMOND JAMES	COCA COLA	A+	A1
RAYMOND JAMES	JOHNSON AND JOHNSON	AAA	Aaa
SUN TRUST	3M COMPANY	AA-	A1
SUN TRUST	EXXON MOBILE CORPORATION	AA+	Aaa
SUN TRUST	JOHNSON AND JOHNSON	AAA	Aaa
SUN TRUST	PROCTER AND GAMBLE	AA-	Aa3
TD SECURITIES	MICROSOFT CORP	AAA	Aaa
TORONTO DOMINION HDG	USA JOHNSON AND JOHNSON	AAA	Aaa
WILLIAMS CAPITAL	APPLE INC.	AA+	Aa1
 <b>Corporate Bonds External Manager:</b>		<b>S&amp;P</b>	<b>Mdy</b>
GARCIA HAMILTON EXTERNAL MNG	AMERICAN EXPRESS-FLOAT	BBB+	A3
GARCIA HAMILTON EXTERNAL MNG	APPLE FLOATING RATE	AA+	Aa1
GARCIA HAMILTON EXTERNAL MNG	BB & T-FLOATING	A-	A2
GARCIA HAMILTON EXTERNAL MNG	BANK OF AMERICA FLOATING RATE	A-	A2
GARCIA HAMILTON EXTERNAL MNG	BANK OF NEW YORK FLOATING RATE	A	A1
GARCIA HAMILTON EXTERNAL MNG	CITIBANK-FLOATING	BBB+	A3
GARCIA HAMILTON EXTERNAL MNG	COMCAST CORP FLT	A-	A3
GARCIA HAMILTON EXTERNAL MNG	JOHN DEERE CAP-FLOATING	A	A2
GARCIA HAMILTON EXTERNAL MNG	WALT DISNEY-FLOATING	A	A2

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**NOTE D. DEPOSITS AND INVESTMENTS (CONTINUED)**

<b>Corporate Bonds External Manager:</b>	<b>S&amp;P</b>	<b>Mdy</b>
GARCIA HAMILTON EXTERNAL MNG EXXON MOBILE CORP-FLOATING	AA+	Aaa
GARCIA HAMILTON EXTERNAL MNG FIFTH THIRD BANK FLOATING RATE	A-	NR
GARCIA HAMILTON EXTERNAL MNG GOLDMAN SACHS-FLOATING	BBB+	A3
GARCIA HAMILTON EXTERNAL MNG IBM CORPORATION FLOATING RATE	A	A1
GARCIA HAMILTON EXTERNAL MNG INTEL CORP. FLOATING RATE	A+	A1
GARCIA HAMILTON EXTERNAL MNG JP MORGAN-FLOATING	A-	A2
GARCIA HAMILTON EXTERNAL MNG KEY BANK	A-	A3
GARCIA HAMILTON EXTERNAL MNG MORGAN STANLEY-FLOATING	BBB+	A3
GARCIA HAMILTON EXTERNAL MNG PNC BANK FLOATING RATE	A	A2
GARCIA HAMILTON EXTERNAL MNG PEPSICO INC. FLOATING RATE	A+	A1
GARCIA HAMILTON EXTERNAL MNG STATE STREET-FLOATING	A	A1
GARCIA HAMILTON EXTERNAL MNG US BANCORP FLOATING RATE	AA-	A1
GARCIA HAMILTON EXTERNAL MNG UPS FLOATING RATE	A+	A1
GARCIA HAMILTON EXTERNAL MNG WELLS FARGO-FLOATING	A-	A2

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**NOTE D. DEPOSITS AND INVESTMENTS (CONTINUED)**

As of June 30, 2019, credit ratings of collateral for securities lending collateral invested in repurchase agreements are as follows:

Standard & Poor's Rating	Percentage % (Percent of Total)	Moody's Rating	Percentage % (Percent of Total)
AAA	0.96%	Aaa	1.79%
AA+	1.33%	Aa1	1.01%
AA	1.15%	Aa2	1.61%
AA-	1.07%	Aa3	0.42%
A-2	0.00%	A1	2.49%
A-1+	0.00%	A2	1.53%
A-1	0.01%	A3	1.30%
A+	1.65%	Baa1	4.83%
A	2.14%	Baa2	6.71%
A-	2.90%	Baa3	3.58%
BBB+	3.87%	Ba1	3.78%
BBB	6.89%	Ba2	4.12%
BBB-	4.12%	Ba3	3.55%
BB+	4.22%	B1	4.33%
BB	1.31%	B2	2.32%
BB-	5.52%	B3	6.07%
B+	3.02%	Caa1	2.96%
B	4.89%	Caa2	1.75%
B-	5.01%	Caa3	1.18%
CCC+	1.97%	Ca	5.88%
CCC	1.36%	C	0.60%
CCC-	1.01%	P-1	0.00%
CC	0.35%	P-2	0.00%
C	5.31%	Not Rated	38.19%
Not Rated	39.94%		<b>100.00%</b>
	<b>100.00%</b>		

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**NOTE D. DEPOSITS AND INVESTMENTS (CONTINUED)**

The amount of the deposit not covered by Federal deposit insurance for all time deposits is required to be collateralized. Securities pledged as collateral to secure these deposits are required to have a market value at an established percentage of the deposit based on the type of security pledged. Securities that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts, which require a market value of at least 105% of the deposit. If the obligation of the United States and its agencies is a mortgage backed security, the securities pledged as collateral are required to have a market value of at least 110% of the deposit.

Other securities that may be pledged as collateral to secure time deposits are MBIA Certificates (issued by the Municipal Bond Investors Assurance Corporation), Letters of Credit (issued by Federal Home Loan Bank (FHLB)), and Share Certificates (issued by credit unions), which require a market value of at least 102% of the deposit.

Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit was made. Written custodial agreements are required that provide, among other things, that the collateral securities are held separate from the assets of the custodial bank. Prior to placing the deposit and at least monthly thereafter, the Office determines that the collateral has a market value adequate to secure the deposit.

The Office has established accounts with The Illinois Funds for investment of State funds. The Illinois Funds participation provides comparable yields, a source of liquidity and requires less administrative intervention than other short-term investments. The management, custodianship and operation of The Illinois Funds are under the supervision of the Office. The fair value of the pool position is the same as the value of pool shares.

The Office purchased investments in fifteen mutual funds in 2020 and eleven mutual funds in 2019. These mutual funds provide a comparable yield to other investments, particularly during times of falling interest rates and are a source of liquidity when cash is needed. Investments to the mutual funds can be made daily and interest income is received monthly.

Repurchase agreements are purchased from various financial institutions and rated brokerage firms located in the State. Securities pledged as collateral to secure these agreements are required to have a fair value of at least 102% of the agreement. The agreements require both parties to maintain an acceptable margin on underlying securities to ensure the agreements are adequately collateralized. The Office accepts only obligations of the United States government or its sponsored agencies as collateral for repurchase agreements (other than within the securities lending program).

All securities pledged to secure repurchase agreements are required to be delivered to a bank other than the institution from which the investment was acquired. A written custodial agreement with the banks that hold the Office's repurchase agreement collateral requires, among other things, that the collateral securities be held separately from the assets of the bank.

Commercial paper is purchased from various brokerage firms located in the State and is held in safekeeping by a bank for the Office. A written custodial agreement requires, among other things, that the safekeeping bank hold the commercial paper separately from the assets of the bank.

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**NOTE D. DEPOSITS AND INVESTMENTS (CONTINUED)**

The Office's investment in the State of Illinois Secondary Pool Investment Program was deposited in a trust to purchase a security interest in a pool of Small Business Administration (SBA), Federal Home Loan Mortgage Corporation Adjustable Rate Mortgage (FHLMC ARM), and Federal National Mortgage Association Adjustable Rate Mortgage (FNMA ARM) loans. The securities have a floating rate indexed to the prime rate as quoted in *The Wall Street Journal* and are adjusted quarterly. The pool is guaranteed by the U.S. Government and/or the respective agency.

The Office has purchased investments in Supranational Bonds, U.S. Treasury Obligations and U.S. Agency Securities. These purchases permit greater portfolio diversification, provide comparable yields to other investment options, and provide liquidity due to the active secondary market.

The Office's net increase (decrease) in the fair value of investments during 2020 and 2019 was \$42,989,079 and \$108,903,215, respectively. This amount takes into account all changes in fair value (including purchases and maturities) that occurred during the year and is reported as investment income earned in the Statements of Investment Income.

In allocating funds for short-term investment, the portions allocated to time deposits (certificates of deposit) commercial paper, mutual funds, and bank notes are based on forecasts of anticipated receipts and disbursements to determine funds not needed for at least 30 days from date of investment. Substantially all remaining available funds are invested in repurchase agreements with banks and brokerage firms.

The average yield for investments including amounts listed as cash equivalents on the 2020 and 2019 financial statements was 1.70% and 2.24%, respectively.

The master repurchase agreements utilized by the Office require the broker or financial institution to maintain the market value of collateral securities at 102% of the agreement. The carrying amount of repurchase agreements, including accrued interest, was \$1,309,365,754 and \$1,251,254,847, and the fair value of the collateral securities under the repurchase agreements was \$1,342,126,069 and \$1,273,949,241, as of June 30, 2020 and 2019, respectively.

Investment Commitment: The Illinois Technology Development Account I and II (TDA I and II) are administered by the Office in accordance with 30 ILCS 265 and have made commitments totaling approximately \$365 million as of June 30, 2020 and \$253 million as of June 30, 2019. The remaining unfunded commitment was approximately \$141 million as of June 30, 2020 and \$113 million as of June 30, 2019.

The Illinois Technology Development Account I has made commitments totaling approximately \$73 million as of June 30, 2020 and \$73 million as of June 30, 2019. The remaining unfunded commitment amount was approximately \$4 million as of June 30, 2020 and \$5 million as of June 30, 2019.

The Illinois Technology Development Account II (also known as the Illinois Growth and Innovation Fund) has made commitments totaling \$292 million as of June 30, 2020 and \$180 million as of June 30, 2019. The remaining unfunded commitment amount was approximately \$137 million as of June 30, 2020 and \$108 million as of June 30, 2019.

It is anticipated that additional commitments will be made in the coming years for TDA II up to or near to the limits established in the Act. No additional future commitments are anticipated for TDA I.

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**NOTE D. DEPOSITS AND INVESTMENTS (CONTINUED)**

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the Office's investment in a single issuer. The following investments exceeded 5 percent of the total investments at June 30, 2020 and 2019. (Expressed in thousands.)

	2020		2019	
	Carrying Value	% of Total Investments	Carrying Value	% of Total Investments
U.S. Agency:				
Federal Home Loan Bank	\$ -	-	\$ 961,784,041	5.51
Treasury Bills:				
ASL Capital	\$ 1,095,641,861	5.18	\$ -	-

Securities Lending Transactions: The Office lends securities to broker-dealers and other entities for collateral that will be returned for the same securities in the future. The Office has, through a Securities Lending Agreement, authorized Deutsche Bank AG to lend the Office's securities to broker-dealers and banks pursuant to a form of loan agreement.

During fiscal year 2020 and 2019, Deutsche Bank AG lent U.S. Agency securities and U.S. Treasury securities and received as collateral U.S. dollar denominated cash. Borrowers were required to deliver collateral for each loan equal to at least 100% of the aggregate fair value of the loaned securities. Loans are marked to market daily. If the fair value of collateral falls below 100%, the borrower must provide additional collateral to raise the fair value to 100%.

The Office did not impose any restrictions during fiscal years 2020 and 2019 on the amount of loans of available, eligible securities. In the event of borrower default, Deutsche Bank AG provides the Office with counterparty default indemnification. In addition, Deutsche Bank AG is obligated to indemnify the Office if Deutsche Bank AG loses any securities, collateral or investments of the Office in Deutsche Bank AG's custody. There were no losses during fiscal years 2020 and 2019 resulting from a default of the borrowers or Deutsche Bank AG.

During fiscal years 2020 and 2019, the Office and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested in repurchase agreements with approved counterparties collateralized with securities approved by Deutsche Bank AG and marked to market daily at no less than 102%. Because the loans are terminable at will, their duration did not generally match the duration of the investments made with cash collateral. The Office had no credit risk as a result of its securities lending program as the collateral held exceeded the fair value of the securities lent. The securities lending collateral invested in repurchase agreements and the fair value of securities on loan for the Office as of June 30, 2020 were \$4,344,267,500 and \$4,290,619,359, respectively. The securities lending collateral received that was invested in repurchase agreements and the fair value of securities on loan for the Office as of June 30, 2019 were \$3,103,274,125 and \$3,064,814,670, respectively.

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**NOTE E.           DEFEASED DEBT**

During fiscal year 2020, the State of Illinois issued no General Obligation Refunding Bonds. During fiscal year 2019, the State of Illinois issued \$1,106,050,000 General Obligation Refunding Bonds which \$936,860,000 were called by October 5, 2018 and \$151,070,000 which were called by May 9, 2019.

In prior fiscal years, the State of Illinois defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the State of Illinois' financial statements. At June 30, 2020 and 2019, no bonds outstanding were considered defeased.

**NOTE F.           SECURITIES UNDER CUSTODIAL RESPONSIBILITY OF THE TREASURER**

At June 30, 2020 and 2019, the Office was responsible for \$224,124,188 and \$115,970,074, respectively, of securities held in safekeeping for various State departments, agencies and institutions. These amounts are not reflected in the Statements of Assets and Other Debits, Liabilities and Accountabilities.



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**NOTE G. GENERAL OBLIGATION INDEBTEDNESS**

A summary of the changes from June 30, 2019 to June 30, 2020, in General Obligation Bonded Indebtedness by issue type follows:

	Multi-Purpose - Interest Rates varying from 3.500% to 7.350% Series 2001 through 2020, due serially to 2045	Pension Funding - Interest Rates varying from 4.950% to 5.100% Series 2003, due serially to 2033	General Obligation Refunding Series 2006 through 2016 - Interest Rates varying from 2.000% to 5.250% due serially to 2033	General Obligation Certificates	Total General Obligation Indebtedness
<b>Balance at June 30, 2019</b>					
Principal	\$ 15,234,525,646	\$ 8,850,000,000	\$ 3,640,560,000	\$ -	\$ 27,725,085,646
Interest	6,775,460,036	4,182,225,000	966,944,630	-	11,924,629,666
Total	<u>22,009,985,682</u>	<u>13,032,225,000</u>	<u>4,607,504,630</u>	-	<u>39,649,715,312</u>
<b>Redemptions charge to Appropriations</b>					
Principal	1,060,531,629	225,000,000	389,690,000	-	1,675,221,629
Interest	809,324,813	449,550,000	176,077,088	-	1,434,951,901
Total	<u>1,869,856,442</u>	<u>674,550,000</u>	<u>565,767,088</u>	-	<u>3,110,173,530</u>
<b>Certificates/Bonds issued</b>					
Principal	1,550,000,000	-	-	1,200,000,000	2,750,000,000
Interest	995,573,223	-	-	45,840,000	1,041,413,223
Total	<u>2,545,573,223</u>	-	-	<u>1,245,840,000</u>	<u>3,791,413,223</u>
<b>Refunding</b>					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Balance at June 30, 2020</b>					
Principal	15,723,994,017	8,625,000,000	3,250,870,000	1,200,000,000	28,799,864,017
Interest	6,961,708,446	3,732,675,000	790,867,542	45,840,000	11,531,090,988
Total	<u>\$ 22,685,702,463</u>	<u>\$ 12,357,675,000</u>	<u>\$ 4,041,737,542</u>	<u>\$ 1,245,840,000</u>	<u>\$ 40,330,955,005</u>
<b>Amounts due within one year</b>					
					\$ 2,992,905,000
					1,439,164,144
					<u>\$ 4,432,069,144</u>

**State of Illinois  
Office of the Treasurer**

**Fiscal Officer Responsibilities  
Notes to the Financial Statements  
For the Years Ended June 30, 2020 and 2019**

**NOTE G. GENERAL OBLIGATION INDEBTEDNESS (CONTINUED)**

A summary of the changes from June 30, 2018 to June 30, 2019, in General Obligation Bonded Indebtedness by issue type follows:

	Multi-Purpose - Interest Rates varying from 3.500% to 7.350% Series 2001 through 2019, due serially to 2044	Pension Funding - Interest Rates varying from 4.950% to 5.100% Series 2003, due serially to 2033	General Obligation Refunding Series 2003 through 2016 - Interest Rates varying from 2.000% to 5.250% due serially to 2033	Total General Obligation Indebtedness
<b>Balance at June 30, 2018</b>				
Principal	\$ 17,055,242,963	\$ 9,925,000,000	\$ 2,966,235,000	\$ 29,946,477,963
Interest	7,981,338,423	4,693,330,500	718,221,430	13,392,890,353
Total	<u>25,036,581,386</u>	<u>14,618,330,500</u>	<u>3,684,456,430</u>	<u>43,339,368,316</u>
<b>Redemptions charge to Appropriations</b>				
Principal	1,072,957,317	1,075,000,000	391,555,000	2,539,512,317
Interest	848,635,690	511,105,500	169,569,939	1,529,311,129
Total	<u>1,921,593,007</u>	<u>1,586,105,500</u>	<u>561,124,939</u>	<u>4,068,823,446</u>
<b>Certificates/Bonds issued</b>				
Principal	300,000,000	-	1,106,050,000	1,406,050,000
Interest	223,870,533	-	425,693,095	649,563,628
Total	<u>523,870,533</u>	<u>-</u>	<u>1,531,743,095</u>	<u>2,055,613,628</u>
<b>Refunding</b>				
Principal	1,047,760,000	-	40,170,000	1,087,930,000
Interest	581,113,230	-	7,399,956	588,513,186
Total	<u>1,628,873,230</u>	<u>-</u>	<u>47,569,956</u>	<u>1,676,443,186</u>
<b>Balance at June 30, 2019</b>				
Principal	15,234,525,646	8,850,000,000	3,640,560,000	27,725,085,646
Interest	6,775,460,036	4,182,225,000	966,944,630	11,924,629,666
Total	<u>\$ 22,009,985,682</u>	<u>\$ 13,032,225,000</u>	<u>\$ 4,607,504,630</u>	<u>\$ 39,649,715,312</u>

Amounts due within one year

Principal	\$ 1,693,330,000
Interest	1,401,776,859
Total	<u>\$ 3,095,106,859</u>

Interest on zero coupon bonds is reflected in the previous schedules as interest to agree to the charge to appropriations. Interest on such bonds is reflected as principal in the debt service requirement schedule below.

**State of Illinois  
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**Fiscal Officer Responsibilities  
Notes to the Financial Statements  
For the Years Ended June 30, 2020 and 2019**

**NOTE G. GENERAL OBLIGATION INDEBTEDNESS (CONTINUED)**

Future general obligation debt service requirements at June 30, 2020, are as follows:

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 2,992,905,000	\$ 1,439,164,144	\$ 4,432,069,144
2022	1,809,460,000	1,305,639,873	3,115,099,873
2023	1,852,750,000	1,214,463,198	3,067,213,198
2024	1,882,135,000	1,120,748,380	3,002,883,380
2025	1,891,435,000	1,025,261,360	2,916,696,360
2026-2030	9,961,950,000	3,641,190,600	13,603,140,600
2031-2035	6,130,425,000	1,344,354,550	7,474,779,550
2036-2040	1,735,000,000	349,312,650	2,084,312,650
2041-2045	570,200,000	64,560,250	634,760,250
Total	<u>\$ 28,826,260,000</u>	<u>\$ 11,504,695,005</u>	<u>\$ 40,330,955,005</u>

The principal amounts reflected above include accretion to date on zero-coupon bonds.

Additional information and disclosures related to the State's General Obligation Indebtedness are presented in the State of Illinois Comprehensive Annual Financial Report. This report may be obtained online at [www.illinoiscomptroller.gov](http://www.illinoiscomptroller.gov) or by writing to the Illinois Office of the State Comptroller, Financial Reporting Department, 325 West Adams Street, Springfield, Illinois, 62704-1858.

**NOTE H. CONTINGENCIES**

In the Kolton, et al. v Frerichs case, the plaintiff is seeking compensation in connection with the State's alleged retention of interest on unclaimed property held in the form of money. The Office and Attorney General signed a Memorandum of Understanding on March 11, 2020. The parties are working on formalizing the settlement agreement. At this time, the financial impact of this case is not known.

The Office is involved in other lawsuits and legal proceedings. While the range of potential losses as a result of these lawsuits and other proceedings against the Office is unknown at this time, the Office believes the potential losses would be immaterial to the Fiscal Officer Responsibilities financial statements.

**NOTE I. COVID-19 IMPACT**

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) pandemic. As a result, economic uncertainties have arisen which could negatively impact the fair market value of investments held by the Office. Other financial implications could occur though potential impact is unknown at this time. No adjustments or provisions were made in these financial statements related to COVID-19.

**NOTE J. SUBSEQUENT EVENTS**

On October 27, 2020, the State of Illinois issued General Obligation Bonds, Series of October 2020 in the amount of \$850,000,000 maturing in 2025 through 2042 at interest rates of 1.90% to 5%.

On December 17, 2020, the State of Illinois issued State of Illinois General Obligation Notes, Series of December 2020 in the amount of \$2,000,000,000 maturing December 15, 2023 at an interest rate of 3.42%.

## **SUPPLEMENTARY INFORMATION**

**State of Illinois  
Office of the Treasurer**

**Fiscal Officer Responsibilities  
Assets and Other Debits – Detail  
June 30, 2020 and 2019**

	June 30, 2020 Bank Balances			June 30, 2019 Bank Balances		
	Collected	Float	Total	Collected	Float	Total
Demand Deposits						
Huntington Bank	\$ 42,561	\$ -	\$ 42,561	\$ 40,938	\$ -	\$ 40,938
Bank of America	33,686	-	33,686	289,515	-	289,515
JP Morgan Chase	191,723	542	192,265	113,752	-	113,752
Wells Fargo Bank	131,081	2,575,379	2,706,460	131,081	2,169,706	2,300,787
	<u>\$ 399,051</u>	<u>\$ 2,575,921</u>	2,974,972	<u>\$ 575,286</u>	<u>\$ 2,169,706</u>	2,744,992
Net Reconciling Items (e.g., Deposits-in-Transit and Outstanding Drafts)			<u>562,922,267</u>			<u>14,117,869</u>
Total Demand Deposits			<u>\$ 565,897,239</u>			<u>\$ 16,862,861</u>

Note - The total bank balances represent all funds recorded by the financial institution. This balance includes the float and collected amounts.  
The float balance represents funds credited to the ledger balance which were unavailable, subject to the clearing process.  
The collected balance represents available funds which have completed the clearing process.

**State of Illinois  
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**Fiscal Officer Responsibilities  
Assets and Other Debits – Detail (Continued)  
June 30, 2020 and 2019**

	June 30, 2020			June 30, 2019		
	Bank Balances			Bank Balances		
	Collected	Float	Total	Collected	Float	Total
Clearing Account Deposits and Deposits in Transit						
Huntington Bank	\$ 17,043	\$ -	\$ 17,043	\$ 10,726	\$ -	\$ 10,726
Bank of America	33,686	-	33,686	191,215	178,968	370,183
DuQuoin State Bank	42,354	-	42,354	85,611	6,514	92,125
JP Morgan	191,723	542	192,265	208,446	5,137	213,583
Fifth Third	-	-	-	22,110,610	42,622,586	64,733,196
Illinois National Bank	225,003	4,654,512	4,879,515	200,002	1,548,032	1,748,034
US Bank-Springfield	343,302	40,780	384,082	1,458,223	2,011,578	3,469,801
Wells Fargo Bank	131,081	2,575,379	2,706,460	-	-	-
	<u>\$ 984,192</u>	<u>\$ 7,271,213</u>	8,255,405	<u>\$ 24,264,833</u>	<u>\$ 46,372,815</u>	70,637,648
Net Reconciling Items (e.g., Deposits-in- Transit and Outstanding Drafts)			<u>47,296,051</u>			<u>(41,089)</u>
Total Clearing Account Deposits			<u>\$ 55,551,456</u>			<u>\$ 70,596,559</u>

Note - The total bank balances represent all funds recorded by the financial institution. This balance includes the float and collected amounts.  
The float balance represents funds credited to the ledger balance which were unavailable, subject to the clearing process.  
The collected balance represents available funds which have completed the clearing process.

**State of Illinois  
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**Fiscal Officer Responsibilities  
Assets and Other Debits – Detail (Continued)  
June 30, 2020 and 2019**

**Securities Lending Collateral**

The securities lending collateral represents investments made with cash collateral received for U.S. Agency Securities, U.S. Treasury Bills, U.S. Treasury Notes and U.S. Agency Discount Notes lent and any remaining cash collateral received but not yet invested. The cash collateral received on each loan will be returned for the same securities in the future.

	June 30	
	2020	2019
Securities Lending Collateral		
Invested in Repurchase Agreements	\$ 4,344,267,500	\$ 3,103,274,125

**Other Assets**

This classification includes other assets not available for investment and transactions in process. Details at June 30 follow:

	June 30	
	2020	2019
Warrants cashed, but not canceled	\$ 135,000	\$ 5,000
Receivables from Universities and Agencies for monies advanced	1,769,139	253,787
Receivable from City of Edwardsville	215,020	219,280
Investment income earned, but not received	42,066,658	63,362,128
Total Other Assets	\$ 44,185,817	\$ 63,840,195

**State of Illinois  
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**Fiscal Officer Responsibilities  
Assets and Other Debits – Detail (Continued)  
June 30, 2020 and 2019**

**Other Assets (Continued)**

The account balances of warrants cashed but not canceled and the receivable from universities and agencies represent cash expenditures from the State Treasury which were in the process of being recorded by the Comptroller at June 30, 2020 and 2019. The balances in these accounts will vary significantly from day to day, depending on the availability of investable funds and the timing of warrant presentation for payment.

The noninterest-bearing amount receivable from the City of Edwardsville (City) is stated as the unpaid balance of funds advanced to the City in 1967 for the planning and construction of a water main. The repayment terms require the City to pay into the State Treasury ten cents per one thousand gallons of water sold by the City to users receiving water from this main.

Repayments received for the years ended June 30, 2020 and 2019, were \$4,260 and \$5,516, respectively.

Investment income earned but not received represents accrued income on investments not yet matured or collected. The balance fluctuates based on market adjustments, total investments and investment maturity dates.

**Amount of Future General Revenue Obligated for Debt Service**

The following summary reflects the general revenue obligated for debt service:

	June 30	
	2020	2019
Certificates, Bonds and Coupons Maturing in Next Fiscal Year	\$ 4,432,069,144	\$ 3,095,106,859
Less - Balance on Deposit in State Treasury at Year End, for Certificate and Bond Redemption and Interest	(1,252,491,663)	(1,225,266,971)
Amount Obligated from Future General Revenue		
General Revenue - Next Fiscal Year	3,179,577,481	1,869,839,888
General Revenue - Thereafter	35,898,885,861	36,554,608,453
 Amount of Future General Revenue Obligated for Debt Service at Fiscal Year End	 \$ 39,078,463,342	 \$ 38,424,448,341



**State of Illinois  
Office of the Treasurer**

**Fiscal Officer Responsibilities  
Assets and Other Debits – Detail (Continued)  
June 30, 2020 and 2019**

**Amount of Future General Revenue Obligated for Debt Service (Continued)**

A summary of the changes during fiscal years 2020 and 2019, in the amount of future general revenue obligated for debt service is as follows:

	2020	2019
Balance at Beginning of Fiscal Year	\$ 38,424,448,341	\$ 41,757,902,408
Issuance of Certificates and Bonds	3,791,413,223	2,055,613,628
Bonds and Coupons Redeemed	(3,110,173,531)	(4,068,823,446)
Bonds and Coupons Refunded	-	(1,676,443,185)
Net Change in Balances on Deposit in State Treasury	(27,224,691)	356,198,936
Balance at End of Fiscal Year	\$ 39,078,463,342	\$ 38,424,448,341

The amount of future general revenue obligated for debt service reconciled with total indebtedness at June 30 is as follows:

	June 30	
	2020	2019
<u>General Obligation Bonds</u>		
Amount of future general revenue obligated for debt service	\$ 39,078,463,342	\$ 38,424,448,341
Balance on deposit in the State Treasury at June 30 for bond redemption and interest	1,252,491,663	1,225,266,971
Total indebtedness at June 30	\$ 40,330,955,005	\$ 39,649,715,312

The liability for general obligation indebtedness is the aggregate amount of all future principal and interest payments necessary to retire such outstanding debt. The balancing amount included in assets in the Statements of Assets and Other Debits, Liabilities and Accountabilities of the Office is equivalent to the amount to be derived from future general revenue for debt service. The proceeds of these certificate and bond issues are accounted for by other State agencies.

Under the Short Term Borrowing Act whenever casual deficits or failures in revenue of the State occur, monies borrowed are applied to the purpose for which they were obtained, or to pay the debts thus created, and to no other purpose. The interest and principal are paid by the Office out of the General Obligation Bond Retirement and Interest Fund. All monies borrowed shall be borrowed for no longer than one year.

The State is authorized to borrow up to 15% of the State's appropriations in a fiscal year to meet deficits caused by emergencies or failures of revenue of the State. All monies borrowed must be repaid within one year of issuance. On June 5, 2020, the State issued \$1.2 billion of General Obligation Certificates with a single maturity date and interest payment date on June 5, 2021. The Certificates were issued with an interest rate of 3.820% and repriced on August 27, 2020, reducing the interest rate to 3.360%, effective from the date of repricing to the maturity of the Certificates. The Certificates were issued to manage cash flow during the COVID-19 pandemic. The proceeds were deposited into the General Revenue Account, a sub-account of the General Revenue Fund.

**State of Illinois  
Office of the Treasurer**

**Fiscal Officer Responsibilities  
Liabilities and Accountabilities – Detail  
June 30, 2020 and 2019**

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**Liabilities for Balances on Deposit**

Protested Taxes: Substantially all of the \$85,913,587 and \$76,603,454 at June 30, 2020 and 2019, respectively, in the Protest Trust Fund has been enjoined by the courts pending the outcome of cases in process. By statute, a taxpayer making a tax payment "under protest" has 30 days to initiate a court suit and obtain an injunction. If not enjoined, the tax payments are transferred to the fund in the State Treasury that would have received the original deposit.

Available for Appropriation or Expenditure: This amount is the State of Illinois' balance at June 30 available to be appropriated by the General Assembly or expended by State agencies.

Agencies' Deposits Outside the State Treasury: The liability for agencies' deposits not under the statutory recordkeeping control of the Comptroller consists of:

	2020	2019
Treasurer's Clearing Account Balances	\$ 204,970,824	\$ 192,694,329
Treasurer's Clearing Account Drafts in Process of Being Ordered into the State Treasury	381,957,538	178,306,204
Deposits in Process of Being Ordered into the Treasurer's Clearing Accounts	469,032,919	494,271,655
Deposits in Demand Accounts in Process of Being Ordered into the State Treasury	697,302,217	60,923,219
Total Agency Deposits Outside the State Treasury	<u>\$ 1,753,263,498</u>	<u>\$ 926,195,407</u>

The Office's liability for agencies' deposits outside the State Treasury is composed principally of deposits of county and municipal retailers' occupation taxes and State income taxes awaiting designation of account distribution before being deposited in the State Treasury. Agencies' deposits outside the State Treasury consist principally of cash and short-term investments.

Comptroller's Warrants Outstanding: Warrants prepared by the Comptroller are recorded as outstanding upon countersignature by the Office. Warrants outstanding are reduced when paid warrants are returned to the Comptroller.

**Other Liabilities**

Obligations Under Securities Lending: This amount represents cash collateral received and invested in Repurchase Agreements for U.S. Treasury Bills, U.S. Treasury Notes, U.S. Agency Securities, and U.S. Agency Discount Notes lent that will be returned for the same securities in the future.

**General Obligation Indebtedness**

Refer to the "Amount of Future General Revenue Obligated for Debt Service" section of the "Supplementary Information – Assets and Other Debits – Detail" part of the report for information relating to outstanding general obligation indebtedness.

**Accountabilities**

Refer to the "Other Assets" section of the "Supplementary Information – Assets and Other Debits – Detail" part of the report for information relating to these accountabilities.

**State of Illinois  
Office of the Treasurer**

**Fiscal Officer Responsibilities  
Investment Income  
For the Years Ended June 30, 2020 and 2019**

Investment income earned by the Treasurer is summarized by fund as follows:

	2020	2019
General Revenue Fund	\$ 163,096,302	\$ 222,992,297
Other State funds	99,220,655	161,085,726
Segregated State trust funds	23,052,271	33,770,991
	\$ 285,369,228	\$ 417,849,014

An analysis of investment income earned, classified by fund, is shown below:

	2020	2019
<b>Funds Participating in Pooled Investments</b>		
General Revenue Fund	\$ 163,096,302	\$ 222,992,297
Aggregated Operations Regulatory Fund	6,856	11,019
Airport Land Loan Revolving Fund	1,944	2,898
Alternative Compliance Market Account Fund	2,174	6,324
Ambulance Revolving Loan Fund	2,587	1,270
AML Reclamation Set Aside Fund	1,221,445	1,202,483
Appraisal Admin Fund	25,239	32,730
Assisted Living and Shared Housing Regulatory Fund	32,037	49,947
Autism Research Checkoff Fund	88	123
Autoimmune Disease Research Fund	938	1,403
Bank & Trust Company Fund	325,246	506,006
Brownfields Redevelopment Fund	35,857	52,778
Budget Stabilization Fund	4,916	17,684
Build Illinois Bond Retirement and Interest Fund	308,375	403,983
Build Illinois Capital Revolving Loan Fund	41,093	64,057
Build Illinois Fund	427,357	683,258
Capital Project Fund	4,315,480	5,020,538
Care Provide Per W Dev. Dis. Fund	186,742	199,508
Cemetery Consumer Protection Fund	180	578
Cemetery Relief Fund	7,803	10,529
Charitable Trust Stabilization Fund	35,998	77,802
Chicago State University Ed Imp Fund	25,258	43,716
Child Abuse Prevention Fund	4	38
Clean Air Act (CAA) Permit Fund	191,836	221,512
Coal Mining Regulatory Fund	7,820	7,697
Common School Fund	994,055	3,010,089
Community College Health Insurance Security Fund	31,416	60,458
Community DD Services Medicaid Trust Fund	524,186	1,447,325
Community Mental Health Medical Trust Fund	769,302	1,306,528
Community Water Supply Laboratory Fund	15,296	28,937
Compassionate Use of Medical Cannabis Fund	192,724	438,489
Conservation Police Operations Assistance Fund	16,996	16,786

**State of Illinois  
Office of the Treasurer**

**Fiscal Officer Responsibilities  
Investment Income (Continued)  
For the Years Ended June 30, 2020 and 2019**

	2020	2019
Funds Participating in Pooled Investments (Continued)		
County Automobile Renting Tax Fund	\$ 1,034	\$ 1,146
County Hospital Services Fund	647,129	890,293
County Option Motor Fuel Tax Fund	88,051	131,449
County Water Commission Tax Fund	2,198	4,580
Credit Union Fund	49,278	64,633
Criminal Justice Trust Fund	245,595	299,093
Debt Settlement Consumer Protection Fund	7,314	10,915
Design Professionals Administration and Investigation Fund	29,084	44,296
DHS Community Services Fund	323,739	368,420
DHS Technology Initiative Fund	135,690	203,776
Diabetes Research Checkoff Fund	7,443	7,226
Drug Rebate Fund	1,056,791	2,877,605
Drycleaner Environmental Response Trust Fund	23,951	48,729
Early Intervention Services Fund	82,165	173,898
Electronics Recycling Fund	357	4,396
Environmental Laboratory Certification Fund	3,256	4,489
EPA Court Ordered Trust Fund	130	186
Explosive Regulatory Fund	5,781	10,059
Facilities Management Fund	119,289	287,224
Fair Share Trust Fund	1,141	3,399
Family Care Fund	8,116	11,245
Federal Asset Forfeiture Fund	18,876	7,978
Federal Home Investment Trust Fund	459	1,406
Federal Student Loan Fund	887,206	1,201,592
Federal Workforce Training Fund	1,390	4,408
Fire Truck Revolving Loan Fund	24,572	13,679
Fish and Wildlife Endowment Fund	50,907	73,782
Food and Drug Safety Fund	2,939	4,574
Gaining Early Awareness Fund	65,001	96,626
General Assembly Retirement Excess Benefits Fund	1,153	1,537
General Assembly Retirement Fund	66,827	110,563
General Obligation Bond Retirement and Interest Fund	22,494,033	44,022,617
General Professions Dedicated Fund	259,295	491,907
Grant Accountability & Transparency Fund	23,994	51,556
Group Home Loan Revolving Fund	3,152	1,148
Group Insurance Premium Fund	156,165	257,466
Group Workers Compensation Pool Fund	42,029	57,268
Hansen-Therkelsen Memorial Deaf Student College Fund	47	21,320
Health and Human Services Medicaid Trust Fund	309,739	359,049
Health Information Exchange Fund	6,195	9,234
Health Insurance Reserve Fund	1,148,987	2,132,919
Healthcare Providers Relief Fund	1,632,613	2,537,235
Hearing Instrument Dispenser Examining and Disciplinary Fund	2,133	1,364
Help Illinois Vote Fund	366,041	444,383

**State of Illinois  
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**Fiscal Officer Responsibilities  
Investment Income (Continued)  
For the Years Ended June 30, 2020 and 2019**

	2020	2019
Funds Participating in Pooled Investments (Continued)		
Home Inspector Administration Fund	\$ 20,952	\$ 26,379
Home Rule City Retailers' Occupation Tax Fund	1,706,984	3,161,865
Home Rule Municipal Retailers' Occupation Tax Fund	2,401,860	3,641,251
Home Services Medicaid Trust Fund	1,012,647	2,245,156
Hospital Licensure Fund	88,077	131,989
Hospital Provider Fund	4,030,232	5,450,164
Human Service Priority Cap Program Fund	14	51
Hunger Relief Fund	2,916	43
Illinois Affordable Housing Trust Fund	887,106	1,950,397
Illinois Beach Marina Fund	5,377	4,740
Illinois Clean Water Act Fund	276,985	310,036
Illinois Equity Fund	14,537	13,999
Illinois Farmer and Agri-Business Loan Guarantee Fund	164,268	244,160
Illinois Habitat Fund	168,992	250,490
Illinois Power Agency Trust Fund	687	1,311
Illinois State Dental Disciplinary Fund	85,903	111,561
Illinois State Medical Disciplinary Fund	443,737	1,035,129
Illinois State Pharmacy Disciplinary Fund	69,026	125,770
Illinois State Podiatric Disciplinary Fund	13,260	17,113
Illinois State Police Federal Projects Fund	4,701	7,351
Illinois State Police Operations Assistance Fund	204,095	369,308
Illinois Veteran's Assistance Fund	27,442	30,518
Injured Workers Benefit Fund	42,192	90,479
Innovations in Long-Term Care Quality Demonstration Grants Fund	122,876	121,157
Intercity Passenger Rail Fund	2,919	4,256
Interpreters for the Deaf Fund	12,218	17,671
Judges Retirement Excess Benefits Fund	21,905	28,512
Judges Retirement Fund	407,844	685,323
Juvenile Accountability Incentive Block Grant Fund	-	492
Kaskaskia Commons Permanent School Fund	-	4,220
Large Business Attraction Fund	6,680	10,617
Law Enforcement Camera Grant Fund	42,568	89,704
Local Government Health Insurance Reserve Fund	73,414	76,270
Long-Term Care Ombudsman Fund	58,229	80,398
Long-Term Care Provider Fund	395,350	689,077
Medicaid Buy-In Program Revolving Fund	24,848	37,420
Mental Health Reporting Fund	120,439	164,269
Metro East Mass Transit District Tax Fund	119,419	177,972
Metropolitan Pier and Exposition Authority Trust Fund	274,144	845,378
Money Follows the Person Budget Fund	102,095	165,664
Motor Vehicle Theft Prevention Fund	384,676	525,019
Multiple Sclerosis Research Fund	17,288	13,748
Municipal Automobile Renting Tax Fund	27,976	35,959
Non-Home Rule Municipal Retailer's Occupation Tax Fund	515,967	708,258
Nuclear Safety Emergency Preparedness Fund	165,597	274,575
Nursing Dedicated and Professional Fund	246,838	522,022
Off-highway Vehicle Trails Fund	34,501	61,665

**State of Illinois  
Office of the Treasurer**

**Fiscal Officer Responsibilities  
Investment Income (Continued)  
For the Years Ended June 30, 2020 and 2019**

	2020	2019
Funds Participating in Pooled Investments (Continued)		
Oil Spill Response Fund	\$ 2,088	\$ 2,831
Optometric Licensing and Disciplinary Committee Fund	22,579	35,213
Personal Property Tax Replacement Fund	2,054,332	2,975,909
Plugging and Restoration Fund	71,554	72,906
Prescription Pill and Drug Disposal Fund	7,890	9,734
Private Sewage Disposal Program Fund	5,420	7,293
Professional Services Fund	90,537	188,044
Professions Indirect Cost Fund	356,242	220,824
Public Agriculture Loan Guarantee Fund	209,473	311,345
Public Health Services Revolving Fund	96,179	159,621
Public Infrastructure Construction Loan Revolving Fund	17,791	26,441
Public Pension Regulation Fund	91,782	128,593
Quality of Life Endowment Fund	21,205	32,102
Radiation Protection Fund	109,619	138,990
Radioactive Waste Facility Development and Operation Fund	14,537	20,348
Rail Freight Loan Repayment Fund	15,729	39,894
Rate Adjustment Fund	138,452	195,391
Real Estate Audit Fund	4,185	6,214
Real Estate License Administration Fund	48,981	157,153
Real Estate Recovery Fund	33,696	50,634
Real Estate Research and Education Fund	13,948	16,352
Regional Transit Authority Sales Tax Trust Fund	2,911,008	4,740,560
Registered CPA Administration and Disciplinary Fund	84,468	127,097
Road Fund	6,816,027	12,333,689
Road Transportation A Fund	4,116,464	34,883
Salmon Fund	5,047	5,194
Savings and Residential Finance Regulatory Fund	92,312	190,571
Savings Institution Regulatory Fund	22,947	30,248
School Technology Revolving Loan Fund	45,615	32,866
Second Injury Fund	15,303	18,259
Securities Audit and Enforcement Fund	340,969	429,192
Self-Insurers Administration Fund	1,856	3,713
Self-Insurers Security Fund	351,611	562,720
Sexual Assault Service & Prevention Fund	8,620	11,586
Sheffield February 1982 Agreed Order Fund	54,068	81,970
Soil and Water Cons Dist Fund	5	13
Special Olympics Illinois and Special Children's Charities Fund	6,695	4,245
St. Jude Children Research Fund	11	100
State Assets Forfeiture Fund	39,824	76,776
State Construction Account Fund	8,687,476	16,100,885
State Employees Retirement Excess Benefits Fund	9,408	10,124
State Employees Retirement System Fund	3,370,338	4,712,457
State Employees' Deferred Compensation Plan Fund	69,409	91,102
State Furbearer Fund	10,808	12,784
State Migratory Waterfowl Stamp Fund	130,080	188,918
State Pheasant Fund	73,833	101,697

**State of Illinois  
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**Fiscal Officer Responsibilities  
Investment Income (Continued)  
For the Years Ended June 30, 2020 and 2019**

	2020	2019
Funds Participating in Pooled Investments (Continued)		
State Police Firearm Service Fund	\$ 153,317	\$ 126,534
State Police Law Enforcement Admin Fund	38,621	-
State Police Merit Board Public Safety Fund	60,887	111,004
State Rail Freight Loan Repayment Fund	73,274	130,004
State Small Business Credit Initiative Fund	672,807	1,099,199
State Treasurer Admin Fund	125,616	90,336
State Treasurer Court - Ordered Escrow (Harland vs. Sweet) Fund	11,837	17,599
Student Loan Operating Fund	1,231,603	1,764,675
Supreme Court Historic Preservation Fund	14,491	14,310
Tax Compliance and Admin Fund	345,668	802,683
Teachers' Health Insurance Security Fund	326,778	786,631
Teachers' Retirement Excess Benefits Fund	846,583	995,863
Teachers' Retirement System Fund	3,088,701	4,392,750
Ticket for the Cure Fund	56,025	68,452
TOMA Consumer Protection Fund	2,460	3,657
Underground Resource Conservation Enforcement Trust Fund	46,683	75,074
Underground Storage Tank Fund	1,574,336	2,875,892
University of Illinois Hospital Services Fund	102,876	310,699
Violent Crime Victims Assistance Fund	39,823	113,236
Water Pollution Control Revolving Fund	3,663,080	4,435,734
Wildlife and Fish Fund	615,570	822,063
Wildlife and Prairie Park Fund	588	1,045
Worker's Compensation Revolving Fund	436,295	506,200
Working Capital Revolving Loan Fund	-	8,538
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Total pooled investment income	\$ 262,316,956	\$ 384,078,023

**State of Illinois  
Office of the Treasurer**

**Fiscal Officer Responsibilities  
Investment Income (Continued)  
For the Years Ended June 30, 2020 and 2019**

	2020	2019
<b>Segregated Investments</b>		
Agrichemical Incident Response Trust Fund	\$ 54	\$ 77
Cannabis Business Development Fund	276,494	-
College Savings Pool Administration Fund	24,921	57,042
Deferred Lottery Prize Winners Trust Fund	29,472	54,068
Grant vs Dimas Trust Fund	25,014	563,771
Homeland Security Emergency Preparedness Trust Fund	71,252	135,072
IL ABLE Accounts Administration Fund	77	45
Illinois Habitat Endowment Trust Fund	198,104	279,479
Illinois Prepaid Tuition Trust Fund	121,659	153,684
IL Secure Choice Administrative Fund	20	2
IL Standardbred Breeders Fund	1,381	-
IL Thoroughbred Breeders Fund	1,774	-
Illinois State Toll Highway Revenue Fund	19,898,913	28,773,951
Local Government Aviation Trust Fund	9,073	-
Municipal Wireless Service Emergency Trust Fund	19,715	32,663
National Heritage Endowment Trust Fund	6,280	9,830
Radioactive Waste Facility Closure and Compensation Fund	33	50
Regulatory Trust Fund	3,129	3,975
St Metro-East Park & Rec Dist Fund	16,587	22,906
Title III Social Security and Employment Service Fund	1,407,257	1,984,353
Tobacco IPTIP Fund	887,757	1,603,279
Unemployment Compensation Special Administration Fund	53,306	96,744
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Total segregated investment income	23,052,272	33,770,991
	<hr/>	<hr/>
Total investment income	\$ 285,369,228	\$ 417,849,014



**State of Illinois  
Office of the Treasurer**

**Fiscal Officer Responsibilities  
Investment Income (Continued)  
For the Years Ended June 30, 2020 and 2019**

An analysis of investment income earned by funds participating in pooled investments is shown below by type of investment:

	2020	2019
The Illinois Funds	\$ 18,324,999	\$ 23,459,919
Time Deposits	4,282,954	3,578,882
Money Market Mutual Fund	13,307,859	17,068,888
Repurchase Agreements	17,234,389	19,215,314
Commercial Paper	78,583,163	87,254,018
Federal Farm Credit Bank Notes	6,454,698	8,700,451
State of Illinois Secondary Pool Investment Program	(9,752)	(12,817)
Federal National Mortgage Association	5,031,638	10,566,005
Foreign Investments	1,818,071	1,542,218
Federal Home Loan Mortgage Corporation	8,610,030	34,585,151
Federal Home Loan Bank Notes	8,350,371	12,213,620
Supranational Bonds	3,389,191	4,586,959
U.S. Treasury Bills	19,680,210	13,091,406
U.S. Treasury Notes	35,527,366	94,463,359
Illinois Technology Development	10,285,304	16,841,094
Federal Agriculture Mortgage Corporation	7,817,566	13,520,523
Municipal Bonds	5,322,914	4,917,609
Corporate Bonds	18,286,344	18,452,855
Illinois Insured Mortgage Pilot Program	19,641	32,569
	<u>19,641</u>	<u>32,569</u>
Total pooled investment income	<u>\$ 262,316,956</u>	<u>\$ 384,078,023</u>

**State of Illinois  
Office of the Treasurer**

**Fiscal Officer Responsibilities  
Administrative Responsibilities  
For the Years Ended June 30, 2020 and 2019**

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**Protest Trust Fund**

	2020	2019
Liability at Beginning of Year	\$ 76,603,454	\$ 81,935,473
Add		
Trust Receipts Collected by Other State Agencies	10,054,558	3,410,201
	86,658,012	85,345,674
Deduct		
Trust Disbursements for Refunds of Successfully Protested Tax Payments	343,908	5,246,070
Transfers to Other Funds	400,517	3,496,150
	744,425	8,742,220
Liability at End of Year	\$ 85,913,587	\$ 76,603,454

## **OTHER INFORMATION**

**State of Illinois  
Office of the Treasurer**

**Fiscal Officer Responsibilities  
Key Performance Measures and Other Information  
For the Years Ended June 30, 2020 and 2019  
(Unaudited)**

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**Key Performance Measures:**

- The Illinois Funds' net asset base (net position) at 6/30/20 was \$7,004,665,134.
- The Illinois Funds' earned net investment income of \$104.3 million during FY20.
  
- Funded 105 Cultivate IL Annual Agriculture Invest deposits totaling \$109,709,500.
- Funded 76 Cultivate IL Annual Agriculture Long Term Invest deposits totaling \$11,782,967.
- Funded 5 Community Invest – Opportunity Illinois deposits totaling \$13,250,000.
- Funded 1 Business Invest Community Uplift Program deposit totaling \$43,400.
- Funded 4 Community Uplift Program deposits totaling \$5,900,000.
- Funded 1 Community Invest Cannabis Program deposit totaling \$50,000,000.
- Funded 33 COVID-19 Relief Program deposits totaling \$132,182,000.
  
- Total number of warrants successfully issued, countersigned and recorded: 2,782,507.
- Total number of warrants successfully canceled, paid and recorded: 2,752,261.
- Total amount of warrants successfully issued, countersigned and recorded: \$97,097,506,868.
  
- Total amount of estate tax collections: \$299,967,498
- Total amount of estate tax refunds: \$12,685,779
  
- The investment portfolio earned \$285,369,228 during fiscal year 2020.
- Investments yielded approximately 1.70% throughout the current year.
- The average investment base increased approximately \$481,752,538 from the prior year.
  
- The value of the Illinois Technology Development I account at cost as of 6/30/20 was \$20,148,858.
- The value of the Illinois Technology Development I account at estimated fair value as of 6/30/20 was \$22,541,360. Fair values were estimated by the individual technology development accounts' fund managers not the Office or an independent third party.
- The value of the Illinois Technology Development II account at cost as of 6/30/20 was \$137,473,722.
- The value of the Illinois Technology Development II account at estimated fair value as of 6/30/20 was \$161,232,861. Fair values were estimated by the individual technology development accounts' fund managers not the Office or an independent third party.

**Other Information:**

**Inheritance and Estate Taxes**

The Office's Fiscal Officer Responsibilities include joint responsibility with the Attorney General of the State of Illinois (Attorney General) for the collection of inheritance and estate taxes assessed by the circuit courts and the Attorney General, respectively.

Public Act 97-732 went into effect July 1, 2012. As a result, all Illinois Estate and Inheritance taxes are paid directly to the Office by the estate rather than flowing through the county treasurers. Additionally, county treasurers no longer receive a monthly six percent estate tax distribution for collection services. Instead, six percent of all estate tax collections is deposited in the Estate Tax Refund Fund to be used exclusively for paying estate tax refunds.

Gross inheritance and estate tax receipts for the fiscal years ended June 30, 2020 and 2019, were \$299,967,498 and \$400,005,714, respectively.

The State Treasurer's Office did not receive any new monies to fund its new collection responsibilities.

**State of Illinois  
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**Fiscal Officer Responsibilities  
Key Performance Measures and Other Information  
For the Years Ended June 30, 2020 and 2019  
(Unaudited)**

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**Tobacco Settlement Recovery Fund**

Pursuant to Public Act 91-0646, the Office shall make deposits into the Tobacco Settlement Recovery Fund that shall contain deposits of all monies paid to the State for settlement proceeds and investment income. Pursuant to Public Act (Act) 96-0958, the Railsplitter Tobacco Settlement Authority (Authority) was established. The Act transferred the State's right to tobacco settlement proceeds to the Authority in exchange for the net proceeds of bonds and a right to the residual interest in tobacco settlement proceeds. On December 8, 2010, the Authority issued \$1.5 billion in bonds at an interest rate of 5.599%, with a maturity date of June 1, 2028. The following is a detail of the deposits into Fund Number 733:

	<u>2020</u>	<u>2019</u>
Tobacco Settlement Proceeds	\$ 125,782,149	\$ 135,051,144
Interest and Other Investment Income	<u>1,162,184</u>	<u>1,535,259</u>
Total Receipts and Deposits	<u>\$ 126,944,333</u>	<u>\$ 136,586,403</u>

**FISCAL OFFICER RESPONSIBILITIES  
INVESTMENT POLICY STATEMENT FOR THE STATE INVESTMENT PORTFOLIO  
(EFFECTIVE OCTOBER 2019 THROUGH JUNE 2020)  
(UNAUDITED)**

**State of Illinois  
Office of the Treasurer**

**Fiscal Officer Responsibilities  
Investment Policy Statement for the State Investment Portfolio  
(Effective October 2019 through June 2020)  
(Unaudited)**

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## **1.0 POLICY**

Under this instrument, the Office of the Illinois State Treasurer's Investment Policy Statement for the State Investments portfolio ("Policy"), it is the policy of the Office of the Illinois State Treasurer's Office ("Treasurer") to invest all moneys and securities deposited with the Treasurer (collectively, the "State Investments portfolio") in a manner that will provide safety to the principal investment, meet the State's daily cash flow demands, and seek the highest risk-adjusted investment return, using authorized instruments and supporting community development efforts, in accordance with all State statutes governing the investment of public funds.

This Policy applies to all investments of the State Investments portfolio entered into on or after the adoption of this instrument. Investments made prior to the adoption of this Policy will continue to be governed by the policy in effect at the time such investments were made, until the maturity or selling of such investments.

This Policy applies to any investment under the stewardship of the Treasurer for which no other specific investment policy exists.

## **2.0 INVESTMENT POLICY COMMITTEE**

The Treasurer affirms the existence of the Investment Policy Committee. The Investment Policy Committee shall be chaired by the Treasurer and include the following members of the Treasurer's staff: Deputy Treasurer & Chief Investment Officer, Chief of Staff, Chief Financial Products Officer, Chief Legislative and Policy Officer, General Counsel, Director of State Investments and Banking, Director of Investment Analysis and Due Diligence, Director of Fiscal Operations, Director of IPTIP Investments, Director of ePAY and The Illinois Funds, Director of Portfolio and Risk Analytics, Director of Corporate Engagement & Investment Operations, State Investments - Portfolio Management Officer and anyone else deemed appropriate by the Treasurer.

The Deputy Treasurer & Chief Investment Officer, who bears responsibility for the administration, planning, development, and implementation of all financial and investment strategies per the direction of the Treasurer, shall assist the Treasurer in executing the duties and activities of the Investment Policy Committee.

## **3.0 OBJECTIVE**

The primary objective in the investment of the State Investments portfolio is to ensure the safety of principal. In addition, it is the Treasurer's objective to manage liquidity for payment of the State's financial obligations and provide the highest investment return, using authorized instruments, while prudently exercising sustainable stewardship in its investment decision-making.

### **3.1 Safety**

The safety of principal is the foremost objective of the state's investments. State Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the portfolio. To achieve this objective, diversification, as defined in Section 9.0 of this Policy, and investment stewardship is required to ensure that the Treasurer prudently manages market, operational, reputational, financial, legal, sustainability, interest rate, and credit risks.

**State of Illinois  
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**Fiscal Officer Responsibilities  
Investment Policy Statement for the State Investment Portfolio  
(Effective October 2019 through June 2020)  
(Unaudited)**

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**3.2 Liquidity**

The State Investments portfolio shall remain sufficiently liquid to enable the State to meet all operating and cash flow requirements that might be reasonably projected.

**3.3 Return on Investment**

The State Investments portfolio shall be designed and constructed to obtain the highest available return, given the objectives of safety of principal and liquidity. The Director of State Investments and Banking or equivalent thereto shall seek to obtain the highest available return, using authorized investments during budgetary and economic cycles as mandated by Section 1.0 of this Policy. When the Treasurer deposits funds in support of community development efforts, the rate of return may include benefits other than direct investment earnings, as authorized by Section 7 of the Deposit of State Moneys Act (15 ILCS 520/7).

The rate of return achieved on the State Investments portfolio shall be measured at regular intervals against relevant industry benchmarks, established by the Investment Policy Committee, to determine the effectiveness of investment decisions in meeting investment goals. The benchmarks shall be reviewed a minimum of every two (2) years to ensure accuracy and relevance.

**3.4 Sustainability**

The Treasurer seeks to invest all funds under its control in a manner that provides the highest risk- adjusted investment return using authorized instruments. To achieve this objective, the Treasurer has a responsibility to recognize and evaluate risk factors that may have a material and relevant financial impact on the safety and/or performance of investments. Consistent with achieving the investment objectives set forth herein, the Treasurer and its agents shall prudently integrate sustainability factors into its investment decision-making, investment analysis, portfolio construction, risk management, due diligence and investment ownership in order to maximize anticipated financial returns, minimize projected risk, and more effectively execute its fiduciary duty.

The sustainability analysis adds an additional layer of rigor to the fundamental analytical approach and helps assess the reliability of future cash flows and debt repayments. Similar to financial accounting, sustainability accounting has both confirmatory and predictive value, thus, it can be used to evaluate past performance and be used for future planning and decision-making. As a complement to financial accounting, it provides a more complete view of an investment fund or portfolio company's performance on material factors likely to impact its long-term value.

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

- a) 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.
- b) 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.
- c) 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.



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**Fiscal Officer Responsibilities  
Investment Policy Statement for the State Investment Portfolio  
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- d) 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.
- e) 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.

The Treasurer shall develop policy guidelines to integrate material sustainability risks relevant to particular financial products, investment funds, companies, or government bodies, which shall be provided to internal and external investment managers to factor into their investment decision-making. The policy guidelines for integrating sustainability factors shall be reviewed and updated every two (2) years at a minimum to ensure consistency within the rapidly evolving global economy.

The State Investments portfolio's investment officers shall identify and select authorized investment options that meet the Treasurer's criteria for sustainable investing opportunities and risk parameters and fall within the framework of the investment objectives.

#### **4.0 ETHICS AND CONFLICTS OF INTEREST**

Authorized investment officers and employees in policy-making positions shall refrain from personal business activity that could (a) conflict, or give the appearance of a conflict, with proper execution of the investment program or (b) impair their ability to make impartial investment decisions. Such individuals shall disclose to the Treasurer any material and relevant financial interests, as determined by the Treasurer, in financial institutions that conduct business within the State, and they shall further disclose any personal financial investment positions that could be related to the performance of the State Investments portfolio. In addition, such individuals shall subordinate their personal investment transactions to those of the State Investments portfolio, particularly with regard to the time of purchases and sales.

#### **5.0 AUTHORIZED BROKERS/DEALERS AND FINANCIAL INSTITUTIONS**

The Treasurer shall maintain a list of approved financial institutions, which shall be utilized by authorized investment officers. Pursuant to 15 ILCS 505/30, the Treasurer shall review a financial institution's Community Reinvestment Act ("CRA") rating, record, and current level of financial commitment to the community prior to making a decision to utilize or determine the eligibility of such financial institutions. No State funds may be deposited in any financial institution unless the institution has a current satisfactory or outstanding rating under the Community Reinvestment Act of 1977. Exception to the CRA rating requirement may be granted, by the Deputy Treasurer, to financial institutions for participation in the Treasurer's Invest in Illinois-Community Development Linked Deposit and Access to Capital Programs. State funds may not be deposited in any financial institution unless the Treasurer's investment officers have conducted a safety and soundness review of the financial institution by consulting various bank rating services. If the financial institution has not yet been rated by the bank rating services, the institution may be eligible for a deposit that at maturity will not exceed \$250,000. The amount and duration of deposits shall be based on the safety and soundness review, in accordance with guidelines established by the Investment Policy Committee, and the diversification limits set forth in Section 9.0 of this Policy. No public deposit may be made, except in a qualified public depository, as defined by the Deposit of State Moneys Act (15 ILCS 520/et seq.).

The Treasurer shall maintain a list of approved security brokers/dealers, which shall be utilized by authorized investment officers. The security brokers/dealers shall be selected according to their creditworthiness and their financial significance in the State, which shall be measured in terms of the location of the broker/dealer's corporate office, the number of full-time employees, the size of its payroll, or the extent that the broker/dealer

**State of Illinois  
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**Fiscal Officer Responsibilities  
Investment Policy Statement for the State Investment Portfolio  
(Effective October 2019 through June 2020)  
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has an economic presence in the State. The list may include "primary" dealers or regional dealers who qualify under Securities and Exchange Commission Rule 17 CFR § 15Cc3-1 (Net Capital Requirements for Brokers or Dealers).

All broker/dealers who wish to qualify to bid for investment transactions shall initially, and on a periodic basis upon request, provide to the Treasurer's credit review staff documentation pertinent to firm's financial condition, ownership status, registration with applicable government agencies, and any other documentation deemed necessary by the Treasurer. An annual review of the financial condition and registration of qualified bidders will be conducted by the Treasurer's authorized investment officer(s). More frequent reviews may be conducted if warranted.

### **5.1 External Investment Consultants**

To the extent that the Investment Policy Committee deems it advisable to hire external investment consultants, it may do so in accordance with the Treasurer's procurement rules at 44 Ill. Admin. Code § 1400.

### **5.2 Preference for Broker/Dealers Owned by Minorities, Women, Military Veterans, and Persons with Disabilities**

Pursuant to 15 ILCS 505/30, it shall be the aspirational goal of the Treasurer to use businesses owned by or under the control of qualified veterans of the armed forces of the United States, qualified service-disabled veterans, minority persons, women, or persons with a disability for not less than 25% of the total dollar of purchases of investment securities, including, but not limited to, the use of broker/dealers. Beginning with fiscal year 2019, and at least annually thereafter, the Treasurer shall measure and report its utilization of broker/dealers owned or under the control of qualified veterans of the armed forces of the United States, qualified service-disabled veterans, minority persons, women, or persons with a disability. The report shall be published on the Treasurer's official website at least annually.

The terms "minority person", "woman", "person with a disability", "minority-owned business", "women-owned business", "business owned by a person with a disability", and "control" have the meanings provided in Section 1 of the Business Enterprise for Minorities, Women, and Persons with Disabilities Act (30 ILCS 575). The terms "veteran", "qualified veteran-owned small business", "qualified service-disabled veteran-owned small business", "qualified service-disabled veteran", and "armed forces of the United States" have the meanings provided in Article 1 of the Illinois Procurement Code (30 ILCS 500).

To the greatest extent feasible within the bounds of financial and fiduciary prudence, it is the policy of the Treasurer to remove any barriers to the full participation in investment transactions afforded via the investment program by actively identifying and considering for hire brokers/dealers that provide proof of minority-, female-, disabled-, and/or veteran-owned or -managed status. The Treasurer shall establish a process by which said specially claimed statuses are verified, and a review shall be conducted at fixed intervals to ensure that special statuses continue to apply.

### **5.3 Preference for Broker/Dealers Headquartered in Illinois**

The Treasurer shall seek to provide preference to qualified brokers/dealers that provide proof that their corporate headquarters is located in the State of Illinois. In doing so, the Treasurer shall establish a process to verify the location of broker/dealers' corporate headquarters, and a review shall be conducted at fixed intervals to ensure that the Illinois-based location continues to apply.

Beginning with fiscal year 2019, and at least annually thereafter, the Treasurer shall measure and report its utilization of broker/dealers with headquarters located in the State of Illinois. The report shall be published on the Treasurer's official website at least annually.

**State of Illinois  
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**Fiscal Officer Responsibilities  
Investment Policy Statement for the State Investment Portfolio  
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**6.0 AUTHORIZED AND SUITABLE INVESTMENTS**

The following investments are authorized pursuant, subject to the Deposit of State Moneys Act (15 ILCS 520/22.5) and the Public Funds Investment Act (30 ILCS 235/2):

- a) Federally guaranteed obligations that receive the full faith and credit of the United States of America ("United States") as to principal and interest;
- b) Obligations of agencies of the United States, as originally issued by the agencies. For purposes of this Section, the term "agencies of the United States" includes the following: federal land banks, federal intermediate credit banks, banks for cooperative, federal farm credit banks or any other entity authorized to issue debt obligations under the Farm Credit Act of 1971 and Acts amendatory thereto, the federal home loan banks and the federal home loan mortgage corporation, and any other agency created or supported through an Act of Congress and issues United States dollar-denominated debt;
- c) Obligations of instrumentalities of the United States, as originally issued by the instrumentalities. For the purposes of this section, the term "instrumentalities of the United States" is an instrumentality created or supported through an Act of Congress and issues United States dollar-denominated debt;
- d) Obligations of a foreign government that are guaranteed by the full faith and credit of that government as to principal and interest and rated at one (1) of the three (3) highest classifications established by at least two (2) standard rating services, (upper medium grade for the long-term rating of A- and above or equivalent), and only if the foreign government has not defaulted and has met its payment obligations in a timely manner on all similar obligations for at least 25 years prior to the time of acquiring those obligations;
- e) Interest-bearing bonds, issued by counties or municipal corporations of the State of Illinois, whether the interest earned thereon is taxable or tax-exempt under federal law. The bonds shall be registered in the name of the State of Illinois or held under a custodial agreement at a financial institution. The bonds shall be rated at the time of purchase at one (1) of the three (3) highest classifications established by at least one (1) standard rating service with nationally recognized expertise in rating bonds of states and their political subdivisions, (upper medium grade for the long-term rating of A- and above or equivalent). The maturity or pre-refunded date(s) of the bonds authorized by this subsection shall, at the time of purchase, not exceed ten (10) years. Notwithstanding the foregoing, a longer maturity is authorized, if the State of Illinois has a put option to tender the bonds within ten (10) years from the date of purchase;
- f) Repurchase agreements of government securities having the meaning set out in the Government Securities Act of 1986 (1 U.S.C. § 78o-5);
- g) Commercial paper of a corporation or a limited liability company that is organized in the United States with assets exceeding \$500,000,000 and is rated at the time of purchase at one (1) of the two (2) highest classifications established by at least two (2) standard rating services (short-term rating of A-2 and above or equivalent);
- h) Obligations of either corporations or limited liability companies organized in the United States that have a significant presence in the State of Illinois, with assets exceeding \$500,000,000, and rated at the time of purchase at one (1) of the three (3) highest classifications established by at least two (2) standard rating services, (upper medium grade for the long-term rating of A- and above or equivalent). At the time of purchase, the maturity or pre-refunded date(s) shall not be less than 270 days and shall not exceed ten (10) years;
- i) Money market mutual funds registered under the Investment Company Act of 1940;

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**Fiscal Officer Responsibilities  
Investment Policy Statement for the State Investment Portfolio  
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- j) Securities may be lent under this Policy only in accordance with Federal Financial Institution Examination Council guideline and only if the securities are collateralized at a satisfactory level to assure the safety of the securities, taking into account market value fluctuation. The securities may be collateralized by cash or collateral acceptable under Sections 11 and 11.1 of the Deposit of State Moneys Act. Securities lending cash collateral may be invested according to the Securities Lending Agreement between the Treasurer and the Treasurer's Agent;
- k) 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 (205 ILCS 5/1 et seq.);
- l) Interest-bearing accounts for the deposit of funds in support of local community development efforts;
- m) Dividend-bearing share accounts, share certificate accounts, or class of share accounts of a credit union chartered under the laws of the State of Illinois or the United States that maintains its principal office in the State of Illinois;
- n) The Illinois Public Treasurers Investment Pool, created under Section 17 of the State Treasurer Act (15 ILCS 505/17); and
- o) Investments made in accordance with the Technology Development Act (30 ILCS 265/1 et seq.).

### **6.1 Private Debt Placement**

The Treasurer may invest any State money in the Treasury, excluding specific funds noted in the Deposit of State Moneys Act (15 ILCS 520/22/5), with the Office of the Illinois State Comptroller in order to pay vouchers, when the total amount of vouchers presented exceeds the funds available in the General Revenue Fund by \$1,000,000,000 or more. The total outstanding investments, at any given time, shall not exceed \$2,000,000,000.

The interest rate will be tied to the London Interbank Offered Rate (LIBOR) or the Federal Funds Rate or an equivalent market established variable rate. At no time shall the interest rate exceed the penalty rate established under the State Prompt Payment Act or the timely pay interest rate under Section 368a of the Illinois Insurance Code.

The Treasurer and Comptroller will mutually agree upon the funds in the Treasury that will be utilized for the investment(s).

The Treasurer and Comptroller shall enter into a written agreement that specifies the terms of each investment, including, but not limited to, the repayment of the principal and interest. The terms of each investment will be posted to the Treasurer's official website.

### **6.2 Administrative Trust Funds**

Pursuant to the Deposit of State Moneys Act (15 ILCS 520/), the Treasurer may invest or reinvest up to 5% of the College Savings Pool Administrative Trust Fund, the Illinois Public Treasurer's Investment Pool (IPTIP) Administrative Trust Fund and the State Treasurer's Administrative Fund that is not needed for current expenditures due or about to become due in common or preferred stocks of publicly traded corporations, partnerships, or limited liability companies organized in the United States, with assets exceeding \$500,000,000 if:

- a) The purchases do not exceed 1% of the corporation's or the limited liability company's outstanding

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common and preferred stock.

- b) No more than 10% of the total funds are invested in any one publicly traded corporation, partnership, or limited liability company.
- c) The corporation of the limited liability company has not been placed on the list of restricted companies by the Illinois Investment Policy Board under Section 1-110.16 of the Illinois Pension Code.

## **7.0 INVESTMENT RESTRICTIONS**

The following investment restrictions apply to the State Investments portfolio:

- a) Any investments not authorized by this or any other investment policy or applicable law are prohibited;
- b) Repurchase agreements may only be executed with approved financial institutions or broker/dealers that meet the Treasurer's standards, which include mutual execution of a Master Repurchase Agreement adopted by the Treasurer;
- c) Investments in derivative products and leveraging of assets through reverse repurchase agreements are prohibited;
- d) All qualified repurchase agreement dealers, commercial paper issuers and corporate bond issuers must have a corporate headquarters, corporate office, or operating location in the State of Illinois and that location must retain full-time staff employed within the State of Illinois or the dealer must have a significant economic presence in the State of Illinois as determined by the Treasurer;
- e) Commercial paper with a credit rating or evaluation that is derived from any factor other than the full faith and credit of the issuing institution and/or the guarantee of the parent company is prohibited;
- f) Obligations may not be purchased from a corporation or limited liability company that has been placed on the list of restricted companies by the Illinois Investment Policy Board under Section 1-110.16 of the Illinois Pension Code (40 ILCS 5);
- g) Asset-backed securities and mortgage-backed securities of any kind is prohibited; and
- h) Investments may not be made in any savings and loan association unless a commitment by the savings and loan association, executed by the president or chief executive officer of that association, is submitted in the form required by Section 22.5 of the Deposit of State Moneys Act (15 ILCS 520/22.5).

## **8.0 COLLATERALIZATION**

The following shall apply:

- a) All State deposits, repurchase agreements, and securities lending shall be secured as required by the Treasurer and provided for by the Deposit of State Moneys Act (15 ILCS 520) and the Treasurer's Acceptable Collateral Listing, which may change from time to time. The Treasurer may take possession and title to any securities held as collateral and hold such securities until it is prudent to dispose of them.
- b) Securities lending cash or securities collateral shall have the meaning set forth in the Securities Lending Agreement between the Treasurer and a financial institution ("Treasurer's Agent"). The

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Treasurer's Agent may reinvest cash collateral as indicated in the Securities Lending Agreement. The Treasurer or Treasurer's Agent may take possession and title to any cash or securities held as collateral and hold such securities according to the Securities Lending Agreement.

## **9.0 DIVERSIFICATION**

The State Investments portfolio shall be diversified to mitigate the risk of loss resulting from concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. In order to properly manage any risk attendant to the investment of State assets, the State Investments portfolio shall not deviate from the following diversification guidelines, unless specifically authorized by the Treasurer in writing:

- a) The Treasurer shall seek to achieve diversification in the State Investments portfolio by distributing investments among authorized investment categories among financial institutions, issuers and broker/dealers.
- b) The State Investments portfolio shall not hold time deposits that constitute more than 10% of any single financial institution's total deposits.
- c) No financial institution shall at any time hold more than \$100,000,000 of time deposits other than community development deposits, described in Section 7 of the Deposit of State Moneys Act (15 ILCS 520/7). Provided, however, that financial institutions that, as a result of a merger or acquisition, hold deposits that exceed \$100,000,000.00 may continue to be eligible to hold deposits that do not exceed the amount of deposits held on the date of the merger or acquisition.
- d) The State Investments portfolio shall not contain investments that exceed the following diversification limits. These limits will apply to the total assets in the State Investments portfolio at the time of the origination or purchase. As maturities and or calls of instruments occur, these limits will be monitored and adjusted accordingly:
  - i. With the exception of cash equivalents, treasury securities and time deposits, as defined in Section 6.0 of this Policy, no more than 55% of the State Investments portfolio shall be invested in other investment categories;
  - ii. No more than one-third of the State Investments portfolio shall be invested in commercial paper;
  - iii. No more than 25% of the money market fund asset class may be placed with one money market fund investment option and the State Investments portfolio cannot be invested in more than 10% of each money market fund (including all share classes) at a given time;
  - iv. As much as 40% of the State Investments portfolio may be invested in time deposits when required by the cash flow of the State;
  - v. No more than ½ of 1% of the State Investments portfolio shall be invested in foreign government securities, not to exceed a five (5) year maturity, as defined in Section 6.0(l) of this Policy;
  - vi. No more than 55% of the State Investments portfolio shall be allocated to investments greater than two (2) years and less than or equal to three (3) years;
  - vii. No more than 30% of the State Investments portfolio shall be allocated to investments greater than three (3) years and less than or equal to four (4) years, not including foreign government securities;

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- viii. No more than 15% of the State Investments portfolio shall be allocated to investments greater than four (4) years and less than or equal to five (5) years;
  - ix. No more than 10% of the State Investments portfolio shall be allocated to investments greater than five (5) years and no less than or equal to ten (10) years;
  - x. There shall be no limit to the percentage of the State Investments portfolio that may be allocated to investments with a 0- to 2-year maturity band; and
  - xi. No more than one-third of the State Investments portfolio shall be invested in obligations of corporations or limited liability companies as defined by Section 6.0(p) of this Policy.
- e) The investment portfolio shall not hold obligations of corporations or limited liability companies that exceed 10% of the corporation's or the limited liability company's outstanding obligations.

#### **10.0 CUSTODY AND SAFEKEEPING**

The custody and safekeeping of collateral will be handled by Illinois financial institutions selected in compliance with the Treasurer's procurement rules at 44 Ill. Adm. Code 1400. Financial institutions selected by the Treasurer to perform custody and safekeeping services will be required to enter into a contractual agreement approved by the General Counsel.

All security transactions entered into by the Treasurer shall be conducted on a delivery-versus- payment ("DVP") or receipt-versus-payment ("RVP") basis. Securities shall be held by a safekeeping agent designated by the Treasurer and evidenced by safekeeping receipts or a statement of holdings.

#### **11.0 INTERNAL CONTROLS**

The Treasurer and the Chief Investment Officer, with the assistance of the Investment Policy Committee, shall establish a system of internal controls and written operational procedures that shall be documented and filed with the Treasurer's Chief Internal Auditor for review. The controls shall be designed to prevent the loss of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by authorized investment officers.

- a) **Asset Allocation:** The allocation of assets within investment categories authorized under Section 6.0 of this Policy shall be approved by the Chief Investment Officer in writing.
- b) **Competitive Bidding:** 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. Reverse inquiry investments, investments in a new issue, and investments defined under Sections 6(a)-(b) of this Policy purchased from the agency discount window are exempt from this provision.
- c) **Certificates of Deposit:** Authorized investment officers shall purchase certificates of deposit on the basis of a qualified financial institution's ability to pay a required rate of interest to the Treasurer, which is established daily. Such rate is generally determined on the basis of treasury or other appropriate market rates for a comparable term.

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## **12.0 LIMITATION OF LIABILITY**

The standard of care to be used by authorized investment officers shall be the "prudent person" standard, which 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 deviations from expectations are reported in a timely manner and necessary action is taken to control adverse developments.

## **13.0 REPORTING**

Monthly reports shall be presented by the Chief Investment Officer to the Investment Policy Committee for its review. The monthly report shall contain sufficient information to enable the Investment Policy Committee to review the investment portfolio, its effectiveness in meeting the needs of the Treasurer for safety, liquidity, rate of return, and diversification, and the general performance of the State Investments portfolio. The following information shall be included in the monthly reports:

- a) The total amount of funds held by the Treasurer;
- b) The asset allocation for the investments made by the Treasurer;
- c) The benchmarks established by the Treasurer;
- d) The current and historic return information;
- e) Any circumstances resulting in a deviation from the standards established in Section 9.0 of this Policy; and
- f) Impact of any material change in investment policy adopted during the month.

The Treasurer shall develop performance reports in compliance with established industry reporting standards within six (6) months following the adoption of this Policy. Such reporting standards shall be in accordance with Generally Accepted Accounting Principles ("GAAP").

## **14.0 EXTERNAL ADVISORY COMMITTEE**

The Investment Policy Committee may convene an External Advisory Committee at the direction of the Treasurer to provide independent advice and counsel to the Investment Policy Committee on investment policy, investments, and investment related issues for the benefit of all Illinois citizens.

## **15.0 EMERGENCY POWERS**

In the event of an emergency, the Treasurer may, at his or her discretion, invoke emergency powers and suspend any or all of the provisions of this Policy, provided that:

- a) The Treasurer shall, even in the event that emergency powers are invoked, comply with all State statutes governing the use and investment of the State Investments portfolio including, but not limited to, the State Treasurer Act, the Treasurer as Custodian of Funds Act, the Deposit of State Moneys Act, the Securities Safekeeping Act, and any other applicable statute;
- b) The Treasurer reasonably believes that deviating from this Policy is in the best interest of the taxpayers; and
- c) Within thirty (30) days of invoking emergency powers the Treasurer shall provide an explanation in



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writing to the Chief Internal Auditor and the Investment Policy Committee, a copy of which shall be posted on the Treasurer's website that includes the following:

- i. The date and time that the emergency powers were invoked;
- ii. The date and time that emergency powers were repealed;
- iii. The Section or Sections of this Policy that were affected by the emergency or use of emergency powers; and
- iv. The reason for invoking emergency powers resulting in the deviation from this Policy.

**16.0 STATUTORY REFERENCES**

Any statutory references in this policy shall include any amendments to or repeals of those statutes.

**17.0 AMENDMENTS**

The Treasurer reserves the right to amend this Policy at any time.

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**Appendix A**

**Investment Policy Statement for the State Investments Portfolio's Externally Managed  
Municipal Securities**

**1.0 POLICY**

Under this instrument, the Illinois State Treasurer's Investment Policy for Externally Managed Municipal Securities ("Policy"), it is the policy of the Illinois State Treasurer's Office ("Treasurer") to invest all funds under its control in a manner that provides the highest risk-adjusted investment return, using authorized instruments.

This Policy applies to all investments entered into by any of the Treasurer's external managers of municipal securities on or after the adoption of this Policy.

**2.0 OBJECTIVE**

The primary objective in the investment of State funds by any external manager of municipal securities is to ensure the safety of principal and provide the highest risk-adjusted investment return, using authorized instruments.

**2.1 Safety**

The safety of principal is an objective of the investment program. Investments managed externally on behalf of the Treasurer shall be undertaken in a manner that seeks to ensure the preservation of capital in the portfolio. To achieve this objective, diversification, as defined in Section 7.0 of this Policy, is required to ensure that the Treasurer prudently manages market, operational, reputational, financial, legal, sustainability, interest rate and credit risks.

**2.2 Return on Investment**

The investment portfolio shall be designed and constructed to obtain the highest available return, given the safety of principal objective. The external manager shall seek to obtain the highest available return, using the authorized investments set forth in Section 5.0 of this Policy.

The rate of return achieved on the externally managed funds shall be measured at regular intervals against the Bloomberg Barclays Intermediate US Treasury Index, or other indexes mutually agreed upon by the Treasurer and external manager, to determine the effectiveness of investment decisions in meeting the Treasurer's investment goals. The benchmark shall be reviewed annually by the Treasurer to ensure accuracy and relevance.

**2.3 Sustainability**

The Treasurer seeks to invest all funds under its control in a manner that provides the highest risk-adjusted investment return using authorized instruments. To achieve this objective, the Treasurer has a responsibility to recognize and evaluate risk factors that may have a material and relevant financial impact on the safety and/or performance of investments. Consistent with achieving the investment objectives set forth herein, the Treasurer and its agents shall prudently integrate sustainability factors into its investment decision-making, investment analysis, portfolio construction, risk management, due diligence and investment ownership in order to maximize anticipated financial returns, minimize projected risk, and more effectively execute its fiduciary duty.

The sustainability analysis adds an additional layer of rigor to the fundamental analytical approach and helps assess the reliability of future cash flows and debt repayments. Similar to financial accounting, sustainability

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accounting has both confirmatory and predictive value, thus, it can be used to evaluate past performance and be used for future planning and decision-making. As a complement to financial accounting, it provides a more complete view of an investment fund or portfolio company's performance on material factors likely to impact its long-term value.

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

- a) 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.
- b) 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.
- c) 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.
- d) 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.
- e) 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.

The Treasurer shall develop policy guidelines to integrate material sustainability risks relevant to particular financial products, investment funds, companies, or government bodies, which shall be provided to internal and external investment managers to factor into their investment decision-making. The policy guidelines for integrating sustainability factors shall be reviewed and updated every two (2) years at a minimum to ensure consistency within the rapidly evolving global economy.

The State Investments portfolio's investment officers shall identify and select authorized investment options that meet the Treasurer's criteria for sustainable investing opportunities and risk parameters and fall within the framework of the investment objectives.

### **3.0 ETHICS AND CONFLICTS OF INTEREST**

External managing firm employees making investment decisions on behalf of the Treasurer shall refrain from personal business activity that could conflict or give the appearance of a conflict with this Policy or impair their ability to make impartial investment decisions. Any individuals with such a conflict or impairment shall disclose to the Treasurer any material conflicts of interest or impairment. If permitted by the Treasurer to proceed, such individuals shall subordinate their personal investment transactions to those of the investment portfolio, particularly with regard to the time of purchases and sales.

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#### **4.0 BROKERS/DEALERS**

The external manager, on behalf of the Treasurer, shall seek to provide a preference to qualified brokers/dealers that provide proof of minority-, female-, disabled-, and/or military veteran-owned or -managed status and brokers/dealers that provide proof that their corporate headquarters are located in the State of Illinois.

#### **5.0 INVESTMENT PARAMETERS**

The Treasurer has authorized the purchase of municipal securities, subject to the provisions of the Deposit of State Moneys Act (15 ILCS 520/1 *et seq.*), the Public Funds Investment Act (30 ILCS 235/1 *et seq.*), and the following:

- a) Municipal securities (“securities”) must be issued by any counties or municipal corporations of the State of Illinois;
- b) Securities must be interest-bearing;
- c) At a maximum, securities must have a maturity or pre-refunded date of ten (10) years from the time of purchase;
- d) Securities shall be rated within three (3) intermediate credit ratings of United States’ sovereign credit rating but not less than an A-, or an equivalent rating by at least one (1) accredited rating agency with nationally recognized expertise in rating bonds of states and their political subdivisions (“Rating Agency”), at the time of purchase;
- e) If the securities are credit enhanced with bond insurance policies, the external manager will apply the securities’ underlying credit ratings or bond insurer’ credit rating, whichever is greater. There will be no limit on the percentage of credit enhanced bonds with an underlying issuer rating not less than A-, or its equivalent by a Rating Agency, in the externally managed portfolio. For securities with credit enhancements with an underlying issuer rating below A-, or its equivalent by a Rating Agency, the external manager will not hold more than 10% of securities guaranteed by a single bond insurer in the externally managed portfolio. Bond insurance policies issued by the following companies are permissible, or other bond insurance policies mutually agreed upon by the Treasurer and external manager:
  - i. Assured Guaranty Municipal Corporation;
  - ii. Assured Guaranty Corporation;
  - iii. Build America Mutual; and
  - iv. National Public Finance Guarantee.
- f) Should a security be downgraded below A3/A-, the external managers will provide written notification to the Treasurer in order to determine the appropriate action (sell or hold) based on the perceived risk and expected return.

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## **6.0 INVESTMENT RESTRICTIONS**

The Treasurer's external investment managers may not invest in the following types of investments:

- a) Any investments not authorized by this Policy, any other investment policy of the Treasurer, or applicable law are prohibited; or
- b) Any investments prohibited by Section 22.6 of the Deposit of State Monies Act.

## **7.0 DIVERSIFICATION**

The externally managed municipal securities shall be diversified to mitigate the risk of loss resulting from concentration of assets in a specific maturity or a specific issuer. In order to properly manage any risk attendant to the investment of State assets, the external managers shall not deviate from the following diversification guidelines unless specifically authorized by the Treasurer in writing:

- a) The Treasurer's external managers shall seek to achieve diversification in the portfolio by distributing investments among issuers and broker/dealers; and
- b) The externally managed municipal securities shall not contain investments that exceed the lesser of 25% of an issuance or \$5,000,000.00.

## **8.0 INTERNAL CONTROLS**

The Treasurer's external managers shall establish a system of internal controls and written operational procedures and share them with the Treasurer. The controls shall be designed to prevent the loss of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by authorized investment officers.

## **9.0 DUE DILIGENCE**

The Treasurer's external managers will perform due diligence, including, but not limited to, research and financial analysis of municipal securities and legal compliance with federal and State laws, rules, and regulations, and the Treasurer's investment policies.

## **10.0 RISK MANAGEMENT**

The Treasurer's external managers will establish risk management protocols to mitigate risk, including but not limited to, credit risks, liquidity risks, market risks, operational risks, reputational risks, and legal risks for the Treasurer.

## **11.0 LIMITATION OF LIABILITY**

External managing firm employees making investment decisions on behalf of the Treasurer shall use the "prudent person" standard, which shall be applied in the context of managing an overall municipal securities portfolio. Such individuals who act in accordance with this Policy and exercise due diligence will be relieved of personal liability for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely manner and necessary action is taken to control adverse developments.

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**12.0 REPORTING**

The external investment manager shall present monthly reports to the Treasurer for review. The monthly reports shall contain sufficient information for the Treasurer to evaluate the investment portfolio; its effectiveness in meeting the Treasurer's standards for safety, liquidity, rate of return, and diversification; and the general performance of the portfolio. At a minimum, the following information shall be included in the monthly reports:

- a) Change in market value of the securities;
- b) Rating changes of the securities;
- c) Portfolio performance and characteristics;
- d) Benchmark comparison;
- e) Portfolio transaction detail and holdings, including any supporting research documentation; and
- f) Listing of all securities held with a rating less than A-, or equivalent, with supporting research documentation.

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**Appendix B**

**Investment Policy Statement for the State Investments  
Portfolio's Externally Managed Corporate Securities**

**1.0 POLICY**

Under this instrument, the Illinois State Treasurer's Investment Policy for Externally Managed Corporate Securities ("Policy"), it is the policy of the Illinois State Treasurer's Office ("Treasurer") to invest all funds under its control in a manner that provides the highest risk-adjusted investment return, using authorized instruments.

This Policy applies to all investments entered into by any of the Treasurer's external managers of corporate securities on or after the adoption of this Policy.

**2.0 OBJECTIVE**

The primary objective in the investment of State funds by any external manager of corporate securities is to ensure the safety of principal and provide the highest risk-adjusted investment return, using authorized instruments.

**2.1 Safety**

The safety of principal is an objective of the investment program. Investments managed externally on behalf of the Treasurer shall be undertaken in a manner that seeks to ensure the preservation of capital in the portfolio. To achieve this objective, diversification, as defined in Section 7.0 of this Policy, is required to ensure that the Treasurer prudently manages market, operational, reputational, financial, legal, sustainability, interest rate, and credit risks.

**2.2 Return on Investment**

The investment portfolio shall be designed and constructed to obtain the highest available return, given the safety of principal objective. The external manager shall seek to obtain the highest available return, using the authorized investments set forth in Section 5.0 of this Policy.

The rate of return achieved on the externally managed funds shall be measured at regular intervals against the Bloomberg Barclay's U.S. Corporate A+ 1-3 Index, or other indexes mutually agreed upon by the Treasurer and external manager, to determine the effectiveness of investment decisions in meeting the Treasurer's investment goals. The benchmark shall be reviewed annually by the Treasurer to ensure accuracy and relevance.

**2.3 Sustainability**

The Treasurer seeks to invest all funds under its control in a manner that provides the highest risk-adjusted investment return using authorized instruments. To achieve this objective, the Treasurer has a responsibility to recognize and evaluate risk factors that may have a material and relevant financial impact on the safety and/or performance of investments. Consistent with achieving the investment objectives set forth herein, the Treasurer and its agents shall prudently integrate sustainability factors into its investment decision-making, investment analysis, portfolio construction, risk management, due diligence and investment ownership in order to maximize anticipated financial returns, minimize projected risk, and more effectively execute its fiduciary duty. The sustainability analysis adds an additional layer of rigor to the fundamental analytical approach and helps assess the reliability of future cash flows and debt repayments. Similar to financial accounting, sustainability accounting has both confirmatory and predictive value, thus, it can be used to evaluate past performance and

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be used for future planning and decision-making. As a complement to financial accounting, it provides a more complete view of an investment fund or portfolio company's performance on material factors likely to impact its long-term value.

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

- a) 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.
- b) 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.
- c) 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.
- d) 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.
- e) 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.

The Treasurer shall develop policy guidelines to integrate material sustainability risks relevant to particular financial products, investment funds, companies, or government bodies, which shall be provided to internal and external investment managers to factor into their investment decision-making. The policy guidelines for integrating sustainability factors shall be reviewed and updated every two (2) years at a minimum to ensure consistency within the rapidly evolving global economy.

The State Investments portfolio's investment officers shall identify and select authorized investment options that meet the Treasurer's criteria for sustainable investing opportunities and risk parameters and fall within the framework of the investment objectives.

### **3.0 ETHICS AND CONFLICTS OF INTEREST**

External managing firm employees making investment decisions on behalf of the Treasurer shall refrain from personal business activity that could conflict or give the appearance of a conflict with this Policy or impair their ability to make impartial investment decisions. Any individuals with such a conflict or impairment shall disclose to the Treasurer any material conflicts of interest or impairment. If permitted by the Treasurer to proceed, such individuals shall subordinate their personal investment transactions to those of the investment portfolio, particularly with regard to the time of purchases and sales.



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#### **4.0 BROKERS/DEALERS**

The external manager, on behalf of the Treasurer, shall seek to provide a preference to qualified brokers/dealers that provide proof of minority-, female-, disabled-, and/or military veteran-owned or -managed status and brokers/dealers that provide proof that their corporate headquarters are located in the State of Illinois.

#### **5.0 INVESTMENT PARAMETERS**

The Treasurer has authorized the purchase of corporate securities, subject to the provisions of the Deposit of State Moneys Act (15 ILCS 520/1 *et seq.*), the Public Funds Investment Act (30 ILCS 235/1 *et seq.*), and the following:

- a) Securities must be issued by corporations or limited liability companies (“securities/security”) organized in the United States that have a significant presence in the State of Illinois and assets exceeding \$500,000,000;
- b) At the time of purchase, the maturity of the securities shall not be less than 270 days and shall not exceed ten (10) years;
- c) Securities must be rated at the time of purchase by one of the three (3) highest classifications established by at least two (2) standard rating services, but not less than an A- long-term rating or equivalent;
- d) The corporation or limited liability company has not been placed on the list of restricted companies by the Illinois Investment Policy Board under Section 1-11.16 of the Illinois Pension Code;
- e) The Treasurer’s external managers will not purchase corporate bonds that are credit enhanced by mortgages or the collection of mortgages;
- f) Corporate bonds with credit enhancements based on tangible assets pledged as collateral for the bond will not exceed 20% of the overall externally managed portfolio; and
- g) Should a security be downgraded below A3/A-, or equivalent rating, the external managers will provide written notification to the Treasurer in order to determine the appropriate action (sell or hold) based on the perceived risk and expected return.

#### **6.0 INVESTMENT RESTRICTIONS**

The Treasurer’s external investment managers may not invest in the following types of investments:

- a) Any investments not authorized by this Policy, any other investment policy of the Treasurer, or applicable law are prohibited; or
- b) Any investments prohibited by Section 22.6 of the Deposit of State Monies Act.

#### **7.0 DIVERSIFICATION**

The externally managed corporate securities shall be diversified to mitigate the risk of loss resulting from concentration of assets in a specific maturity or a specific issuer. In order to properly manage any risk attendant to the investment of State assets, the external managers shall not deviate from the following diversification guidelines, unless specifically authorized by the Treasurer in writing:

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- a) The Treasurer's external managers shall seek to achieve diversification in the portfolio by distributing investments among issuers and broker/dealers; and
- b) Purchases cannot exceed 10% of the corporation's or the limited liability company's outstanding obligations.

#### **8.0 INTERNAL CONTROLS**

The Treasurer's external managers shall establish a system of internal controls and written operational procedures and share them with the Treasurer. The controls shall be designed to prevent the loss of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by authorized investment officers.

#### **9.0 DUE DILIGENCE**

The Treasurer's external managers will perform due diligence, including, but not limited to, research and financial analysis of corporate securities and legal compliance with federal and State laws, rules, and regulations, and the Treasurer's investment policies.

#### **10.0 RISK MANAGEMENT**

The Treasurer's external managers will establish risk management protocols to mitigate risk, including but not limited to, credit risks, liquidity risks, market risks, operational risks, reputational risks, and legal risks for the Treasurer.

#### **11.0 LIMITATION OF LIABILITY**

External managing firm employees making investment decisions on behalf of the Treasurer shall use the "prudent person" standard, which shall be applied in the context of managing an overall corporate portfolio. Such individuals who act in accordance with this Policy and exercise due diligence will be relieved of personal liability for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely manner and necessary action is taken to control adverse developments.

#### **12.0 REPORTING**

The external investment manager shall present monthly reports to the Treasurer for review. The monthly reports shall contain sufficient information for the Treasurer to evaluate the investment portfolio; its effectiveness in meeting the Treasurer's standards for safety, liquidity, rate of return, and diversification; and the general performance of the portfolio. At a minimum, the following information shall be included in the monthly reports:

- a) Change in market value of the securities;
- b) Rating changes of the securities;
- c) Portfolio performance and characteristics;

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- d) Benchmark comparison;
- e) Portfolio transaction detail and holdings, including any supporting research documentation; and
- f) Listing of all securities held with a rating less than A3/A-, or equivalent, with supporting research documentation.

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## **1.0 POLICY**

Under this instrument, the Illinois State Treasurer's Office Investment Policy Statement for the State Investments portfolio ("Policy"), it is the policy of the Illinois State Treasurer's Office ("Treasurer") to invest all moneys and securities deposited with the Treasurer (collectively, the "State Investments portfolio") in a manner that will provide safety to the principal investment, meet the State's daily cash flow demands, and seek the highest risk-adjusted investment return, using authorized instruments and supporting community development efforts, in accordance with all State statutes governing the investment of public funds.

This Policy applies to all investments of the State Investments portfolio entered into on or after the adoption of this instrument. Investments made prior to the adoption of this Policy will continue to be governed by the policy in effect at the time such investments were made, until the maturity or selling of such investments.

This Policy applies to any investment under the control of the Treasurer for which no other specific investment policy exists.

## **2.0 INVESTMENT POLICY COMMITTEE**

The Treasurer affirms the existence of the Investment Policy Committee. The Investment Policy Committee shall be chaired by the Treasurer and include the following members of the Treasurer's staff: Deputy Treasurer & Chief Investment Officer, Chief of Staff, Chief Financial Products Officer, Chief Legislative and Policy Officer, General Counsel, Director of State Investments and Banking, Director of Investment Analysis and Due Diligence, Director of Fiscal Operations, Director of IPTIP Investments, Director of ePAY and The Illinois Funds, the Portfolio Investments & Cash Management Officer, and anyone else deemed appropriate by the Treasurer.

The Deputy Treasurer & Chief Investment Officer, who bears responsibility for the administration, planning, development, and implementation of all financial and investment strategies per the direction of the Treasurer, shall assist the Treasurer in executing the duties and activities of the Investment Policy Committee.

## **3.0 OBJECTIVE**

The primary objective in the investment of the State Investments portfolio is to ensure the safety of principal. In addition, it is the Treasurer's objective to manage liquidity for payment of the State's financial obligations and provide the highest investment return, using authorized instruments, while prudently exercising sustainable stewardship in its investment decision-making.

### **3.1 Safety**

The safety of principal is the foremost objective of the state's investments. State Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the portfolio. To achieve this objective, diversification, as defined in Section 9.0 of this Policy, and investment stewardship is required to ensure that the Treasurer prudently manages market, operational, reputational, financial, legal, sustainability, interest rate, and credit risks.

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### **3.2 Liquidity**

The State Investments portfolio shall remain sufficiently liquid to enable the State to meet all operating and cash flow requirements that might be reasonably projected.

### **3.3 Return on Investment**

The State Investments portfolio shall be designed and constructed to obtain the highest available return, given the objectives of safety of principal and liquidity. The Director of State Investments and Banking or equivalent thereto shall seek to obtain the highest available return, using authorized investments during budgetary and economic cycles as mandated by Section 1.0 of this Policy. When the Treasurer deposits funds in support of community development efforts, the rate of return may include benefits other than direct investment earnings, as authorized by Section 7 of the Deposit of State Moneys Act (15 ILCS 520/7).

The rate of return achieved on the State Investments portfolio shall be measured at regular intervals against relevant industry benchmarks, established by the Investment Policy Committee, to determine the effectiveness of investment decisions in meeting investment goals. The benchmarks shall be reviewed a minimum of every two (2) years to ensure accuracy and relevance.

### **3.4 Sustainability**

The Treasurer seeks to invest all funds under its control in a manner that provides the highest risk-adjusted investment return using authorized instruments. To achieve this objective, the Treasurer has a responsibility to recognize and evaluate risk factors that may have a material and relevant financial impact on the safety and/or performance of investments. Consistent with achieving the investment objectives set forth herein, the Treasurer and its agents shall prudently integrate sustainability factors into its investment decision-making, investment analysis, portfolio construction, risk management, due diligence and investment ownership.

The sustainability analysis adds an additional layer of rigor to the fundamental analytical approach and helps assess the reliability of future cash flows and debt repayments. Similar to financial accounting, sustainability accounting has both confirmatory and predictive value, thus, it can be used to evaluate past performance and be used for future planning and decision-making. As a complement to financial accounting, it provides a more complete view of an investment fund or portfolio company's performance on material factors likely to impact its long-term value.

The Treasurer shall develop policy guidelines to integrate material sustainability risks relevant to particular financial products, investment funds, companies, or government bodies, which shall be provided to internal and external investment managers to factor into their investment decision-making. The policy guidelines for integrating sustainability factors shall be reviewed and updated every two (2) years at a minimum to ensure consistency within the rapidly evolving global economy.

The State Investments portfolio's investment officers shall identify and select authorized investment options that meet the Treasurer's criteria for sustainable investing opportunities and risk parameters and fall within the framework of the investment objectives.

## **4.0 ETHICS AND CONFLICTS OF INTEREST**

Authorized investment officers and employees in policy-making positions shall refrain from personal business activity that could (a) conflict, or give the appearance of a conflict, with proper execution of the investment program or (b) impair their ability to make impartial investment decisions. Such individuals shall

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disclose to the Treasurer any material and relevant financial interests, as determined by the Treasurer, in financial institutions that conduct business within the State, and they shall further disclose any personal financial investment positions that could be related to the performance of the State Investments portfolio. In addition, such individuals shall subordinate their personal investment transactions to those of the State Investments portfolio, particularly with regard to the time of purchases and sales.

#### **5.0 AUTHORIZED BROKERS/DEALERS AND FINANCIAL INSTITUTIONS**

The Treasurer shall maintain a list of approved financial institutions, which shall be utilized by authorized investment officers. Pursuant to 15 ILCS 505/30, the Treasurer shall review a financial institution's Community Reinvestment Act ("CRA") rating, record, and current level of financial commitment to the community prior to making a decision to utilize or determine the eligibility of such financial institutions. No State funds may be deposited in any financial institution unless the institution has a current satisfactory or outstanding rating under the Community Reinvestment Act of 1977. Exception to the CRA rating requirement may be granted, by the Deputy Treasurer, to financial institutions for participation in the Treasurer's Linked Deposit and Access to Capital Programs. State funds may not be deposited in any financial institution unless the Treasurer's investment officers have conducted a safety and soundness review of the financial institution by consulting various bank rating services. If the financial institution has not yet been rated by the bank rating services, the institution may be eligible for a deposit that at maturity will not exceed \$250,000. The amount and duration of deposits shall be based on the safety and soundness review, in accordance with guidelines established by the Investment Policy Committee, and the diversification limits set forth in Section 9.0 of this Policy. No public deposit may be made, except in a qualified public depository, as defined by the Deposit of State Moneys Act (15 ILCS 520/*et seq.*).

The Treasurer shall maintain a list of approved security brokers/dealers, which shall be utilized by authorized investment officers. The security brokers/dealers shall be selected according to their creditworthiness and their financial significance in the State, which shall be measured in terms of the location of the broker/dealer's corporate office, the number of full-time employees, the size of its payroll, or the extent that the broker/dealer has an economic presence in the State. The list may include "primary" dealers or regional dealers who qualify under Securities and Exchange Commission Rule 17 CFR § 15Cc3-1 (Net Capital Requirements for Brokers or Dealers).

All broker/dealers who wish to qualify to bid for investment transactions shall initially, and on a periodic basis upon request, provide to the Treasurer's credit review staff documentation pertinent to firm's financial condition, ownership status, registration with applicable government agencies, and any other documentation deemed necessary by the Treasurer. An annual review of the financial condition and registration of qualified bidders will be conducted by the Treasurer's authorized investment officer(s). More frequent reviews may be conducted if warranted.

#### **5.1 External Investment Consultants**

To the extent that the Investment Policy Committee deems it advisable to hire external investment consultants, it may do so in accordance with the Treasurer's procurement rules at 44 Ill. Admin. Code § 1400.

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**5.2 Preference for Broker/Dealers Owned by Minorities, Women, Veterans, and Persons with Disabilities**

Pursuant to 15 ILCS 505/30, it shall be the aspirational goal of the Treasurer to use businesses owned by or under the control of qualified veterans of the armed forces of the United States, qualified service-disabled veterans, minority persons, women, or persons with a disability for not less than 25% of the total dollar of purchases of investment securities, including, but not limited to, the use of broker/dealers. Beginning with fiscal year 2019, and at least annually thereafter, the Treasurer shall measure and report its utilization of broker/dealers owned or under the control of qualified veterans of the armed forces of the United States, qualified service-disabled veterans, minority persons, women, or persons with a disability. The report shall be published on the Treasurer's official website at least annually.

The terms "minority person", "woman", "person with a disability", "minority-owned business", "women-owned business", "business owned by a person with a disability", and "control" have the meanings provided in Section 1 of the Business Enterprise for Minorities, Women, and Persons with Disabilities Act (30 ILCS 575). The terms "veteran", "qualified veteran-owned small business", "qualified service-disabled veteran-owned small business", "qualified service-disabled veteran", and "armed forces of the United States" have the meanings provided in Article 1 of the Illinois Procurement Code (30 ILCS 500).

To the greatest extent feasible within the bounds of financial and fiduciary prudence, it is the policy of the Treasurer to remove any barriers to the full participation in investment transactions afforded via the investment program by actively identifying and considering for hire brokers/dealers that provide proof of minority-, female-, disabled-, and/or veteran-owned or -managed status. The Treasurer shall establish a process by which said specially claimed statuses are verified, and a review shall be conducted at fixed intervals to ensure that special statuses continue to apply.

**5.3 Preference for Broker/Dealers Headquartered in Illinois**

The Treasurer shall seek to provide preference to qualified brokers/dealers that provide proof that their corporate headquarters is located in the State of Illinois. In doing so, the Treasurer shall establish a process to verify the location of broker/dealers' corporate headquarters, and a review shall be conducted at fixed intervals to ensure that the Illinois-based location continues to apply.

Beginning with fiscal year 2019, and at least annually thereafter, the Treasurer shall measure and report its utilization of broker/dealers with headquarters located in the State of Illinois. The report shall be published on the Treasurer's official website at least annually.

**6.0 AUTHORIZED AND SUITABLE INVESTMENTS**

The Treasurer has authorized the following types of investments, subject to the provisions of the Deposit of State Moneys Act (15 ILCS 520) and the Public Funds Investment Act (30 ILCS 235):

- a) Securities that are guaranteed by the full faith and credit of the United States of America ("United States") as to principal and interest;
- b) Obligations of agencies and instrumentalities of the United States, as originally issued by the agencies and instrumentalities. For purposes of this Section, the term "agencies and instrumentalities of the United States" includes the following: federal land banks, federal intermediate credit banks, banks for cooperative, federal farm credit banks or any other entity authorized to issue debt obligations under the Farm Credit Act of 1971 and Acts amendatory



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- thereto, the federal home loan banks and the federal home loan mortgage corporation, and any other agency created by an Act of Congress and issues dollar- denominated debt;
- c) Interest-bearing savings accounts, interest-bearing certificates of deposit, or interest- bearing time deposits of a bank as defined by Section 2 of the Illinois Banking Act (205 ILCS 5/2);
  - d) Interest-bearing accounts or certificates of deposit of any savings and loan association incorporated under the laws of the State of Illinois, any other state, or the United States;
  - e) Interest-bearing accounts for the deposit of funds in support of local community development efforts;
  - f) Dividend-bearing share accounts, share certificate accounts, or class of share accounts of a credit union chartered under the laws of the State of Illinois or the United States that maintains its principal office in the State of Illinois;
  - g) Bankers' acceptances of banks whose senior obligations are rated in the top 2 rating categories by 2 national rating agencies and maintain that rating during the term of the investment;
  - h) Commercial paper of a corporation or a limited liability company that is organized in the United States with assets exceeding \$500,000,000 and is rated at the time of purchase at one (1) of the two (2) highest classifications established by at least two (2) standard rating services (i.e., not less than an A-1 short-term rating or equivalent rating);
  - i) Money market mutual funds registered under the Investment Company Act of 1940 (15 U.S.C. § 80a-1 *et seq.*) and rated at the highest classification by at least one (1) standard rating service (i.e., not less than a AAA long-term rating or equivalent rating);
  - j) The Illinois Funds, created under Section 17 of the State Treasurer Act (15 ILCS 505/17);
  - k) Repurchase agreements of government securities having the meaning set out in the Government Securities Act of 1986 (1 U.S.C. § 78o-5);
  - l) Interest-bearing bonds, at a price not to exceed par, issued by counties or municipal corporations of the State of Illinois, whether the interest earned thereon is taxable or tax- exempt under federal law. The bonds shall be registered in the name of the State of Illinois or held under a custodial agreement at a financial institution. The bonds shall be rated at the time of purchase at one (1) of the three (3) highest classifications established by at least one (1) standard rating service with nationally recognized expertise in rating bonds of states and their political subdivisions, (i.e., not less than an A- long-term rating or equivalent). The maturity or pre-refunded date(s) of the bonds authorized by this subsection shall, at the time of purchase, not exceed ten (10) years. Notwithstanding the foregoing, a longer maturity is authorized, if the State of Illinois has a put option to tender the bonds within ten (10) years from the date of purchase;
  - m) Securities of a foreign government that are guaranteed by the full faith and credit of that government as to principal and interest and rated at one (1) of the three (3) highest classifications established by at least two (2) standard rating services, (i.e., not less than an A- long-term rating or equivalent rating), and only if the foreign government has not defaulted and has met its payment obligations in a timely manner on all similar obligations for at least 25 years prior to the time of acquiring those obligations;

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- n) Investments made in accordance with the Technology Development Act (30 ILCS 265/1 *et seq.*);
- o) The Treasurer may lend any securities acquired under this Policy. However, securities may be lent under this Policy only in accordance with Federal Financial Institution Examination Council guideline and only if the securities are collateralized at a level sufficient to assure the safety of the securities, taking into account market value fluctuation. The securities may be collateralized by cash or collateral acceptable under Sections 11 and 11.1 of the Deposit of State Moneys Act. Securities lending cash collateral may be invested according to the Securities Lending Agreement between the Treasurer and the Treasurer's Agent; and
- p) Obligations of either corporations or limited liability companies organized in the United States that have a significant presence in the State of Illinois, with assets exceeding \$500,000,000, and rated at the time of purchase at one (1) of the three (3) highest classifications established by at least two (2) standard rating services, (i.e., not less than an A- long-term rating or equivalent rating). At the time of purchase, the maturity or pre-refunded date(s) of the obligations authorized by this subsection shall not be less than 270 days and shall not exceed five (5) years.

#### **6.1 Private Debt Placement**

The Treasurer may invest any State money in the Treasury, excluding specific funds noted in the Deposit of State Moneys Act (15 ILCS 520/22/5), with the Office of the Illinois State Comptroller in order to pay vouchers, when the total amount of vouchers presented exceeds the funds available in the General Revenue Fund by \$1,000,000,000 or more. The total outstanding investments, at any given time, shall not exceed \$2,000,000,000.

The interest rate will be tied to the London Interbank Offered Rate (LIBOR) or the Federal Funds Rate or an equivalent market established variable rate. At no time shall the interest rate exceed the penalty rate established under the State Prompt Payment Act or the timely pay interest rate under Section 368a of the Illinois Insurance Code.

The Treasurer and Comptroller will mutually agree upon the funds in the Treasury that will be utilized for the investment(s).

The Treasurer and Comptroller shall enter into a written agreement that specifies the terms of each investment, including, but not limited to, the repayment of the principal and interest. The terms of each investment will be posted to the Treasurer's official website.

#### **7.0 INVESTMENT RESTRICTIONS**

The following restrictions apply to the Treasurer when investing the State Investments portfolio:

- a) Any investments not authorized by this or any other investment policy or applicable law are prohibited;
- b) Repurchase agreements may only be executed with approved financial institutions or broker/dealers that meet the Treasurer's standards, which include mutual execution of a Master Repurchase Agreement adopted by the Treasurer;
- c) All qualified repurchase agreement dealers must have a corporate headquarters, corporate office,

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or operating location in the State of Illinois and that location must retain full-time staff employed within the State of Illinois or the dealer must have a significant economic presence in the State of Illinois as determined by the Treasurer;

- d) All qualified commercial paper issuers must have a corporate headquarters, corporate office, or operating location in the State of Illinois and that location must retain full-time staff employed within the State of Illinois or the issuer must have a significant economic presence in the State of Illinois as determined by the Treasurer;
- e) All qualified corporate bond issuers must have a corporate headquarters, corporate office, or operating location in the State of Illinois and that location must retain full-time staff employed within the State of Illinois or the issuer must have a significant economic presence in the State of Illinois as determined by the Treasurer;
- f) Investments may not be made in any savings and loan association unless a commitment by the savings and loan association, executed by the president or chief executive officer of that association, is submitted in the form required by Section 22.5 of the Deposit of State Moneys Act (15 ILCS 520/22.5);
- g) Asset-backed commercial paper is prohibited;
- h) Commercial paper with a credit rating or evaluation that is derived from any factor other than the full faith and credit of the issuing institution and/or the guarantee of the parent company is prohibited;
- i) Obligations may not be purchased from a corporation or limited liability company that has been placed on the list of restricted companies by the Illinois Investment Policy Board under Section 1-110.16 of the Illinois Pension Code (40 ILCS 5); and
- j) The authorization of the Treasurer to invest in new obligations under Section 6.0(p) of this Policy shall expire on June 30, 2019.

## **8.0 COLLATERALIZATION**

The following shall apply:

- a) All State deposits, repurchase agreements, and securities lending shall be secured as required by the Treasurer and provided for by the Deposit of State Moneys Act (15 ILCS 520) and the Treasurer's Acceptable Collateral Listing, which may change from time to time. The Treasurer may take possession and title to any securities held as collateral and hold such securities until it is prudent to dispose of them.
- b) Securities lending cash or securities collateral shall have the meaning set forth in the Securities Lending Agreement between the Treasurer and a financial institution ("Treasurer's Agent"). The Treasurer's Agent may reinvest cash collateral as indicated in the Securities Lending Agreement. The Treasurer or Treasurer's Agent may take possession and title to any cash or securities held as collateral and hold such securities according to the Securities Lending Agreement.

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## **9.0 DIVERSIFICATION**

The State Investments portfolio shall be diversified to mitigate the risk of loss resulting from concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. In order to properly manage any risk attendant to the investment of State assets, the State Investments portfolio shall not deviate from the following diversification guidelines, unless specifically authorized by the Treasurer in writing:

- a) The Treasurer shall seek to achieve diversification in the State Investments portfolio by distributing investments among authorized investment categories among financial institutions, issuers and broker/dealers.
- b) The State Investments portfolio shall not hold time deposits that constitute more than 15% of any single financial institution's total deposits. Any deposits that constitute more than 10% of an institution's total deposits must qualify as community development deposits, described in Section 7 of the Deposit of State Moneys Act (15 ILCS 520/7).
- c) No financial institution shall at any time hold more than \$100,000,000 of time deposits other than community development deposits, described in Section 7 of the Deposit of State Moneys Act (15 ILCS 520/7). Provided, however, that financial institutions that, as a result of a merger or acquisition, hold deposits that exceed \$100,000,000.00 may continue to be eligible to hold deposits that do not exceed the amount of deposits held on the date of the merger or acquisition.
- d) The State Investments portfolio shall not contain investments that exceed the following diversification limits. These limits will apply to the total assets in the State Investments portfolio at the time of the origination or purchase. As maturities and or calls of instruments occur, these limits will be monitored and adjusted accordingly:
  - i. With the exception of cash equivalents, treasury securities and time deposits, as defined in Section 6.0 of this Policy, no more than 55% of the State Investments portfolio shall be invested in other investment categories;
  - ii. No more than one-third of the State Investments portfolio shall be invested in commercial paper;
  - iii. No more than 25% of the money market fund asset class may be placed with one money market fund investment option and the State Investments portfolio cannot be invested in more than 10% of each money market fund (including all share classes) at a given time;
  - iv. As much as 40% of the State Investments portfolio may be invested in time deposits when required by the cash flow of the State;
  - v. No more than ½ of 1% of the State Investments portfolio shall be invested in foreign government securities, not to exceed a five (5) year maturity, as defined in Section 6.0(l) of this Policy;
  - vi. No more than 55% of the State Investments portfolio shall be allocated to investments greater than two (2) years and less than or equal to three (3) years;
  - vii. No more than 30% of the State Investments portfolio shall be allocated to investments greater than three (3) years and less than or equal to four (4) years, not including foreign

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government securities;

- viii. No more than 15% of the State Investments portfolio shall be allocated to investments greater than four (4) years and less than or equal to five (5) years;
  - ix. No more than 5% of the State Investments portfolio shall be allocated to investments greater than five (5) years and no less than or equal to ten (10) years;
  - x. There shall be no limit to the percentage of the State Investments portfolio that may be allocated to investments with a 0- to 2-year maturity band; and
  - xi. No more than 5% of the State Investments portfolio shall be invested in obligations of corporations or limited liability companies as defined by Section 6.0(p) of this Policy.
- e) The investment portfolio shall not hold obligations of corporations or limited liability companies that exceed 10% of the corporation's or the limited liability company's outstanding obligations.

#### **10.0 CUSTODY AND SAFEKEEPING**

The custody and safekeeping of collateral will be handled by Illinois financial institutions selected in compliance with the Treasurer's procurement rules at 44 Ill. Adm. Code 1400. Financial institutions selected by the Treasurer to perform custody and safekeeping services will be required to enter into a contractual agreement approved by the General Counsel.

All security transactions entered into by the Treasurer shall be conducted on a delivery-versus-payment ("DVP") or receipt-versus-payment ("RVP") basis. Securities shall be held by a safekeeping agent designated by the Treasurer and evidenced by safekeeping receipts or a statement of holdings.

#### **11.0 INTERNAL CONTROLS**

The Treasurer and the Chief Investment Officer, with the assistance of the Investment Policy Committee, shall establish a system of internal controls and written operational procedures that shall be documented and filed with the Treasurer's Chief Internal Auditor for review. The controls shall be designed to prevent the loss of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by authorized investment officers.

- a) Asset Allocation: The allocation of assets within investment categories authorized under Section 6.0 of this Policy shall be approved by the Chief Investment Officer in writing.
- b) Competitive Bidding: 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. Reverse inquiry investments, investments in a new issue, and investments defined under Sections 6(a)-(b) of this Policy purchased from the agency discount window are exempt from this provision.

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- c) Certificates of Deposit: Authorized investment officers shall purchase certificates of deposit on the basis of a qualified financial institution's ability to pay a required rate of interest to the Treasurer, which is established daily. Such rate is generally determined on the basis of treasury or other appropriate market rates for a comparable term.

#### **12.0 LIMITATION OF LIABILITY**

The standard of care to be used by authorized investment officers shall be the "prudent person" standard, which 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 deviations from expectations are reported in a timely manner and necessary action is taken to control adverse developments.

#### **13.0 REPORTING**

Monthly reports shall be presented by the Chief Investment Officer to the Investment Policy Committee for its review. The monthly report shall contain sufficient information to enable the Investment Policy Committee to review the investment portfolio, its effectiveness in meeting the needs of the Treasurer for safety, liquidity, rate of return, and diversification, and the general performance of the State Investments portfolio. The following information shall be included in the monthly reports:

- a) The total amount of funds held by the Treasurer;
- b) The asset allocation for the investments made by the Treasurer;
- c) The benchmarks established by the Treasurer;
- d) The current and historic return information;
- e) Any circumstances resulting in a deviation from the standards established in Section 9.0 of this Policy; and
- f) Impact of any material change in investment policy adopted during the month.

The Treasurer shall develop performance reports in compliance with established industry reporting standards within six (6) months following the adoption of this Policy. Such reporting standards shall be in accordance with Generally Accepted Accounting Principles ("GAAP").

#### **14.0 EXTERNAL ADVISORY COMMITTEE**

The Investment Policy Committee may convene an External Advisory Committee at the direction of the Treasurer to provide independent advice and counsel to the Investment Policy Committee on investment policy, investments, and investment related issues for the benefit of all Illinois citizens.

#### **15.0 EMERGENCY POWERS**

In the event of an emergency, the Treasurer may, at his or her discretion, invoke emergency powers and suspend any or all of the provisions of this Policy, provided that:

- a) The Treasurer shall, even in the event that emergency powers are invoked, comply with all State statutes governing the use and investment of the State Investments portfolio including, but not

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limited to, the State Treasurer Act, the Treasurer as Custodian of Funds Act, the Deposit of State Moneys Act, the Securities Safekeeping Act, and any other applicable statute;

- b) The Treasurer reasonably believes that deviating from this Policy is in the best interest of the taxpayers; and
- c) Within thirty (30) days of invoking emergency powers the Treasurer shall provide an explanation in writing to the Chief Internal Auditor and the Investment Policy Committee, a copy of which shall be posted on the Treasurer's website that includes the following:
  - i. The date and time that the emergency powers were invoked;
  - ii. The date and time that emergency powers were repealed;
  - iii. The Section or Sections of this Policy that were affected by the emergency or use of emergency powers; and
  - iv. The reason for invoking emergency powers resulting in the deviation from this Policy.

**16.0 STATUTORY REFERENCES**

Any statutory references in this policy shall include any amendments to or repeals of those statutes.

**17.0 AMENDMENTS**

The Treasurer reserves the right to amend this Policy at any time.

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**Appendix A**

**Investment Policy Statement for the State Investments Portfolio's Externally  
Managed Municipal Securities**

**1.0 POLICY**

Under this instrument, the Illinois State Treasurer's Investment Policy for Externally Managed Municipal Securities ("Policy"), it is the policy of the Illinois State Treasurer's Office ("Treasurer") to invest all funds under its control in a manner that provides the highest risk- adjusted investment return, using authorized instruments.

This Policy applies to all investments entered into by any of the Treasurer's external managers of municipal securities on or after the adoption of this Policy.

**2.0 OBJECTIVE**

The primary objective in the investment of State funds by any external manager of municipal securities is to ensure the safety of principal and provide the highest risk-adjusted investment return, using authorized instruments.

**2.1 Safety**

The safety of principal is an objective of the investment program. Investments managed externally on behalf of the Treasurer shall be undertaken in a manner that seeks to ensure the preservation of capital in the portfolio. To achieve this objective, diversification, as defined in Section 7.0 of this Policy, is required to ensure that the Treasurer prudently manages market, operational, reputational, financial, legal, sustainability, interest rate and credit risks.

**2.2 Return on Investment**

The investment portfolio shall be designed and constructed to obtain the highest available return, given the safety of principal objective. The external manager shall seek to obtain the highest available return, using the authorized investments set forth in Section 5.0 of this Policy.

The rate of return achieved on the externally managed funds shall be measured at regular intervals against the Bloomberg Barclays Intermediate US Treasury Index to determine the effectiveness of investment decisions in meeting the Treasurer's investment goals. The benchmark shall be reviewed annually by the Treasurer to ensure accuracy and relevance.

**2.3 Sustainability**

The Treasurer seeks to invest all funds under its control in a manner that provides the highest risk- adjusted investment return using authorized instruments. To achieve this objective, the Treasurer has a responsibility to recognize and evaluate risk factors that may have a material and relevant financial impact on the safety and/or performance of investments. Consistent with achieving the investment objectives set forth herein, the Treasurer and its agents shall prudently integrate sustainability factors into its investment decision-making, investment analysis, portfolio construction, risk management, due diligence and investment ownership.

The sustainability analysis adds an additional layer of rigor to the fundamental analytical approach and helps



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assess the reliability of future cash flows and debt repayments. Similar to financial accounting, sustainability accounting has both confirmatory and predictive value, thus, it can be used to evaluate past performance and be used for future planning and decision-making. As a complement to financial accounting, it provides a more complete view of an investment fund or portfolio company's performance on material factors likely to impact its long-term value.

The Treasurer shall develop policy guidelines to integrate material sustainability risks relevant to particular financial products, investment funds, companies, or government bodies, which shall be provided to internal and external investment managers to factor into their investment decision-making. The policy guidelines for integrating sustainability factors shall be reviewed and updated every two (2) years at a minimum to ensure consistency within the rapidly evolving global economy.

The State Investments portfolio's investment officers shall identify and select authorized investment options that meet the Treasurer's criteria for sustainable investing opportunities and risk parameters and fall within the framework of the investment objectives.

### **3.0 ETHICS AND CONFLICTS OF INTEREST**

External managing firm employees making investment decisions on behalf of the Treasurer shall refrain from personal business activity that could conflict or give the appearance of a conflict with this Policy, or impair their ability to make impartial investment decisions. Any individuals with such a conflict or impairment shall disclose to the Treasurer any material conflicts of interest or impairment. If permitted by the Treasurer to proceed, such individuals shall subordinate their personal investment transactions to those of the investment portfolio, particularly with regard to the time of purchases and sales.

### **4.0 BROKERS/DEALERS**

The external manager, on behalf of the Treasurer, shall seek to provide a preference to qualified brokers/dealers that provide proof of minority-, female-, disabled-, and/or veteran-owned or - managed status and brokers/dealers that provide proof that their corporate headquarters are located in the State of Illinois.

### **5.0 INVESTMENT PARAMETERS:**

The Treasurer has authorized the purchase of municipal securities, subject to the provisions of the Deposit of State Moneys Act (15 ILCS 520/1 *et seq.*), the Public Funds Investment Act (30 ILCS 235/1 *et seq.*), and the following:

- a) Municipal securities ("securities") must be issued by any counties or municipal corporations of the State of Illinois;
- b) Securities must be interest-bearing and sold at a price that does not exceed par at the time of purchase;
- c) At a maximum, securities must have a maturity or pre-refunded date of ten (10) years from the time of purchase;

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- d) Securities shall be rated within three (3) intermediate credit ratings of United States' sovereign credit rating but not less than an A-, or an equivalent rating by at least one (1) accredited rating agency with nationally recognized expertise in rating bonds of states and their political subdivisions ("Rating Agency"), at the time of purchase;
- e) If the securities are credit enhanced with bond insurance policies, the external manager will apply the securities' underlying credit ratings or bond insurer' credit rating, whichever is greater. There will be no limit on the percentage of credit enhanced bonds with an underlying issuer rating not less than A-, or its equivalent by a Rating Agency, in the externally managed portfolio. For securities with credit enhancements with an underlying issuer rating below A-, or its equivalent by a Rating Agency, the external manager will not hold more than 10% of securities guaranteed by a single bond insurer in the externally managed portfolio. Only bond insurance policies issued by the following companies are permissible:
  - i. Assured Guaranty Municipal Corporation;
  - ii. Assured Guaranty Corporation;
  - iii. Build America Mutual; and
  - iv. National Public Finance Guarantee.
- f) Should a security be downgraded below A3/A-, the external managers will provide written notification to the Treasurer in order to determine the appropriate action (sell or hold) based on the perceived risk and expected return.

## **6.0 INVESTMENT RESTRICTIONS**

The Treasurer's external investment managers may not invest in the following types of investments:

- a) Any investments not authorized by this Policy, any other investment policy of the Treasurer, or applicable law are prohibited; or
- b) Any investments prohibited by Section 22.6 of the Deposit of State Monies Act.

## **7.0 DIVERSIFICATION**

The externally managed municipal securities shall be diversified to mitigate the risk of loss resulting from concentration of assets in a specific maturity or a specific issuer. In order to properly manage any risk attendant to the investment of State assets, the external managers shall not deviate from the following diversification guidelines unless specifically authorized by the Treasurer in writing:

- a) The Treasurer's external managers shall seek to achieve diversification in the portfolio by distributing investments among issuers and broker/dealers; and
- b) The externally managed municipal securities shall not contain investments that exceed the lesser of 25% of an issuance or \$2,000,000.00.

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## **8.0 INTERNAL CONTROLS**

The Treasurer's external managers shall establish a system of internal controls and written operational procedures and share them with the Treasurer. The controls shall be designed to prevent the loss of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by authorized investment officers.

## **9.0 DUE DILIGENCE**

The Treasurer's external managers will perform due diligence, including, but not limited to, research and financial analysis of municipal securities and legal compliance with federal and State laws, rules, and regulations, and the Treasurer's investment policies.

## **10.0 RISK MANAGEMENT**

The Treasurer's external managers will establish risk management protocols to mitigate risk, including but not limited to, credit risks, liquidity risks, market risks, operational risks, reputational risks, and legal risks for the Treasurer.

## **11.0 LIMITATION OF LIABILITY**

External managing firm employees making investment decisions on behalf of the Treasurer shall use the "prudent person" standard, which shall be applied in the context of managing an overall municipal securities portfolio. Such individuals who act in accordance with this Policy and exercise due diligence will be relieved of personal liability for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely manner and necessary action is taken to control adverse developments.

## **12.0 REPORTING**

The external investment manager shall present monthly reports to the Treasurer for review. The monthly reports shall contain sufficient information for the Treasurer to evaluate the investment portfolio; its effectiveness in meeting the Treasurer's standards for safety, liquidity, rate of return, and diversification; and the general performance of the portfolio. At a minimum, the following information shall be included in the monthly reports:

- a) Change in market value of the securities;
- b) Rating changes of the securities;
- c) Portfolio performance and characteristics;
- d) Benchmark comparison;
- e) Portfolio transaction detail and holdings, including any supporting research documentation; and
- f) Listing of all securities held with a rating less than A-, or equivalent, with supporting research documentation.

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**Appendix B**

**Investment Policy Statement for the State Investments Portfolio's  
Externally Managed Corporate Securities**

**1.0 POLICY**

Under this instrument, the Illinois State Treasurer's Investment Policy for Externally Managed Corporate Securities ("Policy"), it is the policy of the Illinois State Treasurer's Office ("Treasurer") to invest all funds under its control in a manner that provides the highest risk-adjusted investment return, using authorized instruments.

This Policy applies to all investments entered into by any of the Treasurer's external managers of corporate securities on or after the adoption of this Policy. The Treasurer's authorization to invest in corporate bonds shall expire on June 30, 2019.

**2.0 OBJECTIVE**

The primary objective in the investment of State funds by any external manager of corporate securities is to ensure the safety of principal and provide the highest risk-adjusted investment return, using authorized instruments.

**2.1 Safety**

The safety of principal is an objective of the investment program. Investments managed externally on behalf of the Treasurer shall be undertaken in a manner that seeks to ensure the preservation of capital in the portfolio. To achieve this objective, diversification, as defined in Section 7.0 of this Policy, is required to ensure that the Treasurer prudently manages market, operational, reputational, financial, legal, sustainability, interest rate, and credit risks.

**2.2 Return on Investment**

The investment portfolio shall be designed and constructed to obtain the highest available return, given the safety of principal objective. The external manager shall seek to obtain the highest available return, using the authorized investments set forth in Section 5.0 of this Policy.

The rate of return achieved on the externally managed funds shall be measured at regular intervals against the Bloomberg Barclay's U.S. Corporate A+ 1-3 Index to determine the effectiveness of investment decisions in meeting the Treasurer's investment goals. The benchmark shall be reviewed annually by the Treasurer to ensure accuracy and relevance.

**2.3 Sustainability**

The Treasurer seeks to invest all funds under its control in a manner that provides the highest risk-adjusted investment return using authorized instruments. To achieve this objective, the Treasurer has a responsibility to recognize and evaluate risk factors that may have a material and relevant financial impact on the safety and/or performance of investments. Consistent with achieving the investment objectives set forth herein, the Treasurer and its agents shall prudently integrate sustainability factors into its investment decision-making, investment analysis, portfolio construction, risk management, due diligence and investment ownership.

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The sustainability analysis adds an additional layer of rigor to the fundamental analytical approach and helps assess the reliability of future cash flows and debt repayments. Similar to financial accounting, sustainability accounting has both confirmatory and predictive value, thus, it can be used to evaluate past performance and be used for future planning and decision-making. As a complement to financial accounting, it provides a more complete view of an investment fund or portfolio company's performance on material factors likely to impact its long-term value.

The Treasurer shall develop policy guidelines to integrate material sustainability risks relevant to particular financial products, investment funds, companies, or government bodies, which shall be provided to internal and external investment managers to factor into their investment decision-making. The policy guidelines for integrating sustainability factors shall be reviewed and updated every two (2) years at a minimum to ensure consistency within the rapidly evolving global economy.

The State Investments portfolio's investment officers shall identify and select authorized investment options that meet the Treasurer's criteria for sustainable investing opportunities and risk parameters and fall within the framework of the investment objectives.

### **3.0 ETHICS AND CONFLICTS OF INTEREST**

External managing firm employees making investment decisions on behalf of the Treasurer shall refrain from personal business activity that could conflict or give the appearance of a conflict with this Policy, or impair their ability to make impartial investment decisions. Any individuals with such a conflict or impairment shall disclose to the Treasurer any material conflicts of interest or impairment. If permitted by the Treasurer to proceed, such individuals shall subordinate their personal investment transactions to those of the investment portfolio, particularly with regard to the time of purchases and sales.

### **4.0 BROKERS/DEALERS**

The external manager, on behalf of the Treasurer, shall seek to provide a preference to qualified brokers/dealers that provide proof of minority, female, disabled, and/or veteran-owned or managed status and brokers/dealers that provide proof that their corporate headquarters are located in the State of Illinois.

### **5.0 INVESTMENT PARAMETERS**

The Treasurer has authorized the purchase of corporate securities, subject to the provisions of the Deposit of State Moneys Act (15 ILCS 520/1 *et seq.*), the Public Funds Investment Act (30 ILCS 235/1 *et seq.*), and the following:

- a) Securities must be issued by corporations or limited liability companies ("securities/security") organized in the United States that have a significant presence in the State of Illinois and assets exceeding \$500,000,000;
- b) At the time of purchase, the maturity of the securities shall not be less than 270 days and shall not exceed five years;
- c) Securities must be rated at the time of purchase by one of the three (3) highest classifications established by at least two (2) standard rating services, but not less than an A- long-term rating or equivalent;

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- d) The corporation or limited liability company has not been placed on the list of restricted companies by the Illinois Investment Policy Board under Section 1-11.16 of the Illinois Pension Code;
- e) The Treasurer's external managers will not purchase corporate bonds that are credit enhanced by mortgages or the collection of mortgages;
- f) Corporate bonds with credit enhancements based on tangible assets pledged as collateral for the bond will not exceed 20% of the overall externally managed portfolio; and
- g) Should a security be downgraded below A3/A-, or equivalent rating, the external managers will provide written notification to the Treasurer in order to determine the appropriate action (sell or hold) based on the perceived risk and expected return.

#### **6.0 INVESTMENT RESTRICTIONS**

The Treasurer's external investment managers may not invest in the following types of investments:

- a) Any investments not authorized by this Policy, any other investment policy of the Treasurer, or applicable law are prohibited; or
- b) Any investments prohibited by Section 22.6 of the Deposit of State Monies Act.

#### **7.0 DIVERSIFICATION**

The externally managed corporate securities shall be diversified to mitigate the risk of loss resulting from concentration of assets in a specific maturity or a specific issuer. In order to properly manage any risk attendant to the investment of State assets, the external managers shall not deviate from the following diversification guidelines, unless specifically authorized by the Treasurer in writing:

- a) The Treasurer's external managers shall seek to achieve diversification in the portfolio by distributing investments among issuers and broker/dealers; and
- b) Purchases cannot exceed 10% of the corporation's or the limited liability company's outstanding obligations.

#### **8.0 INTERNAL CONTROLS**

The Treasurer's external managers shall establish a system of internal controls and written operational procedures and share them with the Treasurer. The controls shall be designed to prevent the loss of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by authorized investment officers.

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## **9.0 DUE DILIGENCE**

The Treasurer's external managers will perform due diligence, including, but not limited to, research and financial analysis of corporate securities and legal compliance with federal and State laws, rules, and regulations, and the Treasurer's investment policies.

## **10.0 RISK MANAGEMENT**

The Treasurer's external managers will establish risk management protocols to mitigate risk, including but not limited to, credit risks, liquidity risks, market risks, operational risks, reputational risks, and legal risks for the Treasurer.

## **11.0 LIMITATION OF LIABILITY**

External managing firm employees making investment decisions on behalf of the Treasurer shall use the "prudent person" standard, which shall be applied in the context of managing an overall corporate portfolio. Such individuals who act in accordance with this Policy and exercise due diligence will be relieved of personal liability for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely manner and necessary action is taken to control adverse developments.

## **12.0 REPORTING**

The external investment manager shall present monthly reports to the Treasurer for review. The monthly reports shall contain sufficient information for the Treasurer to evaluate the investment portfolio; its effectiveness in meeting the Treasurer's standards for safety, liquidity, rate of return, and diversification; and the general performance of the portfolio. At a minimum, the following information shall be included in the monthly reports:

- a) Change in market value of the securities;
- b) Rating changes of the securities;
- c) Portfolio performance and characteristics;
- d) Benchmark comparison;
- e) Portfolio transaction detail and holdings, including any supporting research documentation; and
- f) Listing of all securities held with a rating less than A3/A-, or equivalent, with supporting research documentation.

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## **1.0 POLICY**

Under this instrument, the Illinois State Treasurer's Office Investment Policy Statement for the State Investment portfolio ("Policy"), it is the policy of the Illinois State Treasurer's Office ("Treasurer") to invest all moneys and securities deposited with the Treasurer (collectively, the "State Investment portfolio") in a manner that will provide safety to the principal investment, meet the State's daily cash flow demands, and seek the highest investment return, using authorized instruments and supporting community development efforts, in accordance with all State statutes governing the investment of public funds.

This Policy applies to all investments of the State Investment portfolio entered into on or after the adoption of this instrument. Investments made prior to the adoption of this Policy will continue to be governed by the policy in effect at the time such investments were made, until the maturity or selling of such investments.

This Policy applies to any investment under the control of the Treasurer for which no other specific investment policy exists.

## **2.0 INVESTMENT POLICY COMMITTEE**

The Treasurer affirms the existence of the Investment Policy Committee. The Investment Policy Committee shall be chaired by the Treasurer and include the following members of the Treasurer's staff: Deputy Treasurer, Chief Investment Officer, Chief Financial Products Officer, Chief Legislative and Policy Officer, General Counsel, Director of State Investments and Banking, Director of Investment Analysis and Due Diligence, Director of Fiscal Operations, Director of IPTIP Investments, Director of ePAY and The Illinois Funds, the Portfolio Investments & Cash Management Officer, and anyone else deemed appropriate by the Treasurer.

The Chief Investment Officer, who bears responsibility for the administration, planning, development, and implementation of all financial and investment strategies per the direction of the Treasurer, shall assist the Treasurer in executing the duties and activities of the Investment Policy Committee.

## **3.0 OBJECTIVE**

The primary objective in the investment of the State Investment portfolio is to ensure the safety of principal. In addition, it is the Treasurer's objective to manage liquidity for payment of the State's financial obligations and provide the highest investment return, using authorized instruments, while prudently exercising ethical and social stewardship in its investment decision-making.

### **3.1 Safety**

The safety of principal is the foremost objective of the investment program. State investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the portfolio. To achieve this objective, diversification, as defined in Section 9.0 of this Policy, is required to ensure that the Treasurer prudently manages market, interest rate, and credit risks.

### **3.2 Liquidity**

The State Investment portfolio shall remain sufficiently liquid to enable the State to meet all operating requirements that might be reasonably projected.

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### **3.3 Return on Investment**

The State Investment portfolio shall be designed to obtain the highest available return, given the objectives of safety of principal and liquidity. The Director State Investments and Banking or equivalent thereto shall seek to obtain the highest available return, using authorized investments during budgetary and economic cycles as mandated by Section 1.0 of this Policy. When the Treasurer deposits funds in support of community development efforts, the rate of return may include benefits other than direct investment income, as authorized by Section 7 of the Deposit of State Moneys Act (15 ILCS 520/7).

The rate of return achieved on the State Investment portfolio shall be measured at regular intervals against relevant industry benchmarks, established by the Investment Policy Committee, to determine the effectiveness of investment decisions in meeting investment goals. The benchmarks shall be reviewed a minimum of every two (2) years to ensure accuracy and relevance.

### **3.4 Sustainability**

Consistent with achieving the investment objectives of the Treasurer set forth herein, the Treasurer shall prudently integrate sustainability factors into its investment decision-making in furtherance of the Treasurer's investment goals to fulfill its fiduciary duty, to increase expected financial returns, minimize projected risk, and contribute to a more just, accountable, and sustainable State of Illinois.

Sustainability factors shall be implemented within a framework predicated on the following:

- a) Integration of material sustainability factors, including, but not limited to environmental, social capital, human capital, business model and innovation, and leadership and governance factors, as components of portfolio construction, investment decision-making, investment analysis and due diligence, and risk management, given that these tangible and intangible factors may have a material and substantive financial impacts as well as non-financial impacts;
- b) Recurring evaluation of sustainability factors to ensure the factors are relevant to the Treasurer's investment portfolio and the evolving marketplace;
- c) Attentive oversight of investment holdings to encourage the advancement of sustainability accounting and disclosure through engagement with entities, such as funds, companies, government bodies, and other organizations, and move the marketplace toward more prudent sustainability investment practices; and
- d) Consideration of other relevant factors such as legal, regulatory, and reputational risks that enable an optimal risk management framework and supports long-term investment value.

The Treasurer shall develop policy guidelines to integrate material risks relevant to particular financial products, investment funds, companies, or government bodies, which shall be provided to internal and external investment managers to factor into their investment decision-making. The policy guidelines for integrating sustainability factors shall be reviewed and updated every two (2) years at a minimum to ensure consistency within the rapidly evolving global economy.

The State Investment portfolio's investment officers shall endeavor to identify and select authorized investment options that meet the Treasurer's criteria for sustainable investing and fall within the framework of the investment objectives.

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#### **4.0 ETHICS AND CONFLICTS OF INTEREST**

Authorized investment officers and employees in policy-making positions shall refrain from personal business activity that could (a) conflict, or give the appearance of a conflict, with proper execution of the investment program or (b) impair their ability to make impartial investment decisions. Such individuals shall disclose to the Treasurer any material financial interests in financial institutions that conduct business within the State, and they shall further disclose any personal financial investment positions that could be related to the performance of the State Investments portfolio. In addition, such individuals shall subordinate their personal investment transactions to those of the State Investments portfolio, particularly with regard to the time of purchases and sales.

#### **5.0 AUTHORIZED BROKERS/DEALERS AND FINANCIAL INSTITUTIONS**

The Treasurer shall maintain a list of approved financial institutions, which shall be utilized by authorized investment officers. No State funds may be deposited in any financial institution, unless the institution has a current satisfactory or outstanding rating under the Community Reinvestment Act of 1977, and the Treasurer's investment officers have conducted a safety and soundness review of the financial institution by consulting various bank rating services. If the financial institution has not yet been rated by the bank rating services, the institution may be eligible for a deposit that at maturity will not exceed \$250,000. The amount and duration of deposits shall be based on the safety and soundness review, in accordance with guidelines established by the Investment Policy Committee, and the diversification limits set forth in Section 9.0 of this Policy. Furthermore, the financial institution's record and current level of financial commitment to its local community will be considered when deciding whether to deposit State funds in the financial institution. No public deposit may be made, except in a qualified public depository, as defined by the Deposit of State Moneys Act (15 ILCS 520/*et seq.*).

In addition, the Treasurer shall maintain a list of approved security brokers/dealers, which shall be utilized by authorized investment officers. The security brokers/dealers shall be selected according to their creditworthiness and their financial significance in the State, which shall be measured in terms of the location of the broker/dealer's corporate office, the number of full-time employees, the size of its payroll, or the extent that the broker/dealer has an economic presence in the State. The list may include "primary" dealers or regional dealers who qualify under Securities and Exchange Commission Rule 17 CFR § 15Cc3-1 (Net Capital Requirements for Brokers or Dealers).

All broker/dealers who wish to qualify to bid for investment transactions shall initially, and on a periodic basis upon request, provide to the Treasurer's credit review staff the following documents, where applicable:

- a) Audited financial statements or a published Statement of Condition;
- b) Proof of minority-, woman-, disabled-, and/or veteran-owned or –managed broker/dealer status;
- c) A signed copy of the Treasurer's trading authorization;
- d) Proof of State of Illinois registration;
- e) Proof of registration with the Securities and Exchange Commission;
- f) Completed Broker/Dealer and Authorized Counterparty Questionnaire;
- g) Certification of notice and acknowledgment of this Policy; and

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- h) Any other documentation deemed necessary by the Treasurer.

To the greatest extent feasible within the bounds of financial and fiduciary prudence, it is the policy of the Treasurer to remove any barriers to the full participation in investment transactions afforded via the investment program by actively identifying and considering for hire brokers/dealers that provide proof of minority-, female-, disabled-, and/or veteran-owned or -managed status. The Treasurer shall establish a process by which said specially claimed statuses are verified, and a review shall be conducted at fixed intervals to ensure that special statuses continue to apply.

The Treasurer shall seek to provide preference to qualified brokers/dealers that provide proof that their corporate headquarters is located in the State of Illinois. In doing so, the Treasurer shall establish a process to verify the location of broker/dealers' corporate headquarters, and a review shall be conducted at fixed intervals to ensure that the Illinois-based location continues to apply.

An annual review of the financial condition and registration of qualified bidders will be conducted by the Treasurer's authorized investment officer(s). More frequent reviews may be conducted if warranted.

To the extent that the Investment Policy Committee deems it advisable to hire external investment consultants, it may do so in accordance with the Treasurer's procurement rules at 44 Ill. Admin. Code § 1400.

## **6.0 AUTHORIZED AND SUITABLE INVESTMENTS**

The Treasurer has authorized the following types of investments, subject to the provisions of the Deposit of State Moneys Act (15 ILCS 520) and the Public Funds Investment Act (30 ILCS 235):

- a) Securities that are guaranteed by the full faith and credit of the United States of America ("United States") as to principal and interest;
- b) Obligations of agencies and instrumentalities of the United States, as originally issued by the agencies and instrumentalities. For purposes of this Section, the term "agencies and instrumentalities of the United States" includes the following: federal land banks, federal intermediate credit banks, banks for cooperative, federal farm credit banks or any other entity authorized to issue debt obligations under the Farm Credit Act of 1971 and Acts amendatory thereto, the federal home loan banks and the federal home loan mortgage corporation, and any other agency created by an Act of Congress and issues dollar-denominated debt;
- c) Interest-bearing savings accounts, interest-bearing certificates of deposit, or interest-bearing time deposits of a bank as defined by Section 2 of the Illinois Banking Act (205 ILCS 5/2);
- d) Interest-bearing accounts or certificates of deposit of any savings and loan association incorporated under the laws of the State of Illinois, any other state, or the United States;
- e) Interest-bearing accounts for the deposit of funds in support of local community development efforts;
- f) Dividend-bearing share accounts, share certificate accounts, or class of share accounts of a credit union chartered under the laws of the State of Illinois or the United States that maintains its principal office in the State of Illinois;

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- g) Bankers' acceptances of banks whose senior obligations are rated in the top 2 rating categories by 2 national rating agencies and maintain that rating during the term of the investment;
- h) Commercial paper of a corporation or a limited liability company that is organized in the United States with assets exceeding \$500,000,000 and is rated at the time of purchase at one (1) of the two (2) highest classifications established by at least two (2) standard rating services (i.e., not less than an A-1 short-term rating or equivalent rating);
- i) Money market mutual funds registered under the Investment Company Act of 1940 (15 U.S.C. § 80a-1 *et seq.*) and rated at the highest classification by at least one (1) standard rating service (i.e., not less than a AAA long-term rating or equivalent rating);
- j) The Illinois Funds, created under Section 17 of the State Treasurer Act (15 ILCS 505/17);
- k) Repurchase agreements of government securities having the meaning set out in the Government Securities Act of 1986 (1 U.S.C. § 78o-5);
- l) Interest-bearing bonds, at a price not to exceed par, issued by counties or municipal corporations of the State of Illinois, whether the interest earned thereon is taxable or tax-exempt under federal law. The bonds shall be registered in the name of the State of Illinois or held under a custodial agreement at a financial institution. The bonds shall be rated at the time of purchase at one (1) of the three (3) highest classifications established by at least one (1) standard rating service with nationally recognized expertise in rating bonds of states and their political subdivisions, (i.e., not less than an A- long-term rating or equivalent). The maturity or pre-refunded date(s) of the bonds authorized by this subsection shall, at the time of purchase, not exceed ten (10) years. Notwithstanding the foregoing, a longer maturity is authorized, if the State of Illinois has a put option to tender the bonds within ten (10) years from the date of purchase;
- m) Securities of a foreign government that are guaranteed by the full faith and credit of that government as to principal and interest and rated at one (1) of the three (3) highest classifications established by at least two (2) standard rating services, (i.e., not less than an A- long-term rating or equivalent rating), and only if the foreign government has not defaulted and has met its payment obligations in a timely manner on all similar obligations for at least 25 years prior to the time of acquiring those obligations;
- n) Investments made in accordance with the Technology Development Act (30 ILCS 265/1 *et seq.*);
- o) The Treasurer may lend any securities acquired under this Policy. However, securities may be lent under this Policy only in accordance with Federal Financial Institution Examination Council guideline and only if the securities are collateralized at a level sufficient to assure the safety of the securities, taking into account market value fluctuation. The securities may be collateralized by cash or collateral acceptable under Sections 11 and 11.1 of the Deposit of State Moneys Act. Securities lending cash collateral may be invested according to the Securities Lending Agreement between the Treasurer and the Treasurer's Agent; and
- p) Obligations of either corporations or limited liability companies organized in the United States that have a significant presence in the State of Illinois, with assets exceeding \$500,000,000, and rated at the time of purchase at one (1) of the three (3) highest classifications established by at least two (2) standard rating services, (i.e., not less than an A- long-term rating or equivalent rating). At the

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time of purchase, the maturity or pre-refunded date(s) of the obligations authorized by this subsection shall not be less than 270 days and shall not exceed five (5) years.

## **7.0 INVESTMENT RESTRICTIONS**

The following restrictions apply to the Treasurer when investing the State Investments portfolio:

- a) Any investments not authorized by this or any other investment policy or applicable law are prohibited;
- b) Repurchase agreements may only be executed with approved financial institutions or broker/dealers that meet the Treasurer's standards, which include mutual execution of a Master Repurchase Agreement adopted by the Treasurer;
- c) All qualified repurchase agreement dealers must have a corporate headquarters, corporate office, or operating location in the State of Illinois and that location must retain full-time staff employed within the State of Illinois or the dealer must have a significant economic presence in the State of Illinois as determined by the Treasurer;
- d) All qualified commercial paper issuers must have a corporate headquarters, corporate office, or operating location in the State of Illinois and that location must retain full-time staff employed within the State of Illinois or the issuer must have a significant economic presence in the State of Illinois as determined by the Treasurer;
- e) All qualified corporate bond issuers must have a corporate headquarters, corporate office, or operating location in the State of Illinois and that location must retain full-time staff employed within the State of Illinois or the issuer must have a significant economic presence in the State of Illinois as determined by the Treasurer;
- f) Investments may not be made in any savings and loan association unless a commitment by the savings and loan association, executed by the president or chief executive officer of that association, is submitted in the form required by Section 22.5 of the Deposit of State Moneys Act (15 ILCS 520/22.5);
- g) Asset-backed commercial paper is prohibited;
- h) Commercial paper with a credit rating or evaluation that is derived from any factor other than the full faith and credit of the issuing institution and/or the guarantee of the parent company is prohibited;
- i) Obligations may not be purchased from a corporation or limited liability company that has been placed on the list of restricted companies by the Illinois Investment Policy Board under Section 1-110.16 of the Illinois Pension Code; and
- j) The authorization of the Treasurer to invest in new obligations under Section 6.0(o) of this Policy shall expire on June 30, 2019.

## **8.0 COLLATERALIZATION**

The following shall apply:

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- a) All State deposits, repurchase agreements, and securities lending shall be secured as required by the Treasurer and provided for by the Deposit of State Moneys Act (15 ILCS 520) and the Treasurer's Acceptable Collateral Listing, which may change from time to time. The Treasurer may take possession and title to any securities held as collateral and hold such securities until it is prudent to dispose of them.
- b) Securities lending cash or securities collateral shall have the meaning set forth in the Securities Lending Agreement between the Treasurer and a financial institution ("Treasurer's Agent"). The Treasurer's Agent may reinvest cash collateral as indicated in the Securities Lending Agreement. The Treasurer or Treasurer's Agent may take possession and title to any cash or securities held as collateral and hold such securities according to the Securities Lending Agreement.

### **9.0 DIVERSIFICATION**

The State Investment portfolio shall be diversified to mitigate the risk of loss resulting from concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. In order to properly manage any risk attendant to the investment of State assets, the State Investment portfolio shall not deviate from the following diversification guidelines, unless specifically authorized by the Treasurer in writing:

- a) The Treasurer shall seek to achieve diversification in the State Investment portfolio by distributing investments among authorized investment categories among financial institutions, issuers and broker/dealers.
- b) The State Investment portfolio shall not hold time deposits that constitute more than 15% of any single financial institution's total deposits. Any deposits that constitute more than 10% of an institution's total deposits must qualify as community development deposits, described in Section 7 of the Deposit of State Moneys Act (15 ILCS 520/7).
- c) No financial institution shall at any time hold more than \$100,000,000 of time deposits other than community development deposits, described in Section 7 of the Deposit of State Moneys Act (15 ILCS 520/7). Provided, however, that financial institutions that, as a result of a merger or acquisition, hold deposits that exceed \$100,000,000.00 may continue to be eligible to hold deposits that do not exceed the amount of deposits held on the date of the merger or acquisition.
- d) The State Investment portfolio shall not contain investments that exceed the following diversification limits. These limits will apply to the total assets in the State Investment portfolio at the time of the origination or purchase. As maturities and or calls of instruments occur, these limits will be monitored and adjusted accordingly:
  - i. With the exception of cash equivalents, treasury securities and time deposits, as defined in Section 6.0 of this Policy, no more than 55% of the State Investment portfolio shall be invested in other investment categories;
  - ii. No more than one-third of the State Investment portfolio shall be invested in commercial paper;
  - iii. As much as 40% of the State Investment portfolio may be invested in time deposits when required by the cash flow of the State;

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- iv. No more than ½ of 1% of the State Investment portfolio shall be invested in foreign government securities, not to exceed a five (5) year maturity, as defined in Section 6.0(l) of this Policy;
  - v. No more than 55% of the State Investment portfolio shall be allocated to investments greater than two (2) years and less than or equal to three (3) years;
  - vi. No more than 30% of the State Investment portfolio shall be allocated to investments greater than three (3) years and less than or equal to four (4) years, not including foreign government securities;
  - vii. No more than 15% of the State Investment portfolio shall be allocated to investments greater than four (4) years and less than or equal to five (5) years;
  - viii. No more than 5% of the State Investment portfolio shall be allocated to investments greater than five (5) years and no less than or equal to ten (10) years;
  - ix. There shall be no limit to the percentage of the State Investment portfolio that may be allocated to investments with a 0- to 2-year maturity band; and
  - x. No more than 5% of the State Investment portfolio shall be invested in obligations of corporations or limited liability companies as defined by Section 6.0(o) of this Policy.
- e) The investment portfolio shall not hold obligations of corporations or limited liability companies that exceed 10% of the corporation's or the limited liability company's outstanding obligations.

#### **10.0 CUSTODY AND SAFEKEEPING**

The custody and safekeeping of collateral will be handled by Illinois financial institutions selected in compliance with the Treasurer's procurement rules at 44 Ill. Adm. Code 1400. Financial institutions selected by the Treasurer to perform custody and safekeeping services will be required to enter into a contractual agreement approved by the General Counsel.

All security transactions entered into by the Treasurer shall be conducted on a delivery-versus-payment ("DVP") or receipt-versus-payment ("RVP") basis. Securities shall be held by a safekeeping agent designated by the Treasurer and evidenced by safekeeping receipts or a statement of holdings.

#### **11.0 INTERNAL CONTROLS**

The Treasurer and the Chief Investment Officer, with the assistance of the Investment Policy Committee, shall establish a system of internal controls and written operational procedures that shall be documented and filed with the Treasurer's Chief Internal Auditor for review. The controls shall be designed to prevent the loss of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by authorized investment officers.

- a) Asset Allocation: The allocation of assets within investment categories authorized under Section 6.0 of this Policy shall be approved by the Chief Investment Officer in writing.
- b) Competitive Bidding: 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. Reverse



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inquiry investments, investments in a new issue, and investments defined under Sections 6(a)-(b) of this Policy purchased from the agency discount window are exempt from this provision.

- c) Certificates of Deposit: Authorized investment officers shall purchase certificates of deposit on the basis of a qualified financial institution's ability to pay a required rate of interest to the Treasurer, which is established daily. Such rate is generally determined on the basis of treasury or other appropriate market rates for a comparable term.

## **12.0 LIMITATION OF LIABILITY**

The standard of care to be used by authorized investment officers shall be the "prudent person" standard, which 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 deviations from expectations are reported in a timely manner and necessary action is taken to control adverse developments.

## **13.0 REPORTING**

Monthly reports shall be presented by the Chief Investment Officer to the Investment Policy Committee for its review. The monthly report shall contain sufficient information to enable the Investment Policy Committee to review the investment portfolio, its effectiveness in meeting the needs of the Treasurer for safety, liquidity, rate of return, and diversification, and the general performance of the State Investments portfolio. The following information shall be included in the monthly reports:

- a) The total amount of funds held by the Treasurer;
- b) The asset allocation for the investments made by the Treasurer;
- c) The benchmarks established by the Treasurer;
- d) The current and historic return information;
- e) Any circumstances resulting in a deviation from the standards established in Section 9.0 of this Policy; and
- f) Impact of any material change in investment policy adopted during the month.

The Treasurer shall develop performance reports in compliance with established industry reporting standards within six (6) months following the adoption of this Policy. Such reporting standards shall be in accordance with Generally Accepted Accounting Principles ("GAAP").

## **14.0 EXTERNAL ADVISORY COMMITTEE**

The Investment Policy Committee may convene an External Advisory Committee at the direction of the Treasurer to provide independent advice and counsel to the Investment Policy Committee on investment policy, investments, and investment related issues for the benefit of all Illinois citizens.

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**15.0 EMERGENCY POWERS**

In the event of an emergency, the Treasurer may, at his or her discretion, invoke emergency powers and suspend any or all of the provisions of this Policy, provided that:

- a) The Treasurer shall, even in the event that emergency powers are invoked, comply with all State statutes governing the use and investment of the State Investment portfolio including, but not limited to, the State Treasurer Act, the Treasurer as Custodian of Funds Act, the Deposit of State Moneys Act, the Securities Safekeeping Act, and any other applicable statute;
- b) The Treasurer reasonably believes that deviating from this Policy is in the best interest of the taxpayers; and
- c) Within thirty (30) days of invoking emergency powers the Treasurer shall provide an explanation in writing to the Chief Internal Auditor and the Investment Policy Committee, a copy of which shall be posted on the Treasurer's website that includes the following:
  - i. The date and time that the emergency powers were invoked;
  - ii. The date and time that emergency powers were repealed;
  - iii. The Section or Sections of this Policy that were affected by the emergency or use of emergency powers; and
  - iv. The reason for invoking emergency powers resulting in the deviation from this Policy.

**16.0 STATUTORY REFERENCES**

Any statutory references in this policy shall include any amendments to or repeals of those statutes.

**17.0 AMENDMENTS**

The Treasurer reserves the right to amend this Policy at any time.

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**Appendix A**

**Investment Policy Statement for the State Investment Portfolio's  
Externally Managed Municipal Securities**

**1.0 POLICY**

Under this instrument, the Illinois State Treasurer's Investment Policy for Externally Managed Municipal Securities ("Policy"), it is the policy of the Illinois State Treasurer's Office ("Treasurer") to invest all funds under its control in a manner that provides the highest investment return, using authorized instruments.

This Policy applies to all investments entered into by any of the Treasurer's external managers of municipal securities on or after the adoption of this Policy.

**2.0 OBJECTIVE**

The primary objective in the investment of State funds by any external manager of municipal securities is to ensure the safety of principal and provide the highest investment return, using authorized instruments.

**2.1 Safety**

The safety of principal is an objective of the investment program. Investments managed externally on behalf of the Treasurer shall be undertaken in a manner that seeks to ensure the preservation of capital in the portfolio. To achieve this objective, diversification, as defined in Section 7.0 of this Policy, is required to ensure that the Treasurer prudently manages market, interest rate and credit risks.

**2.2 Return on Investment**

The investment portfolio shall be designed to obtain the highest available return, given the safety of principal objective. The external manager shall seek to obtain the highest available return, using the authorized investments set forth in Section 5.0 of this Policy.

The rate of return achieved on the externally managed funds shall be measured at regular intervals against the Bloomberg Barclays Intermediate US Treasury Index to determine the effectiveness of investment decisions in meeting the Treasurer's investment goals. The benchmark shall be reviewed annually by the Treasurer to ensure accuracy and relevance.

**2.3 Sustainability**

Consistent with achieving the investment objectives of the Treasurer set forth herein, the Treasurer shall prudently integrate sustainability factors into its investment decision-making in furtherance of the Treasurer's investment goals to fulfill its fiduciary duty, to increase expected financial returns, minimize projected risk, and contribute to a more just, accountable, and sustainable State of Illinois.

Sustainability factors shall be implemented within a framework predicated on the following:

- a) Integration of material sustainability factors, including, but not limited to environmental, social capital, human capital, business model and innovation, and leadership and governance factors, as components of portfolio construction, investment decision-making, investment analysis and

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- due diligence, and risk management, given that these tangible and intangible factors may have a material and substantive financial impacts as well as non-financial impacts;
- b) Recurring evaluation of sustainability factors to ensure the factors are relevant to the Treasurer's investment portfolio and the evolving marketplace;
  - c) Attentive oversight of investment holdings to encourage the advancement of sustainability accounting and disclosure through engagement with entities, such as funds, companies, government bodies, and other organizations, and move the marketplace toward more prudent sustainability investment practices; and
  - d) Consideration of other relevant factors such as legal, regulatory, and reputational risks that enable an optimal risk management framework and supports long-term investment value.

The Treasurer shall develop policy guidelines to integrate material risks relevant to particular financial products, investment funds, companies, or government bodies, which shall be provided to internal and external investment managers to factor into their investment decision-making. The policy guidelines for integrating sustainability factors shall be reviewed and updated every two (2) years at a minimum to ensure consistency within the rapidly evolving global economy.

The State Investment portfolio's investment officers shall endeavor to identify and select authorized investment options that meet the Treasurer's criteria for sustainable investing and fall within the framework of the investment objectives.

### **3.0 ETHICS AND CONFLICTS OF INTEREST**

External managing firm employees making investment decisions on behalf of the Treasurer shall refrain from personal business activity that could conflict or give the appearance of a conflict with this Policy, or impair their ability to make impartial investment decisions. Any individuals with such a conflict or impairment shall disclose to the Treasurer any material conflicts of interest or impairment. If permitted by the Treasurer to proceed, such individuals shall subordinate their personal investment transactions to those of the investment portfolio, particularly with regard to the time of purchases and sales.

### **4.0 BROKERS/DEALERS**

The external manager, on behalf of the Treasurer, shall seek to provide a preference to qualified brokers/dealers that provide proof of minority, female, disabled, and/or veteran-owned or managed status and brokers/dealers that provide proof that their corporate headquarters are located in the State of Illinois.

### **5.0 INVESTMENT PARAMETERS:**

The Treasurer has authorized the purchase of municipal securities, subject to the provisions of the Deposit of State Moneys Act (15 ILCS 520/1 *et seq.*), the Public Funds Investment Act (30 ILCS 235/1 *et seq.*), and the following:

- a) Municipal securities ("securities") must be issued by any counties or municipal corporations of the State of Illinois;
- b) Securities must be interest-bearing and sold at a price that does not exceed par at the time of purchase;

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- c) At a maximum, securities must have a maturity or pre-refunded date of ten (10) years from the time of purchase;
- d) Securities shall be rated within three (3) intermediate credit ratings of United States' sovereign credit rating but not less than an A-, or an equivalent rating by at least one (1) accredited rating agency with nationally recognized expertise in rating bonds of states and their political subdivisions ("Rating Agency"), at the time of purchase;
- e) If the securities are credit enhanced with bond insurance policies, the external manager will apply the securities' underlying credit ratings or bond insurer' credit rating, whichever is greater. There will be no limit on the percentage of credit enhanced bonds with an underlying issuer rating not less than A-, or its equivalent by a Rating Agency, in the externally managed portfolio. For securities with credit enhancements with an underlying issuer rating below A-, or its equivalent by a Rating Agency, the external manager will not hold more than 10% of securities guaranteed by a single bond insurer in the externally managed portfolio. Only bond insurance policies issued by the following companies are permissible:
  - i. Assured Guaranty Municipal Corporation;
  - ii. Assured Guaranty Corporation;
  - iii. Build America Mutual; and
  - iv. National Public Finance Guarantee.
- f) Should a security be downgraded below A3/A-, the external managers will provide written notification to the Treasurer in order to determine the appropriate action (sell or hold) based on the perceived risk and expected return.

## **6.0 INVESTMENT RESTRICTIONS**

The Treasurer's external investment managers may not invest in the following types of investments:

- a) Any investments not authorized by this Policy, any other investment policy of the Treasurer, or applicable law are prohibited; or
- b) Any investments prohibited by Section 22.6 of the Deposit of State Monies Act.

## **7.0 DIVERSIFICATION**

The externally managed municipal securities shall be diversified to mitigate the risk of loss resulting from concentration of assets in a specific maturity or a specific issuer. In order to properly manage any risk attendant to the investment of State assets, the external managers shall not deviate from the following diversification guidelines unless specifically authorized by the Treasurer in writing:

- a) The Treasurer's external managers shall seek to achieve diversification in the portfolio by distributing investments among issuers and broker/dealers and;

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- b) The externally managed municipal securities shall not contain investments that exceed the lesser of 25% of an issuance or \$2,000,000.00.

#### **8.0 INTERNAL CONTROLS**

The Treasurer's external managers shall establish a system of internal controls and written operational procedures and share them with the Treasurer. The controls shall be designed to prevent the loss of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by authorized investment officers.

#### **9.0 DUE DILIGENCE**

The Treasurer's external managers will perform due diligence, including, but not limited to, research and financial analysis of municipal securities and legal compliance with federal and State laws, rules, and regulations, and the Treasurer's investment policies.

#### **10.0 RISK MANAGEMENT**

The Treasurer's external managers will establish risk management protocols to mitigate risk, including but not limited to, credit risks, liquidity risks, market risks, operational risks, reputational risks, and legal risks for the Treasurer.

#### **11.0 LIMITATION OF LIABILITY**

External managing firm employees making investment decisions on behalf of the Treasurer shall use the "prudent person" standard, which shall be applied in the context of managing an overall municipal securities portfolio. Such individuals who act in accordance with this Policy and exercise due diligence will be relieved of personal liability for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely manner and necessary action is taken to control adverse developments.

#### **12.0 REPORTING**

The external investment manager shall present monthly reports to the Treasurer for review. The monthly reports shall contain sufficient information for the Treasurer to evaluate the investment portfolio; its effectiveness in meeting the Treasurer's standards for safety, liquidity, rate of return, and diversification; and the general performance of the portfolio. At a minimum, the following information shall be included in the monthly reports:

- a) Change in market value of the securities;
- b) Rating changes of the securities;
- c) Portfolio performance and characteristics;
- d) Benchmark comparison;
- e) Portfolio transaction detail and holdings, including any supporting research documentation; and
- f) Listing of all securities held with a rating less than A-, or equivalent, with supporting research documentation.

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**Appendix B**

**Investment Policy Statement for the State Investment Portfolio's  
Externally Managed Corporate Securities**

**1.0 POLICY**

Under this instrument, the Illinois State Treasurer's Investment Policy for Externally Managed Corporate Securities ("Policy"), it is the policy of the Illinois State Treasurer's Office ("Treasurer") to invest all funds under its control in a manner that provides the highest investment return, using authorized instruments.

This Policy applies to all investments entered into by any of the Treasurer's external managers of corporate securities on or after the adoption of this Policy. The Treasurer's authorization to invest in corporate bonds shall expire on June 30, 2019.

**2.0 OBJECTIVE**

The primary objective in the investment of State funds by any external manager of corporate securities is to ensure the safety of principal and provide the highest investment return, using authorized instruments.

**2.1 Safety**

The safety of principal is an objective of the investment program. Investments managed externally on behalf of the Treasurer shall be undertaken in a manner that seeks to ensure the preservation of capital in the portfolio. To achieve this objective, diversification, as defined in Section 7.0 of this Policy, is required to ensure that the Treasurer prudently manages market, interest rate, and credit risks.

**2.2 Return on Investment**

The investment portfolio shall be designed to obtain the highest available return, given the safety of principal objective. The external manager shall seek to obtain the highest available return, using the authorized investments set forth in Section 5.0 of this Policy.

The rate of return achieved on the externally managed funds shall be measured at regular intervals against the Bloomberg Barclay's U.S. Corporate A+ 1-3 Index to determine the effectiveness of investment decisions in meeting the Treasurer's investment goals. The benchmark shall be reviewed annually by the Treasurer to ensure accuracy and relevance.

**2.3 Sustainability**

Consistent with achieving the investment objectives of the Treasurer set forth herein, the Treasurer shall prudently integrate sustainability factors into its investment decision-making in furtherance of the Treasurer's investment goals to fulfill its fiduciary duty, to increase expected financial returns, minimize projected risk, and contribute to a more just, accountable, and sustainable State of Illinois.

Sustainability factors shall be implemented within a framework predicated on the following:

- a) Integration of material sustainability factors, including, but not limited to environmental, social capital, human capital, business model and innovation, and leadership and governance factors, as components of portfolio construction, investment decision-making, investment analysis and due

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diligence, and risk management, given that these tangible and intangible factors may have a material and substantive financial impacts as well as non-financial impacts;

- b) Recurring evaluation of sustainability factors to ensure the factors are relevant to the Treasurer's investment portfolio and the evolving marketplace;
- c) Attentive oversight of investment holdings to encourage the advancement of sustainability accounting and disclosure through engagement with entities, such as funds, companies, government bodies, and other organizations, and move the marketplace toward more prudent sustainability investment practices; and
- d) Consideration of other relevant factors such as legal, regulatory, and reputational risks that enable an optimal risk management framework and supports long-term investment value.

The Treasurer shall develop policy guidelines to integrate material risks relevant to particular financial products, investment funds, companies, or government bodies, which shall be provided to internal and external investment managers to factor into their investment decision-making. The policy guidelines for integrating sustainability factors shall be reviewed and updated every two (2) years at a minimum to ensure consistency within the rapidly evolving global economy.

The State Investment portfolio's investment officers shall endeavor to identify and select authorized investment options that meet the Treasurer's criteria for sustainable investing and fall within the framework of the investment objectives.

### **3.0 ETHICS AND CONFLICTS OF INTEREST**

External managing firm employees making investment decisions on behalf of the Treasurer shall refrain from personal business activity that could conflict or give the appearance of a conflict with this Policy, or impair their ability to make impartial investment decisions. Any individuals with such a conflict or impairment shall disclose to the Treasurer any material conflicts of interest or impairment. If permitted by the Treasurer to proceed, such individuals shall subordinate their personal investment transactions to those of the investment portfolio, particularly with regard to the time of purchases and sales.

### **4.0 BROKERS/DEALERS**

The external manager, on behalf of the Treasurer, shall seek to provide a preference to qualified brokers/dealers that provide proof of minority-, female-, disabled-, and/or veteran-owned or -managed status and brokers/dealers that provide proof that their corporate headquarters are located in the State of Illinois.

### **5.0 INVESTMENT PARAMETERS**

The Treasurer has authorized the purchase of corporate securities, subject to the provisions of the Deposit of State Moneys Act (15 ILCS 520/1 *et seq.*), the Public Funds Investment Act (30 ILCS 235/1 *et seq.*), and the following:

- a) Securities must be issued by corporations or limited liability companies ("securities/security") organized in the United States that have a significant presence in the State of Illinois and assets exceeding \$500,000,000;



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- b) At the time of purchase, the maturity of the securities shall not be less than 270 days and shall not exceed five years;
- c) Securities must be rated at the time of purchase by one of the three (3) highest classifications established by at least two (2) standard rating services, but not less than an A- long-term rating or equivalent;
- d) The corporation or limited liability company has not been placed on the list of restricted companies by the Illinois Investment Policy Board under Section 1-11.16 of the Illinois Pension Code;
- e) The Treasurer's external managers will not purchase corporate bonds that are credit enhanced by mortgages or the collection of mortgages;
- f) Corporate bonds with credit enhancements based on tangible assets pledged as collateral for the bond will not exceed 20% of the overall externally managed portfolio; and
- g) Should a security be downgraded below A3/A- , or equivalent rating, the external managers will provide written notification to the Treasurer in order to determine the appropriate action (sell or hold) based on the perceived risk and expected return.

#### **6.0 INVESTMENT RESTRICTIONS**

The Treasurer's external investment managers may not invest in the following types of investments:

- a) Any investments not authorized by this Policy, any other investment policy of the Treasurer, or applicable law are prohibited; or
- b) Any investments prohibited by Section 22.6 of the Deposit of State Monies Act.

#### **7.0 DIVERSIFICATION**

The externally managed corporate securities shall be diversified to mitigate the risk of loss resulting from concentration of assets in a specific maturity or a specific issuer. In order to properly manage any risk attendant to the investment of State assets, the external managers shall not deviate from the following diversification guidelines, unless specifically authorized by the Treasurer in writing:

- a) The Treasurer's external managers shall seek to achieve diversification in the portfolio by distributing investments among issuers and broker/dealers; and
- b) Purchases cannot exceed 10% of the corporation's or the limited liability company's outstanding obligations.

#### **8.0 INTERNAL CONTROLS**

The Treasurer's external managers shall establish a system of internal controls and written operational procedures and share them with the Treasurer. The controls shall be designed to prevent the loss of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by authorized investment officers.

**State of Illinois  
Office of the Treasurer**

**Fiscal Officer Responsibilities  
Investment Policy Statement for the State Investment Portfolio  
(Effective July 2018 through September 2018)  
(Unaudited)**

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**9.0 DUE DILIGENCE**

The Treasurer's external managers will perform due diligence, including, but not limited to, research and financial analysis of corporate securities and legal compliance with federal and State laws, rules, and regulations, and the Treasurer's investment policies.

**10.0 RISK MANAGEMENT**

The Treasurer's external managers will establish risk management protocols to mitigate risk, including but not limited to, credit risks, liquidity risks, market risks, operational risks, reputational risks, and legal risks for the Treasurer.

**11.0 LIMITATION OF LIABILITY**

External managing firm employees making investment decisions on behalf of the Treasurer shall use the "prudent person" standard, which shall be applied in the context of managing an overall corporate portfolio. Such individuals who act in accordance with this Policy and exercise due diligence will be relieved of personal liability for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely manner and necessary action is taken to control adverse developments.

**12.0 REPORTING**

The external investment manager shall present monthly reports to the Treasurer for review. The monthly reports shall contain sufficient information for the Treasurer to evaluate the investment portfolio; its effectiveness in meeting the Treasurer's standards for safety, liquidity, rate of return, and diversification; and the general performance of the portfolio. At a minimum, the following information shall be included in the monthly reports:

- a) Change in market value of the securities;
- b) Rating changes of the securities;
- c) Portfolio performance and characteristics;
- d) Benchmark comparison;
- e) Portfolio transaction detail and holdings, including any supporting research documentation; and
- f) Listing of all securities held with a rating less than A3/A-, or equivalent, with supporting research documentation.