

REPORT A Action Item: Recommendation to Revise the NEIU Investment Policy Statement

Background

An Investment Policy Statement (IPS) establishes the guiding principles for managing, monitoring, and evaluating the investment of the University's financial assets. The IPS defines investment objectives, governance responsibilities, asset allocation guidelines, and risk management standards to ensure that University funds are invested prudently and in accordance with applicable laws and fiduciary standards.

The University's current Investment Policy Statement was last updated on **June 30, 2017**. Since that time, changes in investment practices, regulatory guidance, and the structure of the University's investment programs have warranted a comprehensive review of the policy. In consultation with the University's investment advisor, Blue Rose Capital Advisors, the Vice President for Finance and Administration conducted a review of the existing policy to ensure that it reflects current investment practices, strengthens governance and oversight responsibilities, and more clearly defines the structure of the University's investment pools.

The **revised Investment Policy Statement**, reorganizes and clarifies the policy framework governing the University's invested assets. Key updates include revisions to the governance and oversight structure for investment management, updated definitions and descriptions of the University's investment pools, and expanded guidance regarding asset allocation, liquidity management, and performance evaluation. The revised policy also updates terminology and incorporates additional guidance related to sustainable investing, internal controls, and investment oversight consistent with current industry practices and applicable Illinois statutes.

The revised Investment Policy Statement is provided with this item as appendices, including **Appendix A (final revised version)** and **Appendix B (old version)** for reference.

The Board action recommended in this item complies in all material respects with applicable State and federal laws, including the Illinois Uniform Prudent Management of Institutional Funds Act, and all applicable University policies and directives.

Recommended Action

I request that the Finance, Buildings and Grounds Committee recommend approval of the University's revised investment policy statement as presented.

Investment Policy Revision

March 19, 2026



Action Requested

Action:

Approve the revised Investment Policy Statement

Why This Matters:

- Transition from State-managed assets (Illinois Funds) to professionally managed assets under our control
- Allows more flexibility in asset allocation to align with long-term goals
- Potential for higher long-term returns while maintaining liquidity and safety
- Strengthens governance, oversight, and reporting



Why Change?

Current Approach:

- Majority of funds in State-managed vehicles (e.g., Illinois Funds)
- Strong on safety and liquidity
- Limited return potential

Challenge:

- Inflation erodes purchasing power
- Current structure not designed for long-term growth

Opportunity:

- Transition to a professionally managed portfolio (AUM model)



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What's Changing (and What's Not)

What's Changing:

- Flexible asset allocation (no longer fixed in policy)
- Use of external investment manager
- Enhanced performance measurement
- Prudent, risk-aware investment approach

What's NOT Changing:

- Strong focus on liquidity to meet operational needs
- Board oversight and approval of investment strategy
- Compliance with State laws and fiduciary standards



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Safeguards & Governance

Safeguards:

- Diversification across asset classes
- Liquidity structure maintained
- Credit quality standards
- No excessive leverage or speculative use of derivatives

Governance:

- Board approves policy & fiduciary responsibility
- FBG reviews asset allocations and performance and recommends approval to Board
- University Management executes and monitors, select and oversee Investment managers
- Regular reporting (quarterly/annual)

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Performance & Goals

How We Measure Success:

- Compare against State-managed returns (Strategic plan, Goal 5, Tactic 1)
- Benchmark aligned relevant market indices
- Peer comparison (similar institutions)
- Inflation (CPI)

Goals:

- Preserve purchasing power
- Improve long-term returns
- Maintain liquidity for operations

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Next Steps

If Approved:

- **Hire an Investment Manager – Procurement Process**
 - Competitive procurement process (RFP)
 - Standardized template provided by the State
 - Scope-of-Work development
 - Post on the State's Procurement Bidding Website (min. 14 business days)
 - Establish Evaluation Committee (develop scoring matrix)
 - Rank vendors
 - Not only based on price, quality of service, experience, etc.
 - Vendor selection
 - Board approval required \$250,000

What We're Looking For:

- Institutional investment experience
- Strong risk management and diversification approach
- Transparent reporting and benchmarking
- Competitive Investment Management fees
- Alignment with University values
- Good faith effort to meet BEP goals
- Other?



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Manager Onboarding & Implementation

Execute the Approved Investment Policy and Begin Professional Asset Management

Key Steps:

- Selected Investment Broker meets with FBG Committee
 - Discussion of University goals, strategy, and priorities
 - Public Committee discussion and approval of investment strategies
- Open custodian account for the University
- Transfer University funds into the new custodial account
- Investment Broker begins implementing the portfolio in alignment with Board-approved policy

Goal: Ensure a smooth, transparent transition from State-managed assets to professionally managed assets under AUM, with proper oversight and controls in place.



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Statement of Investment Policy

Date: April 16, 2026

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Purpose

The Investment Policy Statement provides the guiding principles for Northeastern Illinois University (the “University”) to effectively supervise, monitor, and evaluate the investment of its financial assets. The Board of Trustees (the “Board”) and its delegates intend to invest all available University funds in one of the University investment programs. The objective and time horizon of a fund will generally determine the appropriate investment program. The University attempts to pool assets whenever possible to provide efficient administration and investment flexibility. Assets held by the Northeastern Illinois University Foundation are managed under the Foundation’s separate investment policies and are not included within the University’s investment pools described in this policy.

Definitions

Long-Term Investment Pool (the “LTIP”)

The LTIP consists of permanent core operating funds and endowment funds—including gifts that have been donated to the University to support research, academic, or capital programs; income funds related to University-held endowments; royalty income; and self-insurance funds.

Endowment funds are defined as institutional funds and, under the terms of the gift instrument, are not wholly expendable by the institution on a current basis. Some may be restricted to a specific purpose whereas others may be entirely unrestricted. Management of these funds on a consolidated basis permits a pooled total return investment approach with a long-term investment horizon. Quasi-endowments established by the University are invested in the LTIP whenever feasible.

Operating Pool

The operating pool represents funds available for current use in support of the University’s academic programs and support functions. These operating assets are budgeted to designated operations within the University. Operating funds are pooled to provide the University continuity of mission, investment flexibility, and efficient administration. The consolidated management of these funds also allows robust tracking and investment performance reporting, plus a larger base from which to meet demands for liquidity. All liquidity needs of the University will be met from these funds. This category primarily includes tuition and fees, student loan funds, self-insurance programs, and auxiliary operating funds. Funds within the operating pool are expected to remain highly liquid, are reviewed at least annually, and are intended to support approximately six months of University operating expenses.

Separately Invested Funds

Some funds are separately invested by the University in instances where the funds belong to another agency or entity; donor or legal restrictions prevent consolidation; or it is in the best interest of the University not to commingle the funds. Separately invested funds are invested in accordance with the funds’ objective, duration, and investment restrictions. All revenue earned by these investments is separately maintained for expenditure in accordance with guidelines.

Separately invested funds include:

Agency Funds

Funds invested for the benefit of University Related Organizations.

Separately Invested Endowment Funds

Gifts from donors who have directed that the endowment fund may not be commingled, or the gift is non-marketable.

Construction Funds

Proceeds from bond issues or appropriations for specific purposes which are being temporarily invested until needed to fund construction expenditures.

Bond and Interest Sinking Funds and Debt Service Reserve Funds

Separately invested funds set aside to pay future debt service payments.

Sponsored Program Funds

Funds from University-sponsored programs which are projects and activities often involving research, teaching, training, or services, that are funded by external sources (like government agencies, foundations, or corporations) through formal agreements like grants or contracts.

Invested Assets

The University's investment pools defined above, including the LTIP, operating pool, and separately invested funds.

Roles and Responsibilities

Statutory Authority and Delegation of Investment Function

The Board of Trustees follows the State of Illinois Uniform Prudent Management of Institutional Funds Act, 760 ILCS 51/1-11, when managing the University's invested assets. The Board fulfills its fiduciary responsibility for the management of all invested assets through the development of the University's Investment Policy Statement, which strives to maximize investment return within a prudent level of risk. The Board has delegated the execution of the Investment Policy Statement to the Office of the Vice President for Finance and Administration (VPFA) or designee of the University. This delegation includes the establishment of financial relationships, such as banking relationships, money market funds, investment managers, investment consultants, custodians and other vendors directly related to the provision of investment management services, for the holding or management of the University's invested assets. This delegation enables the VPFA or designee, at his or her discretion, to hire and fire investment managers to meet the Board's policies established herein.

The Vice President for Finance and Admin (VPFA) or designee oversees the development and management of investment programs and develops and disseminates guidelines and procedures regarding invested assets. The University Controller is authorized to develop, install, and oversee the operations of suitable business and staffing to accomplish this function. Requests for exceptions to approved investment policies are to be addressed to the VPFA .

The Board of Trustees

- The Board has fiduciary responsibility for the University's invested assets.
- The Board is responsible for establishing the University's investment policy, including approval of invested asset allocation ranges.
- The Board approves asset allocation strategies upon recommendation from the Finance, Buildings and Grounds Committee.

Finance, Buildings and Grounds Committee

- Set forth recommendations to the Board regarding investment policy and invested allocation ranges.
- Review the University's investment policy and Investment Statements on a quarterly basis.
- Review asset allocation and portfolio- and asset class-level performance on an annual basis.

Vice President for Finance and Administration

- Authorized to manage University investments consistent with the Board's Investment policy.
- Regularly communicate with the Finance, Buildings and Grounds Committee and the University President on investment activities, including reporting on invested asset performance relative to benchmarks.

- Approves investment manager hiring and termination.
- Informs the Finance, Buildings and Grounds Committee on material events affecting the University's invested assets.
- Meet with the investment managers on a periodic basis to perform due diligence, including a review of investment performance, portfolio allocations, and market outlook.

Controller

- Work in conjunction with the investment managers on the preparation of presentations and reporting materials for the Board's Finance, Buildings and Grounds Committee.
- Inform the VPFA of material events that are discovered or reported during the ongoing due diligence process.
- Review the investment policy statement periodically to ensure it is consistent with current circumstances and best practices. Recommendations for change will be brought to the VPFA and Board's Finance, Buildings and Grounds Committee.

Investment Managers

- Manage the University invested assets under their supervision in accordance with the guidelines and objectives outlined in the respective contract, service agreement, prospectus, limited partnership agreement, or similar account documentation.
- Exercise full investment discretion regarding buying, managing, and selling assets held in the portfolios.
- Use the same care, skill, prudence, and due diligence under the circumstances then prevailing that experienced investment professionals acting in a like capacity would use in the management of their own affairs, not regarding speculation, but in regard to the stewardship of their funds considering the probable income, risk, and preservation of capital.
- Provide regular statements to the University on fund holdings and performance.

Custodian

- Provide or make available monthly portfolio performance, asset, and transaction reports.
- Provide the University, its investment managers, and its Board special reports as reasonably requested.
- Communicate immediately any concerns regarding portfolio transactions, valuation, or material changes in personnel or procedures.

Invested Assets

LTIP

Investment Objective

To ensure intergenerational equity, the investment objective is to preserve the real value, or purchasing power, of the LTIP assets and the annual support provided by these assets for an infinite period. The pool's objective is further defined over longer term periods (or a market cycle) as a hurdle rate of inflation plus spending and administrative fees, as summarized below:

Hurdle Rate \geq Consumer Price Index + Spending Rate + Administrative Fees

The investment program attempts to balance current need and future support so that in the future an endowed University program will receive the same value of annual financial support as is currently provided.

Spending Policy

The purpose of the spending rate formula is to provide a stable income stream that keeps pace with inflation and does not degrade the real value of the corpus of the LTIP over time.

The LTIP spending policy is established as a percentage of a moving average of market value of the unitized LTIP. The spending formula and spending rate for the LTIP will be determined by the VPFA and reported to the President and the Board prior to the beginning of each fiscal year through the annual budget process.

Asset Allocation

Asset allocation is believed to be the key driver of investment returns. The University invests in a diversified multi-asset class portfolio consisting of investments that will generally fall into one of three asset categories: global equity, fixed income, and real assets. Each category serves a specific role within a portfolio. An allocation to all or a subset of the categories can provide diversification to major market risk factors and provides a simple framework to review the exposures within the portfolio. Within each asset category, investments shall be diversified further among the economic sector, industry, geographic region, quality and size. The purpose of this diversification is to provide reasonable assurance that no single security or class of securities will have a disproportionate impact – positive or negative – on the overall performance of the LTIP. The target asset allocation seeks to balance the need for liquidity with the ability to generate higher returns through less liquid investments.

Asset Categories

Global Equity	Intended to be the primary source of long-term growth for the portfolio, as equities historically have produced high real rates of return. While having higher expected returns, they also have higher volatility. Includes both public and private equity.
Fixed Income	Intended to offset the volatility of equities, particularly during market downturns, as well as provide deflation protection. These investments are primarily fixed income (debt) securities. Includes both public and private debt.
Real Assets	Intended to insulate the portfolio from inflation shocks and to provide a source of non-correlated returns with other asset categories. May include both public and private investments in real estate, natural resources (<i>e.g.</i> , agriculture, timber, commodities), and infrastructure (<i>e.g.</i> , power generation, transportation).

The asset allocation for the LTIP will be recommended periodically by the University's investment manager and presented by the VPFA to the Finance, Buildings and Grounds Committee for review and recommendation to the Board. Asset allocation decisions will be based on the LTIP's investment objectives, risk tolerance, liquidity needs, and market conditions.

Rebalancing

The LTIP will be rebalanced monthly based on cash flow requirements and in alignment with the approved asset allocation in effect at the time. The purpose of rebalancing is to control risk and maintain the policy allocation within ranges approved by the Board. Available cash flows may be strategically utilized to facilitate rebalancing, minimizing transaction costs and reducing the need for discretionary asset sales.

The LTIP net-of-fee rate of return will be evaluated in a manner consistent with its long-term investment objective of preserving purchasing power and supporting intergenerational equity.

Performance Evaluation

Performance will be assessed using multiple measures, including:

- **Policy Benchmark:**
A total fund benchmark constructed based on the LTIP's asset allocation in effect at the time, using a blend of broad market indices appropriate to the asset classes represented in

the portfolio. The specific composition of this benchmark will be recommended by the University's investment consultant and/or investment managers and approved through the University's governance process.

- **Peer Comparison:**
The LTIP's performance will be compared to a universe of institutions with similar objectives, such as comparable endowments and foundations.
- **Inflation-Adjusted Returns:**
Performance will be evaluated relative to inflation, with the objective of maintaining or growing the real (inflation-adjusted) value of the portfolio over time. The primary measure of inflation will be the Consumer Price Index (CPI).

Performance will be reviewed over multiple time periods, with an emphasis on longer-term results to align with the LTIP's investment horizon. Short-term performance deviations from benchmarks will be evaluated in the context of market conditions, investment strategy, and the role of diversification within the portfolio.

Permitted Investments

The LTIP may invest in any kind of property or type of investment. Investments may be structured as separate accounts, pooled funds (*e.g.*, mutual funds, common trust funds), limited partnerships or direct investments in securities or exchange-traded vehicles.

Quasi-Endowments

Quasi-endowment funds are established by the VPFA to function like an endowment, with the funds typically invested in the commingled LTIP. However, these funds may be removed from the LTIP and expended at the discretion of the VPFA in accordance with the gift agreement.

Operating Pool

Investment Objective

Operating funds are invested to preserve value and safety of the principal, generate income, maintain liquidity appropriate to the forecasted working capital requirements of the University, provide prudent diversification of investments, and maximize the rate of return on investment.

Liquidity Distribution

The liquidity distribution strategy for the operating pool consists of investing funds within four liquidity layers. The decision to allocate funds across these layers involves a careful balance of fulfilling the operating pool portfolio's investment objectives and, at the same time,

understanding the University’s ability and willingness to assume investment risk in the portfolio. Funds expected to be used within one year are invested in the primary liquidity layer to ensure they are available for expenditure. The longer-time horizon investments, including core and permanent core, are expected to provide higher rates of return. These longer maturity investments will experience some variation in market value as capital market conditions change. This market value variation is acceptable since these investments are not expected to be utilized to meet immediate liquidity needs.

It is University policy to invest its operating funds in the approximate proportions as set forth in the table below identifying the operating pool’s liquidity layers, benchmarks, and policy allocation ranges.

Liquidity Layer	Role in Operating Portfolio	Investment Time Horizon	Relative Risk Tolerance	Benchmark (or equivalent)	Target Policy Range
Primary Liquidity	Meet cash flow needs/ downside protection	Immediate	Low	Bloomberg 90-Day & 12-Month Treasury Bill Index	30% - 75%
Liquid Core	Earn yield/ downside protection	1 – 3 years	Low	Bloomberg One- to Three-Year Government and Government/ Credit Index	10% - 40%
Core	Earn yield/ total return	3 – 5 years	Low-moderate	Bloomberg Intermediate Aggregate and Government Credit Index	10% - 40%
Permanent Core	Total return	5+ years	Moderate-high	University LTIP benchmark	5% - 25%

Permissible Investments

The University's primary liquidity, liquid core, and core layers shall be invested in fixed income securities and short-term (*e.g.*, money market) instruments. Fixed income securities shall be rated "Baa3" or better by Moody's or Standard & Poor's or equivalent at purchase. Unrated securities are only allowed when specifically permitted by an individual manager's guidelines.

The University's permanent core operating funds shall be invested in the University's LTIP investment program.

The University VPFA and investment managers shall not invest in any security which, in their opinion, entails a material probability of default.

Diversification

The total operating pool will be broadly diversified across securities to reduce the impact of losses in individual investments in a manner that is consistent with fiduciary standards of diversification. This diversification shall be achieved by employing multiple investment managers and by imposing a 5% maximum position limit with the exception of U.S. Treasury securities, U.S. government agency securities, tri-party repurchase agreements and money market funds.

Liquidity

Treasury will be responsible for maintaining adequate cash balances for the liquidity needs of the University and Investment staff will advise the external managers of any anticipated need for cash withdrawals as such needs become known.

Performance Evaluation

Investment staff will report and evaluate performance on a net-of-fee basis. The total operating pool rate of return will be measured against the operating pool benchmark. The benchmark return is calculated using a weighted average of manager-specific benchmarks, based on beginning-of-the month market values. Monthly benchmark returns are geometrically linked to reflect overall benchmark performance for the pool. The indices to be used in the weighted average and the ranges within which the weights will fall are displayed in the preceding table.

Operating Pool Income Distribution

Operating pool income is distributed at the discretion of the VPFA . Applicable external investment management, custody, bank, and internal fees (*i.e.*, operating budget of select

functions within the University Office) reduce the amount of investment income. University Accounting and Financial Reporting ('UAFR') ensures the proper recording of all investment income and related expenses and the allocation of net investment income to the appropriate fund groups. Net accrued investment income is allocated quarterly to campus units or entities with ownership of the funds. Deficit cash balances reduce the total cash balance for a given campus, fund group, or entity. Any campus, fund group, or entity in a total deficit position will not receive an income distribution except to the extent required by federal, state, or University regulations or policies.

Separately Invested Funds

Agency Funds

The University may invest funds for University related entities such as student organizations, clubs or academic consortia. The objective is to invest these funds to preserve the value and safety of the principal and maintain liquidity appropriate to the forecasted working capital requirements of the agency.

Separately Invested Endowment Funds

The objective for separately invested endowment funds is to preserve the purchasing power of the funds and the associated income. Separately invested endowments follow, as nearly as possible, the LTIP investment program adopted by the Board while adhering to any special restrictions prohibiting participation in the LTIP program.

Investment returns on separately invested endowment funds will be compared with the returns of broad market indices representing the asset classes established for the separately invested endowment funds.

Construction Funds

Plant funds earmarked for construction and construction funds generated through debt issues are separately invested to meet bond covenants and to foster project accountability. Investment of these funds will follow the Illinois Public Funds Investment Act (30 ILCS 235), but the maturity structure will be guided by projected cash flows. Construction funds receive interest from the investment of these funds prior to expenditure.

Bond and Interest Sinking Funds and Debt Service Reserve Funds

Bond and interest sinking funds include the mandatory transfers from operating units for payment of principal and interest on the University's outstanding debt. Debt service reserve funds are normally held by the University, or its agent, as a requirement of bond covenants for outstanding University bond issues. The specific bond covenant determines the type of funds required to be held by the University and any limitations on the income earned on those funds. Debt service reserve funds are retained in the event the University defaults on a bond payment. All investment income earned on bond and interest sinking funds and debt service reserve funds must be used for debt payments.

Sponsored Programs Funds

University-sponsored programs are projects and activities, often involving research, teaching, training, or services, that are funded by external sources (like government agencies, foundations,

or corporations) through formal agreements like grants or contracts. These programs can be funded by various sources, including federal and state agencies, private foundations, corporations, and non-profit organizations. These agreements establish terms and conditions for performance, which may include provisions for separately investing any excess funds until they are used.

Policies, Guidelines and Practices

Investment Manager Selection and Retention

Investment managers will be selected through a rigorous, State-mandated Request for Proposal (RFP) process and recommended to the VPFA for hiring approval.

Criteria used to evaluate investment managers during the search process will include, but are not limited, to the following:

1. Registration with appropriate regulatory authorities.
2. Experience of the firm in the management of institutional portfolios operated under prudent person standards.
3. Qualifications and/or depth of the professional staff.
4. Soundness of the firm's investment philosophy and process.
5. The investment record of the firm and/or the firm's principals in former associations where the record is verifiable.
6. The adequacy of the firm's trading, back office, accounting and reporting, and client service capabilities.
7. Investment management fees.
8. Sustainable investing practices employed by the firm.

Regarding performance, the primary measurement will be the manager's returns (net of fees) versus the relevant and agreed upon benchmark. Failure of a manager to generate excess returns in a short period of time does not require that the contract with the firm be terminated. However, the firm's returns must be within an acceptable range. A secondary performance measure is the manager's returns relative to a universe of returns of managers with similar styles.

Reasons for investment manager termination may include but are not limited to: changes in investment style and discipline, changes in the firm (*e.g.*, personnel, organizational structure) which may detract from future performance, changes in the University's Investment Policy eliminating the need for the manager, loss of confidence that the firm will add value and material legal or regulatory infractions.

Reporting and Review

The Investment manager and VPFA (or designee) shall deliver an investment presentation, at least annually, to the Finance, Buildings and Grounds Committee of the Board.

Internal Controls

The VPFA and Controller have established a University of internal controls designed to prevent losses that might arise from fraud, employee error, misrepresentation by third parties or imprudent actions by employees of the entity. This includes, but is not limited to, segregation of duties, calculation of market values and returns by internal and external parties and initial and ongoing due diligence of investment managers by investment staff and the designated investment consultant.

Sustainable Investing

In accordance with the Illinois Sustainable Investing Act (30 ILCS 238/), Controller will strive to prudently integrate environmental impact, social impact and governance factors across the investment program, including investment decision-making, investment analysis, portfolio construction, due diligence and investment ownership. Factors to be considered may include but are not limited to: (1) corporate governance and leadership factors; (2) environmental factors; (3) social capital factors; (4) human capital factors; and (5) business model and innovation factors.

Bank Deposit Collateral Guidelines

In accordance with 30 ILCS 105/6d (2), whenever funds are deposited with a bank or savings and loan association and the amount of the deposit exceeds the amount of federal deposit insurance coverage, the University requires that bonds or pledged securities be held as collateral. Only the types of securities which the State Treasurer may, in his/her discretion, accept under Section 11 of the Deposit of State Moneys Act may be accepted as pledged securities. The market value of the bond or pledged securities shall at all times be equal to or greater than the uninsured portion of the deposit.

Derivative Securities

For the purposes of this policy, a derivative instrument is defined as any contract or investment instrument whose performance, risk characteristics or value is derived from any asset, interest rate or index value.

Derivatives are permitted to be used for the following purposes:

1. To gain broad stock or bond market exposure in a manner that does not create the effect of excessive leverage in the overall portfolio.

2. To convert financial exposure in a given currency to that of another currency (*e.g.*, hedge Japanese Yen exposure back to the U.S. dollar).
3. To adjust the duration of a bond portfolio in a manner that is consistent with the accepted approach of the manager and other policies and guidelines provided to the manager.
4. To make portfolio adjustments that are consistent with the University's investment policies and guidelines and that, when viewed from a total portfolio standpoint, do not materially increase expected volatility in the portfolio.

With the exception of investment managers (*e.g.*, hedge funds, real estate) so authorized, derivatives will not be used to leverage portfolios, and derivative-based investment strategies will not expose the portfolios to excessive risk.

Investment managers are expected to have internal risk management programs in place to ensure that derivative-based strategies do not result in magnified risks to the portfolio.

Compliance, Ethics and Conflicts of Interest

Each person acting on behalf of the University shall comply with all applicable State of Illinois statutes, as well as University statutes, general rules, bylaws and policies. This includes, but is not limited to, the above cited State of Illinois Uniform Prudent Management Institutional Funds Act as well as the Illinois Governmental Ethics Act, 5 ILCS 420, and the State Officials and Employees Ethics Act, 5 ILCS 430, which set forth guidelines for professional conduct by those acting on behalf of the University.

In addition, no person involved in the investment process shall make any investment decision based upon personal or political gain or consequence.



Statement of Investment Policy
(Updated and Revised)

In Compliance with
The State of Illinois Public Funds Investment Act



Prepared by
Blue Rose Capital Advisors
June 30, 2017



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INVESTMENT POLICY SUMMARY

Investment Policy Summary

Policy Structure

The Investment Policy is divided into the following four sections: (I) Revenue Bond Funds and Accounts, (II) Certificate of Participation Funds and Accounts, (III) Operating Funds and Accounts, and (IV) Collateralization and Custodians. A key distinction is made regarding the nature of the University's funds that are subject to the Investment Policy. The Revenue Bond Funds and Accounts, established through the issuance of the Board's outstanding University Facilities System Revenue Bonds (the "Revenue Bonds"), and the Certificate of Participation Funds and Accounts, established through the issuance of the Board's outstanding Certificates of Participation (the "COPs"), are segregated from the University's other operating funds and accounts for investment policy purposes. Specific rules governing the use and investment of the University Facilities System (the "System") funds are established under the System Bond Resolution (the "Bond Resolution") and for COP funds under each respective Indenture of Trust (the "Indenture"). These specific rules, coupled with Federal arbitrage regulations that apply to the investment of tax-exempt bond proceeds, necessitate the development of specific policy statements for each System and Indenture fund and account, which are included in Sections I and II of the Investment Policy. These policy statements are drafted to be self-inclusive to give the practitioner a clear guide on how to invest each account with a minimum of cross referencing.

Section III of the Investment Policy focuses on the University's other Operating Funds and Accounts. These Non-System and Non-Indentured funds are derived from four sources: 1) Local Funds, 2) Tuition and Fees, 3) Federal Funds, and 4) State Appropriations, and are applied to the day-to-day operation of the University. Although there is some overlap between System funds and operating funds, they are to be accounted for separately and invested in accordance with their respective purposes. The investment of the day-to-day operating funds of the University is an exercise in cash management. To accommodate this perspective, Operating Funds are divided between a "Liquidity Pool" and a "Permanent Pool" for investment policy purposes. The policy for investing the Liquidity Pool is governed by the short-term application of these funds, while the policy for investing the Permanent Pool (i.e. operating funds to be held for one year or longer) is more flexible and directed toward enhancing return.

Specific Policy Guidelines

To comply with the scope outlined in Section 2.5 of the Investment Act (30 ILCS 235/2.5), the following investment considerations are addressed in the Investment Policy for each fund and account of the University, whether debt related or operating:

1. **Purpose and Investment Objective:** Identify the source of funds for the account, what the funds are to be used for and the timing of their application. State the investment objective taking into consideration the purpose of the account, its investment horizon, liquidity needs and return requirements.
2. **Authorized Investments:** Identify the type of investments that are permitted by law, Board resolution, Bond Resolution or Indenture for a specific account. In most instances for the University, authorized investments will be limited to securities permitted by Illinois law for investment of public funds.

3. **Maturity, Liquidity and Diversification:** The specific requirements and constraints of an account will impact the length of its investment, the predictability of applying funds within the account and the need to diversify investment holdings to mitigate either interest rate or credit risk.
4. **Selection and Execution:** Identify the individual(s), by title or position, responsible for making specific investment decisions and maintaining the accounts. The Treasurer of the Board is responsible for investment oversight, implementation of policy procedures, establishing internal controls to ensure proper execution and compliance with policy guidelines and to monitor and evaluate investment performance.
5. **Performance Measurement:** An evaluation criteria or a performance benchmark is suggested that is appropriate for the duration and risk profile of the account. The methodology for tracking returns and reporting to the Treasurer is established so that performance can be monitored and periodically reported to the Board. Performance measurement also serves as an internal control check for compliance with the Investment Policy.

Other Policy Resources

To better conceptualize the structure of the numerous Revenue Bond funds and accounts in Section I, Chart A is included in Appendix A depicting the purpose of each account and its order of priority in the flow of System funds. Given that University investments are primarily limited to legal investments permitted by the State of Illinois, Appendix B provides a description of investments permitted by the State. All University investments must comply with the University's custodial risk policy and University funds that are not invested in securities permitted by Illinois law but are held in depository accounts in excess of Federally insured amounts must be collateralized, all in accordance with the provisions outlined in Section IV ("Collateral and Custodians") of the Investment Policy. Collateralization requirements are equally applicable to uninvested and unsecured System, Indentured and operating funds.

INVESTMENT POLICY

Northeastern Illinois University

Investment Policy

The Northeastern Illinois University Investment Policy (the “Policy”) is established and articulated herein to provide clear guidance for the investing activities of Northeastern Illinois University (the “University”), in compliance with State of Illinois Public Funds Investment Act, as amended, 30 ILCS 235/1-7 (the “Act”). The scope of the Policy applies to the investment of all funds and accounts of the University, as established and governed by the Board of Trustees of Northeastern Illinois University (the “Board”). The guidelines of the Policy address for each University fund and account: A) the purpose of each fund/account and a statement of its related investment objective, B) authorized investments C) the maturity, liquidity and diversification requirements, D) the procedures for making and executing investment decisions, including the individuals (by title) so authorized, E) performance criteria or benchmark returns, and F) tracking and reporting requirements. This Policy designates the Treasurer of the Board as the “Chief Investment Officer” responsible for implementing the operating procedures and internal controls established hereunder and to monitor the continuing compliance therewith by University personnel. This Policy is effective January 1, 2000, as initially approved by the Board at its April 6, 2000, meeting, and updated and revised as of June 30, 2017. This Policy will be reviewed by the Board from time to time, and will be periodically updated and revised thereby to conform to the changing investment needs of the University.

The University funds and accounts subject to this Policy are divided into three general areas: I) Revenue Bond funds and accounts, II) Certificate of Participation (or Indentured) funds and accounts, and III) Operating funds and accounts. This division represents a rational distinction of the University’s funds and accounts based on purpose, function and governance. These general areas may be added to or deducted over time as the University’s profile of funds and accounts changes.

I. Revenue Bond Funds and Accounts

Pursuant to the Board’s issuance of University Facilities System Revenue Bonds, originating with the Board’s issuance of \$3,075,000 University Facilities Revenue Bonds, Series 1973, the University established various funds and accounts under the Bond Resolution for these revenue bond issues. Funds held in these accounts are for the security of the bondholders, for the operations and reserves of the University Facilities System, or for the Project Funds of the related financings. In each case, specific rules for the investment of these funds are dictated by the governing Resolutions and tax laws under which the bonds are issued. Because of these specific rules and the Federal arbitrage regulations that are unique to these funds, these funds need to be segregated from the balance of the University’s funds for investment policy purposes. The original Bond Resolution has been supplemented from time to time and was formally amended and restated effective December 26, 2014.

The University Facilities System Revenue Fund (the “Revenue Fund”)

Purpose and Investment Objective: The purpose of the Revenue Fund is to collect and deposit the Gross Revenues of the University Facilities, as received. Current operating and maintenance expenses of the System will be payable from the Revenue Fund as the same become due and payable. The Revenue Fund will also make the required semiannual transfers to the Bond Fund and annual transfers to the

Operation and Maintenance Account, Repair and Replacement Reserve Account, the Non-Instructional Facilities (Development) Reserve Account and the Equipment Reserve Account. A “Flow of Funds Chart” for all funds and accounts of the System is attached hereto as Chart A in Appendix A. The Revenue Fund effectively serves as the operating account for System Revenues and should be kept sufficiently liquid and secure to make timely daily, semiannual and annual transfers. The investment objective is to obtain a high short-term yield while maintaining sufficient liquidity to make the anticipated transfers. Annually, at the end of the Fiscal Year, moneys sufficient to pay operation and maintenance expenses for the next 30 days may be retained in the Revenue Fund.

Authorized Investments: Investments in the Revenue Fund (prior to transfer to any sub-accounts) are limited to those securities permitted by the laws of the State of Illinois for the investment of public funds and must mature, or be redeemable at the University’s request, prior to when such funds are needed for expenditure. A description of State permitted investments is attached hereto as Appendix B. In addition, uninvested funds held by a depository in excess of the Federally insured amount, must be collateralized in accordance with the terms in Section IV herein.

Maturity, Liquidity and Diversification: Daily liquidity without market risk is required to meet the cash flow needs of the Revenue Fund. Diversification is only a consideration for spreading the credit risk of specific investments. If the investments in the Revenue Fund are sufficiently collateralized (i.e. for bank account balances over \$250,000), then diversification is not a requirement.

Selection and Execution: The Director of Financial Affairs/Controller will be responsible for investing the Revenue Fund. Since daily liquidity without market risk is required, investment is limited to money market funds or other overnight or demand deposit investments. The University should compare the money market returns offered by its depositories with returns on other money market options, such as the Illinois Funds (IF).

Evaluation Criteria or Benchmark: Given the money market nature of the Revenue Fund, the Ready Assets Government Liquidity Fund (formerly the Merrill Lynch Ready Assets Trust) can serve as an appropriate performance benchmark. Investment returns will be tracked monthly and reported quarterly to the Treasurer.

The Operation and Maintenance Account (the “O & M Account”)

Purpose and Investment Objective: The O & M Account serves as a reserve account for funds sufficient to pay one month of operating and maintenance expenses. The investment objective of this Account is to maximize return while maintaining sufficient liquidity to fund any unexpected need to pay operating and maintenance expenses.

Authorized Investments: Investments in the O & M Account are limited to those securities permitted by the laws of the State of Illinois for the investment of public funds and must be sufficiently liquid to be redeemable at the University’s request prior to when such funds are needed for expenditure. A description of State permitted investments is attached hereto as Appendix B. In addition, uninvested funds held by a depository in excess of the Federally insured amount must be collateralized in accordance with the terms in Section IV herein.

Maturity, Liquidity and Diversification: Liquidity is a consideration to the extent that funds need to be readily available to supplement available funds of the Revenue funds or meet unexpected System operating expenses as they arise. Diversification is only a consideration for spreading the credit risk of specific investments. If the investments in the O & M Account are sufficiently collateralized (i.e. for bank account balances over \$250,000), then diversification is not a requirement.

Selection and Execution: The Director of Financial Affairs/Controller will be responsible for investing the O & M Account. The O & M Account may be invested in a low risk money market fund to be readily available to meet unanticipated System operating and maintenance expenses. The O & M Account may also be invested in Treasury securities, maturing in one year or less, if it is determined the System will be unlikely to use the operating reserves in the O & M account over the next year.

Evaluation Criteria or Benchmark: Given the money market nature of the O & M Account, the Ready Assets Government Liquidity Fund can serve as an appropriate performance benchmark. Investment returns will be tracked monthly and reported quarterly to the Treasurer.

The Bond Account (the “Bond Account”)

Purpose and Investment Objective: The Bond Account receives periodic deposits equal to upcoming principal and interest payments of outstanding System bond issues. The Bond Account may include subaccounts for individual System bonds. Such funds are subsequently paid out on each January 1 (interest only) and July 1 (principal and interest) on the respective bond issues. If deposits are made within a few days of a debt service payment date, the investment objective is limited to any positive investment return. If deposits are made substantially before a debt service payment, the investment objective for the Bond Account becomes to invest such funds in the highest yielding Treasury securities that mature no later than the next December 31 or June 30 debt service payment date.

Authorized Investments: Investments in the Bond Account are limited to those securities permitted by the laws of the State of Illinois for the investment of public funds and must mature, or be redeemable at the University’s request, prior to when such funds are needed for expenditure. A description of State permitted investments is attached hereto as Appendix B. In addition, uninvested funds held by a depository in excess of the Federally insured amount must be collateralized in accordance with the terms in Section IV herein.

Maturity, Liquidity and Diversification: The maximum maturity for investments in the Bond Account is six months and, in any event, may not be later than the next date on which principal or interest is due. Liquidity is only necessary to the extent the fund will be available for the “sum certain” and specific timing of the Bond Account payout requirements (i.e. debt service payments). If the investments in the Bond Account are sufficiently collateralized (i.e. for bank account balances over \$250,000), then diversification is not a requirement.

Selection and Execution: The Director of Financial Affairs/Controller will be responsible for directing the investment of the Bond Account. Since daily liquidity without market risk is required for deposits within a few days of a debt service payment, investment is limited to money market funds or other overnight or demand deposit investments. If deposits are made to the Bond Account substantially before a debt service payment, the Bond Account may also be invested in Treasury securities, maturing in 6 months or less, provided the Treasury securities mature no later than the next debt service payment date. Treasury securities are to be purchased at market levels by soliciting competitive offerings for each Treasury security purchased and delivered to the Bond Account. The University should establish an efficient system for periodically purchasing Treasury securities at market levels.

Evaluation Criteria or Benchmark: Given the anticipated short duration of deposits in the Bond Fund, the Ready Assets Government Liquidity Fund can serve as an appropriate performance benchmark. If deposits are invested in Treasury securities for longer periods, 90-Day Treasury Bills can also serve as an appropriate performance benchmark. Investment returns for the Bond Fund will be tracked monthly and reported quarterly to the Treasurer.

The Repair and Replacement Reserve Account (the “R & R Reserve”)

Purpose and Investment Objective: The Repair and Replacement Reserve Account is to accumulate funds sufficient to pay the cost of extraordinary maintenance or repairs, renewals and replacements in the System, including the cost of acquisition and installation of equipment and furnishings, that are not paid as an ordinary or normal operation and maintenance expense. On an annual basis, funds remaining in the Revenue Fund may be transferred to the R & R Reserve by the Treasurer by an amount approved by the Board for credit to a repair and replacement reserve. The maximum amount which may be accumulated in such Account shall not exceed 5% of the cost of the facilities constituting the System, plus either i) 10% of the historical cost of the parking lots which are part of the System or ii) 100% of the estimated cost of resurfacing any one existing parking lot which is part of the System, or such larger amounts and percentages as may be determined by the Board from time to time. The investment objective of this Account is to maximize return while maintaining sufficient liquidity in authorized investments to meet unexpected expenditures. If and when the R & R Reserve balance exceeds reasonably expected future expenditures, then the surplus balance can be invested for a longer duration.

Authorized Investments: Investments in the R & R Reserve are limited to those securities permitted by the laws of the State of Illinois for the investment of public funds and must be sufficiently liquid to be redeemable at the University’s request prior to when such funds are needed for expenditure. A description of State permitted investments is attached hereto as Appendix B. In addition, uninvested funds held by a depository in excess of the Federally insured amount, must be collateralized in accordance with the terms in Section IV herein.

Maturity, Liquidity and Diversification: The R & R Reserve is not subject to a maximum maturity except to the extent prohibited by Illinois law. Liquidity is a consideration to the extent that funds need to be readily available to meet unexpected extraordinary maintenance and repair expenditures as they arise. If the investments in the R & R Reserve are sufficiently collateralized (i.e. for bank account balances over \$250,000), then diversification is not a requirement.

Selection and Execution: The Director of Financial Affairs/Controller will be responsible for directing the investment of the R & R Reserve. Since this account is not pledged to an outstanding bond issue and is not composed of bond proceeds, there is no arbitrage constraint upon what the R & R Reserve can earn. The R & R Account may be invested in a money market fund to be readily available to meet unanticipated extraordinary maintenance or repairs. The R & R Account may also be invested in Treasury securities, maturing in one year or less, if it is determined the System will be unlikely to use a portion of the available funds over the next year. The selection of securities will be dictated by the estimated timing of the planned purchases and can be acquired directly by the University or through its depository.

Evaluation Criteria or Benchmark: The R & R Reserve Account is difficult to benchmark as a whole because it depends upon the allocation of funds to short and long term investments. Given the current emphasis to use the account exclusively to meet extraordinary System expenditures, the Ready Assets Government Liquidity Fund can serve as the performance benchmark for an account invested primarily in a Treasury money market fund. The appropriate performance benchmark should be revisited if the emphasis of this account changes. Investment returns for the R & R Reserve will be tracked monthly and reported quarterly to the Treasurer.

The Non-Instructional Facilities (Development) Reserve Account (the “Development Reserve”)

Purpose and Investment Objective: The purpose of the Non-Instructional Facilities (Development) Reserve Account is to accumulate funds at the direction of the Board to be spent on new space or construction in, or an addition to, a facility constituting part of the System, and on real estate contiguous thereto. Such funded improvements and additions must be consistent with the purpose and mission of the existing facility. Any deposits to Development Reserve will occur on or before the Close of the Fiscal Year and, as the Treasurer so directs, will come from surplus funds remaining in the Revenue Fund. Since the funds in the Development Reserve are earmarked for specific improvements, the objective for investing these funds is to maximize yield within the timing of their expenditure.

Authorized Investments: Investments in the Development Reserve are limited to those securities permitted by the laws of the State of Illinois for the investment of public funds and must mature, or be redeemable at the University’s request, prior to when such funds are expected to be needed for expenditure. A list of State permitted investments is attached hereto as Appendix B. In addition, uninvested funds held by a depository in excess of the Federally insured amount, must be collateralized in accordance with the terms in Section IV herein.

Maturity, Liquidity and Diversification: The maturity of investments in the Development Reserve should match the anticipated dates for expenditure, similar to a project account, without any specific maximum maturity constraint. Liquidity is not an issue as long as the maturity of the investments coincide with the anticipated draw requirements. Diversification is only a consideration for spreading the credit risk of specific investments. If the investments in the Development Reserve are sufficiently collateralized (i.e. for bank account balances over \$250,000), then diversification is not a requirement.

Selection and Execution: The Director of Financial Affairs/Controller will be responsible for directing the investment of the Development Reserve. Since this Account is not pledged to an outstanding bond issue and is not composed of bond proceeds, there is no arbitrage constraint upon Development Reserve earnings. The Development Reserve can be established and held by a depository of the University’s choice. The selection of securities will be dictated by the timing of the planned improvements and can be acquired directly by the University or through its depository.

Evaluation Criteria or Benchmark: The appropriate benchmark of the Development Reserve will depend upon the length of time to complete the planned improvement. Given the uncertain timing of planned improvements to be funded by this account, the return on the Development Reserve over time should exceed that of a money market fund. Accordingly, the Ready Assets Government Liquidity Fund can serve as an appropriate benchmark. Investment returns for the Development Reserve will be tracked quarterly and reported quarterly to the Treasurer.

The Equipment Reserve Account (the “Equipment Reserve”)

Purpose and Investment Objective: The purpose of the Equipment Reserve Account is to accumulate funds at the direction of the Board to be spent on moveable equipment to be installed in facilities constituting the System. Deposits to this Account will occur on or before the Close of the Fiscal Year and, as the Treasurer directs, will come from surplus funds remaining in the Revenue Fund at that time. The maximum amount which may be accumulated in the Equipment Reserve may not exceed 20% of the book value of the movable equipment of the System. Since the funds in the Equipment Reserve are

earmarked for specific equipment purchases, the objective for investing these funds is to maximize yield within the time frame of these purchases.

Authorized Investments: Investments in the Equipment Reserve are limited to those securities permitted by the laws of the State of Illinois for the investment of public funds and must mature, or be redeemable at the University's request, prior to when such funds are needed for expenditure. A description of State permitted investments is attached hereto as Appendix B. In addition, uninvested funds held by a depository in excess of the Federally insured amount, must be collateralized in accordance with the terms in Section IV herein.

Maturity, Liquidity and Diversification: The maturity of investments in the Equipment Reserve should match the anticipated purchase dates of the moveable equipment. Liquidity is not an issue as long as the maturity of the investments coincide with these expenditures. Diversification is only a consideration for spreading the credit risk of specific investments. If the investments in the Development Reserve are sufficiently collateralized (i.e. for bank account balances over \$250,000), then diversification is not a requirement.

Selection and Execution: The Director of Financial Affairs/Controller will be responsible for directing the investment of the Equipment Reserve. Since this account is not pledged to an outstanding bond issue and is not composed of bond proceeds, there is no arbitrage constraint upon what the Equipment Reserve can earn. The Equipment Reserve can be established and held by a depository of the University's choice. The selection of securities will be dictated by the timing of the planned purchases and can be acquired directly by the University or through its depository.

Evaluation Criteria or Benchmark: The appropriate benchmark of the Equipment Reserve will depend upon the length of time to complete the planned purchases. Given the uncertain timing of planned purchases from this account, the return on the Equipment Reserve over time should exceed that of a money market fund. Accordingly, the Ready Assets Government Liquidity Fund can serve as an appropriate performance benchmark. Investment returns for the Equipment Reserve will be tracked quarterly and reported quarterly to the Treasurer.

System Bond Project Acquisition and Construction Fund (the "Project Fund")

Purpose and Investment Objective: The proceeds of System bonds issued to fund acquisition and construction projects are to be deposited in a separate Project Acquisition and Construction Fund account. Earnings on the Project Fund are to be retained within the Project Fund and applied to the related project or, upon completion of the project, any remaining balance in the Project Fund may be deposited to a subaccount of the related Bond Account and applied only to debt service on the related bonds. The investment objective will depend on the length and liquidity requirements of the project draws, with a maximum investment return ceiling equal to the bond yield.

Authorized Investments: Investments in the Project Fund are limited to those securities permitted by the laws of the State of Illinois for the investment of public funds. A description of State permitted investments is attached hereto as Appendix B. In addition, uninvested funds held by a depository in excess of the Federally insured amount, must be collateralized in accordance with the terms in Section IV herein.

Maturity, Liquidity and Diversification: The maturity of investments in the Project Fund should match the anticipated draw schedule of the related project or be redeemable at the University's request upon making project draws. Liquidity without penalty is important for the investments, mutual funds or depository that the Project Funds are held in. Diversification is only a consideration for spreading the credit risk of specific unsecured investments. Investments other than U.S. Treasury and Agency Securities,

ITF Pool, and insured or collateralized deposits, must be adequately diversified so that any one credit does not represent more than 10% of the Project Fund.

Selection and Execution: The Director of Financial Affairs/Controller will be responsible for directing the investment of the Project Fund. The Project Fund can be established and held by a depository of the University's choice. The selection of securities will be determined by balancing the need for liquidity and ease of reinvestment with maximizing return within a short investment horizon.

Evaluation Criteria or Benchmark: The appropriate benchmark of the Project Fund will depend on the anticipated duration of the investment of funds. A short and/or highly liquid project acquisition and construction period may warrant a money market fund benchmark such as the Ready Assets Government Liquidity Fund. Longer investment periods may consider using the bond yield of the System bond issue as an appropriate benchmark. Any earnings in excess of the bond yield would need to be rebated to the Federal government. Investment returns for the Project Fund will be tracked monthly and reported quarterly to the Treasurer until the completion of the related project.

II. Certificates of Participation Funds and Accounts

Pursuant to the Board's issuance of Certificates of Participation, the University may establish various funds and accounts under an Indenture of Trust for the purposes of each Certificate financing. Funds held in these accounts are for the security of the certificateholders, for paying the Certificates and for funding the improvements for which the Certificates were issued. Because of these specific rules under the Indenture that govern the investment and application of these funds and the Federal arbitrage regulations that apply to proceeds of a tax-exempt financing, these funds need to be segregated from the balance of the University's funds for investment policy purposes.

The Installment Payment Fund

Purpose and Investment Objective: The purpose of the Installment Payment Fund is to receive Installment Payments from the University to pay the debt service on the related outstanding COPs. Such Installment Payments are to be made no later than the business day before each interest and/or principal payment is payable on each outstanding Certificate issue. The Installment Payments, together with any Additional Payments, Prepayments, transfers from the Acquisition Fund and any other moneys required to be deposited therein pursuant to the Purchase Contract or the Indenture, shall be held for the sole purposes of paying the principal of and interest on the Certificates as the same become due and payable. The Installment Payment Fund shall be held by the Trustee and be invested at the direction of the University. Given the relatively short holding period of funds in the Installment Payment Fund, often as short as one day, any positive investment return is the objective. Any earnings will be held within the Installment Payment Fund and credited against future required deposits.

Authorized Investments: Investments in the Installment Payment Fund are limited to securities permitted by the laws of the State of Illinois for the investment of public funds and must mature, or be redeemable at the University's request, prior to when such funds are needed for expenditure. A description of State permitted investments is attached hereto as Appendix B. In addition, uninvested funds held by a depository in excess of the Federally insured amount, must be collateralized in accordance with the terms in Section IV herein.

Maturity, Liquidity and Diversification: Immediate liquidity without market risk is required given the overnight nature of most of the investing for this Fund. Diversification is only a consideration

for spreading the credit risk of specific investments. If the investments in the Installment Payment Fund are sufficiently insured or collateralized (i.e. for bank account balances over \$250,000) or held in Treasury, Agency, money market or the ITF Pool, then further diversification is not a requirement.

Selection and Execution: The Director of Financial Affairs/Controller is responsible for investing the Installment Payment Fund. Since daily liquidity without market risk is required, investment is limited to money market funds, other overnight or demand deposit investments or Treasury or Agency securities that mature on or before the date such funds are needed.

Evaluation Criteria or Benchmark: Given the overnight nature of the investments in the Installment Payment Fund, the Ready Assets Government Liquidity Fund can serve as an appropriate performance benchmark, although any positive return remains the investment objective. Investment returns will be tracked quarterly and reported quarterly to the Treasurer.

The Certificate Acquisition Fund (the “Acquisition Fund”)

Purpose and Investment Objective: The Acquisition Fund of a Certificate issue is funded by proceeds of the related Certificates of Participation for the purpose of funding project acquisition and construction. Earnings on the Acquisition Fund are to be retained within the Fund and applied to the Improvements or, upon completion of the Improvements, any remaining balance in the Acquisition Fund will be transferred to the related Installment Payment Fund and applied to debt service on the related Certificates. The investment objective will depend on the length and liquidity requirements of the project draws, with an investment return ceiling equal to the certificate yield.

Authorized Investments: Pursuant to the Indenture, investments in the Acquisition Fund are limited to securities permitted by the laws of the State of Illinois for the investment of public funds. A description of State permitted investments is attached hereto as Appendix B. In addition, uninvested funds held by a depository in excess of the Federally insured amount, must be collateralized in accordance with the terms in Section IV herein.

Maturity, Liquidity and Diversification: The maturity of investments in the Acquisition Fund should match the anticipated draw schedule of the Improvements or be redeemable at the University’s request upon making project draws. Liquidity without penalty is important for the investments, money market funds or the depository that the certificate proceeds are held in due to the uncertain timing of project draws. Diversification is only a consideration for spreading the credit risk of specific unsecured investments. Investments other than U.S. Treasury and Agency Securities, ITF Pool, and insured or collateralized deposits must be adequately diversified so that any one credit does not represent more than 10% of the Acquisition Fund.

Selection and Execution: The Director of Financial Affairs/Controller will be responsible for directing the investment of the Acquisition Fund. The Acquisition Fund can be established and held by a depository of the University’s choice, with the University serving as agent for the Trustee. The selection of securities will be determined by balancing the need for return versus liquidity and for making project draws.

Evaluation Criteria or Benchmark: The appropriate benchmark of the Acquisition Fund will depend on the anticipated duration of the investment of funds. A short and/or highly liquid project acquisition and construction period may warrant a money market fund benchmark such as the Ready Assets Government Liquidity Fund. Longer investment periods may consider using the certificate yield of the certificate issue as an appropriate benchmark. Any earnings in excess of the certificate yield would

need to be rebated to the federal government. Investment returns for the Acquisition Fund will be tracked quarterly and reported quarterly to the Treasurer until the completion of the Improvements.

III. Operating Funds and Accounts

The University has numerous funds and accounts through which it conducts its ongoing operations. Such Operating funds and accounts should be segregated from the Revenue Bond funds and accounts and Indentured funds and accounts, described under Sections I and II herein, even to the extent that funds held under the Bond Resolution will include “operating funds” of the System. This segregation will not only apply to the establishment of a separate investment policy for Non-System operating funds but also that System and Non-System operating funds will not be commingled for investment purposes, although such funds may be invested in common instruments with their respective shares clearly distinguished.

Non-System and Non-Indentured funds and accounts of the University are driven by moneys received from four distinct sources: 1) Local Funds which are moneys derived outside of the direct academic degree granting activity, 2) Tuition and Fees received from students, 3) Federal Funds which consist of grants and contracts received directly from the federal government, and 4) State Funds which are vouchered by the University for direct payment to vendors, employees or others. Although each of these sources of funding has unique timing and procedural characteristics, the operating funds they provide can be pooled for investment purposes. The pooling of operating funds simplifies the investment process for the University by providing continuity, investment flexibility and efficient administration.

To a large extent, the investment policy for University operations is an exercise in cash management. Operating funds that are expected to be expended within one year are to be concentrated into secure “money market” type instruments for the purposes of this “Liquidity Pool.” Permanent operating funds that are not expected to be spent within the year, but rather to be carried forward from year to year, will be invested in longer maturing instruments to earn a higher return. This “Permanent Pool” of longer maturing investments will experience some variation in market value as general market conditions change. Such price variation is acceptable for the Permanent Pool since these investments are not expected to be needed for liquidity. This bi-furcation in the investment of pooled operating funds will allow the University to meet its day- to-day obligations while enhancing its overall return on its Operating funds. Chart B in Appendix A represents the structure of this investment strategy for the University’s Non-System and Non-Indentured Operating funds and accounts.

The Liquidity Pool

Purpose and Investment Objective: The Purpose of the Liquidity Pool is to have funds on hand that are readily available to meet the day-to-day operations of the University. Since the Liquidity Pool is to be disbursed within the year, the investment objective is to enhance short-term return while providing staggered availability of funds within the year ranging from daily liquidity to monthly and semiannual liquidity. The extent of the staggering will be driven by the predictability of seasonal expenditures throughout the course of year. Without such predictability, the bias will be toward daily liquidity.

Authorized Investments: The investments in the Liquidity Pool are limited to those securities permitted by the laws of the State of Illinois for the investment of public funds and must mature, or be redeemable at the University’s request, prior to when such funds are needed for expenditure. A description of State permitted investments is attached hereto as Appendix B. The “Sweep Account” will be held by a depository and will be additionally collateralized, as provided in Section IV herein. The portion of the

Sweep Account which is designated as “pegged” for incremental earnings purposes must be a general obligation of the depository and is subject to the collateral requirements.

Maturity, Liquidity and Diversification: No investments longer than one year are permitted and no investments other than money market funds are allowed, unless the maturity of such other instrument is in advance of the date that such funds are expected to be expended. Investments subject to collateralization do not need to be further diversified. Funds invested in other “Money Market Alternatives” are subject to further diversification warranted by the credit quality of the investments contained in that segment of the Liquidity Pool.

Selection and Execution: The Director of Financial Affairs/Controller will be responsible for investing the Liquidity Pool. The unpegged portion of the Sweep Account will be invested in a government security money market fund sponsored by the depository. The pegged portion of the Sweep Account was initially set at \$1.4 million, subject to periodic review and modification by the Treasurer. Incremental earnings derived from the pegged portion will be sized and applied to offset bank fees on a monthly basis. For consolidation purposes, the Money Market Alternatives portion of the Liquidity Pool will be limited to the ITF pool, subject to periodic review by the Treasurer.

Evaluation Criteria or Benchmark: Given the day-to-day requirements of the Liquidity Pool, a money market instrument, such as the Ready Assets Government Liquidity Fund, can serve as an appropriate performance benchmark. Investment returns of the Liquidity Pool will be tracked monthly and reported quarterly to the Treasurer.

The Permanent Pool

Purpose and Investment Objective: The Purpose of the Permanent Pool is to capture operating funds, if any, that are not expected to be expended within the current year. The investment objective for the Permanent Pool is to enhance the return on operating funds by invested in secure fixed income investments with longer durations than the Liquidity Pool (i.e. over one year). The extent of duration lengthening will depend upon market conditions and expectations as well as the potential applications of Permanent Pool funds beyond one year.

Authorized Investments: Investments in the Permanent Pool are limited to those securities permitted by the laws of the State of Illinois for the investment of public funds and must mature, or be redeemable at the University’s request, prior to when such funds are needed for expenditure. A description of State permitted investments is attached hereto as Appendix B. The Permanent Pool is to be invested in permitted, high quality fixed income investments, rated “A” or better by Moody’s Investors Service or by Standard and Poor’s Corporation, for which there exists an established secondary market in the event the securities need to be sold and applied to operations of the University.

Maturity, Liquidity and Diversification: Maturities of Permanent Pool investments may not exceed five years and the investments must have sufficient liquidity to be sold in an established market without interest penalty. Permanent Pool investments, other than U.S. Treasury and Agency securities, ITF Pool, and insured or collateralized deposits, must be adequately diversified so that any one credit does not represent more than 10% of the market value of the Permanent Pool.

Selection and Execution: The Director of Financial Affairs/Controller will be responsible for investing the Permanent Pool. Securities will be purchased competitively in the open market or efficiently at competitive market prices through a depository of the University. The duration of the Permanent Pool is at the discretion of the Treasurer, who will in turn communicate preferences and constraints to the designated purchasing agent above, subject to periodic reassessment by the Treasurer

Evaluation Criteria or Benchmark: Given the duration of one year or longer for the investments held in the Permanent Pool, the Barclays one to three-year investment grade debt index (or comparable index) will serve as the performance benchmark. Investment returns of the Permanent Pool will be tracked quarterly and reported quarterly to the Treasurer.

IV. Collateralization and Custodians

To safeguard the University from the custodial credit risk, the following collateralization procedures for those investments and depository accounts in excess of Federally insured amounts and that require collateral, in accordance with this Investment Policy, will apply:

1. At all times in order to meet the objective of safety of capital, the Treasurer will require deposits in excess of the Federally insured amount to be collateralized to the extent of One Hundred Percent (100%) and evidenced by an approved written agreement.
2. Eligible collateral instruments and collateral rates (market value divided by deposit) are as follows:
 - a) Negotiable obligations of the United States Government; = 100%
 - b) Negotiable obligations of any agency or instrumentality of the United States Government backed by the full faith and credit of the United States Government; = 100%
 - c) Negotiable obligations of the State of Illinois which are rated A or better by Moodys' or Standard and Poor's; = 100%
3. Maturity of acceptable collateral shall not exceed 120 months.
4. The ratio of fair market value of collateral to the amount of funds secured shall be reviewed weekly and additional collateral will be requested when the ratio declines below the level required.
5. Safekeeping of Collateral

Third party safekeeping is required for all collateral. To accomplish this the securities will be held at a safekeeping depository as approved from time to time by the Treasurer.

Safekeeping will be documented by an approved written agreement. Substitution, exchange or release of securities held in safekeeping may be done upon two (2) days prior written notice to the Treasurer.

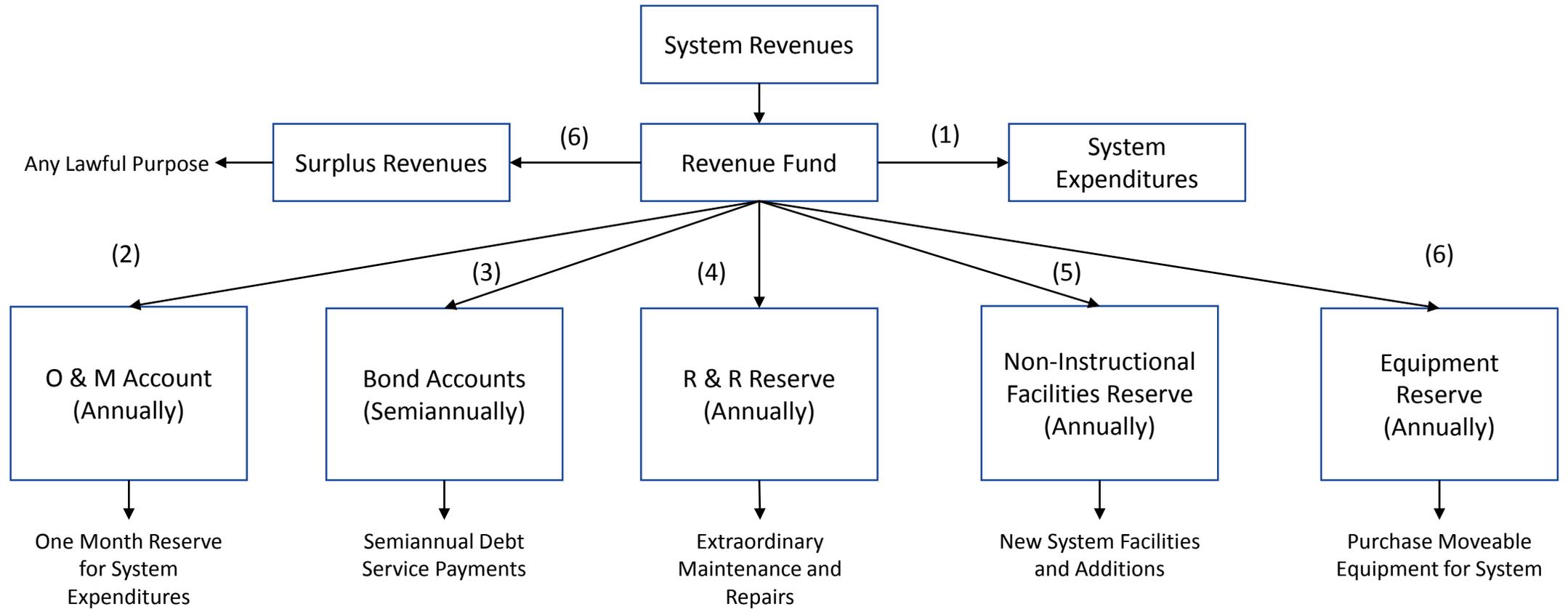
When collateral is extended, the Treasurer should receive a copy of the financial institution's board minutes, indicating the board of director's approval.

In addition to the requirements above, the University shall maintain custodial relationships for the holding of its investments that qualify as Category 1 or 2, as defined by GASB Statement No. 3 for the measuring and managing custodial risk. For Category 1 the investments held are insured or registered, with the securities held in the University's name. For Category 2 the investments held may be uninsured and unregistered, but the securities must be held by the broker's or dealer's trust department or agent in the University's name.

APPENDICES

Appendix A

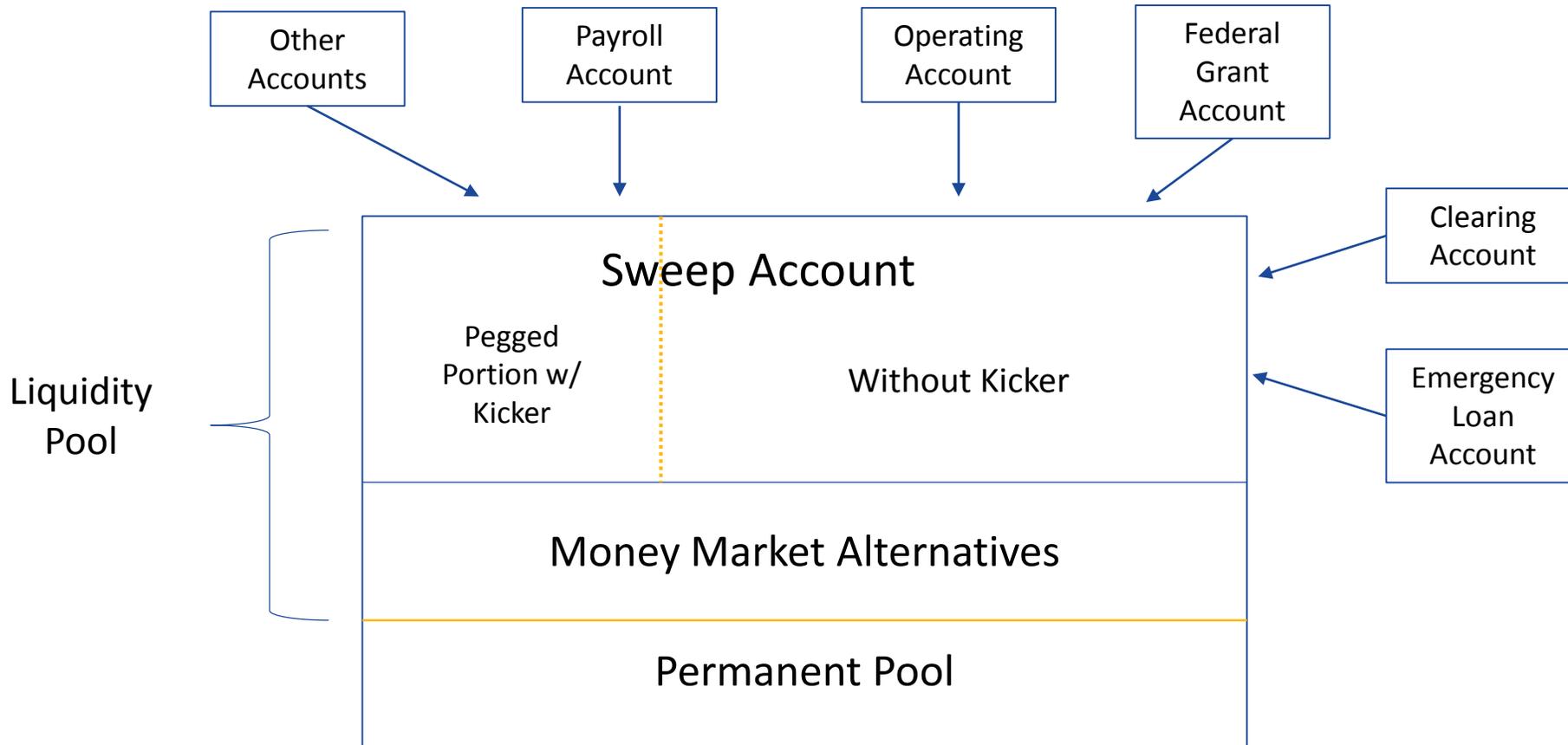
Chart A Flow of Funds of the University Facilities System



Appendix A

Chart B

Investment of Non-System Operating Funds



Appendix B

Permitted Investments of the Public Funds Investment Act of the State of Illinois

General Categories of Permitted Investments

The Public Funds Investment Act of the State of Illinois (the “Investment Act”) (30 ILCS 235/1 et seq.) provides that a “public agency” in Illinois may only invest in the following five basic categories of investments. Public universities in Illinois are considered to be public agencies.

1. Bonds, notes, certificates of indebtedness, treasury bills or other securities now or hereafter issued, which are guaranteed by the full faith and credit of the United States of America as to principal and interest.
2. Bonds, notes, debentures, or other similar obligations of the United States of America or its agencies. Agencies of the United States of America is defined by section (c) of the Investment Act to include:
 - i. the Federal Land Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Federal Farm Credit Banks, or any other entity authorized to issue debt obligations under the Farm Credit Act of 1971 (12 U.S.C. 2001 et seq.) and acts amendatory thereto;
 - ii. the Federal Home Loan Banks and the Federal Home Loan Mortgage Corporation; and
 - iii. any other agency created by Act of Congress.
3. Interest-bearing savings accounts, interest-bearing certificates of deposit or interest-bearing time deposits or any other investments constituting direct obligation of any bank as defined by the Illinois Banking Act which are FDIC insured.
4. Short term obligations of corporations organized in the United States with assets exceeding \$500,000,000 if:
 - i. such obligation are rated at the time of purchase at one of the 3 highest classifications established by at least 2 standard rating services and which mature not later than 180 days from the date of purchase;
 - ii. such purchases do not exceed 10% of the corporation’s outstanding obligations; and
 - iii. no more than one-third of the university’s funds may be invested in short term obligations of corporations.
5. Money market mutual funds registered under the Investment Company Act of 1940, provided that the portfolio of any such money market mutual fund is limited to obligations described in paragraphs (1) or (2) above and to agreements to repurchase such obligations.

Other Permitted Investments

In addition, the Investment Act permits investing in the following securities:

- A. Short term discount obligations of the Federal National Mortgage Association.
- B. Shares in or other forms of securities legally issuable by savings banks or savings and loan associations incorporated under the laws of the State of Illinois or any other state or under the

law of the United States. Investments may be made only in those banks or savings and loan associations the shares, or investment certificates of which are insured by the Federal Deposit Insurance Corporation ¹.

- C. 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 laws of the United States; provided, however, the principal office of any such credit union must be located within the State of Illinois and the accounts must be insured in accordance with applicable law.
- D. Section (g) of the Investment Act allows purchase or investment in repurchase agreements of Government Securities having the meaning set out in the federal Government Securities Act of 1986. Such Government Securities include ²:
 - i. Securities which are direct obligations of, or obligations guaranteed as to principal or interest by, the United States of America;
 - ii. Securities which are issued by or guaranteed by a corporation in which the United States has a direct or indirect interest and which are designated by the Secretary of the Treasury for exemption;
 - iii. Securities issued by any corporation, the securities of which are designated by the statute as exempt securities within the meaning of the laws administered by the Securities and Exchange Commission.
- E. The Illinois Funds (IF), created under Section 17 of the State Treasurer Act (15 ILCS 505/17).
- F. A Fund managed, operated and administered by a bank, subsidiary of a bank, or subsidiary of a bank holding company.

¹ Securities referenced in (A) and (B) so purchased shall mature or be redeemable on a date or dates prior to the time when, in the judgment of such governing authority as to the time when any public funds will be required for expenditure. The expressed judgement if any such governing authority as to the time when any public funds will be required for expenditure or be redeemable is final and conclusive

² The Investment Act requires repurchase contract to be entered into with an Illinois bank acting as principal in the transaction, unless the underlying security which is the subject of the repurchase agreement is registered in the name of the public unit.

REPORT B Action Item: FY2027 Tuition Recommendation for Distance Learning Programs

For the three programs moving to distance education: (1) MA in Rehabilitation Counseling, (2) MS in Exercise and Sport Science, and (3) Masters in Public Health

Background

The Master of Arts (MA) in Rehabilitation Counseling and the associated Graduate Certificate are currently hybrid programs offered through NEIU's Department of Counselor Education. Both are CACREP-accredited and designed to prepare students for national certification as Certified Rehabilitation Counselors (CRC). Currently, our students are primarily local and attend in-person courses on campus. Moving the program to a distance education program is a strategic next step that would expand access, increase flexibility, and support NEIU's broader goals of graduate enrollment growth, equity, and national reach.

There is a well-documented national shortage of rehabilitation counselors. According to the U.S. Bureau of Labor Statistics, demand for professionals in this field is projected to grow by 2030. Shifting to a digital-learning format would enable NEIU to help meet this growing need by reaching students beyond the immediate Illinois area, especially working professionals, career changers, and individuals in rural or underserved communities who require the flexibility of distance learning.

Peer institutions have shared similar experiences: in-person program enrollments are declining, while online and distance-learning formats are seeing steady growth. These trends reinforce the urgency of transitioning to a distance learning model to remain competitive and accessible.

NEIU has already laid the groundwork. Since 2020, faculty have successfully delivered remote and hybrid courses with strong student outcomes. Building on this experience, we're well-positioned to take the next step and fully transition the Rehabilitation Counseling program to a distance learning.

Similarly, the Masters of Science (MS) in Exercise and Sport Science and the Masters of Public Health (MPH) are two programs in the Health Science and Physical Education department with solid enrollment and growing reputation among our targeted population in the Chicago area. Both of these programs have been delivering content mostly online and intend to fully switch to online modality in the Fall of 2026.

FY 27 Tuition and Fees Recommendations

NEIU's current in-state tuition of approximately \$540.89 per credit is extremely competitive, especially when considering the cost of living in the Chicago area. If we are able to extend in-state tuition to all distance-learning Rehabilitation Counseling students regardless of geographic location, NEIU would be well-positioned as one of the most affordable and accessible CACREP-accredited RC programs in the nation. Extending the same arrangement for the MS in Exercise and Sport Science and the MPH would also allow these programs to expand their reach to other populations across the US.

REPORT B Action Item: FY2027 Tuition Recommendation for Distance Learning Programs

Peer Institution Comparison Analysis

There are currently 76 CACREP-accredited Rehabilitation Counseling programs in the United States, with 18 available fully online. Several peer institutions now offer fully online programs, many of which charge significantly higher tuition for out-of-state students.

Institution	Program format	In-State rate/credit	Out-of-State rate/credit
University of Alabama (UA)	Fully online	\$480	\$480
University of North Texas (UNT)	Fully online	~\$463 (resident total ~\$27.8K)	Higher; varies by state. \$1710 (IL as an example)
Northern Illinois University (NIU)	Hybrid	\$533.32	\$921.02
Illinois Institute of Technology (IIT)	Hybrid/online	\$1780	\$1780

Some institutions have seen growth by offering the same tuition rate regardless of residency. For example, the University of Alabama offers a fully online, CACREP-accredited Rehabilitation Counseling program with a flat tuition rate for both in-state and out-of-state students, which has contributed to increased accessibility and enrollment from across the country.

Budget Impact and other Strategies

The number of out of state students currently enrolled in the program is small and will not be impacted by the proposed recommendation. For new students, allowing a flat tuition rate will require at least double the number of the current out of state enrollment to remain consistent with current budget figures. Expanding the visibility of the program, while keeping a competitive tuition rate should allow for this program to expand well beyond the required figures.

Recommended Action 1

I request that the Finance, Buildings and Grounds Committee recommend approval of a unified tuition rate, regardless of residency status for students entering the MA in Rehabilitation Counseling, MS in Exercise and Sport Science, and the Masters in Public Health programs starting at the Fall semester of 2026. This rate will be the same as the regular graduate tuition rate for in-state students.

Recommended Action 2

I request that the Finance, Buildings and Grounds Committee recommend approval of the duration of this unified tuition rate proposal for three consecutive years to allow the program to properly advertise and recruit new students into the program. Results can be evaluated during the Fall semester of 2028 with the enrollment of the newest third cohort.

Finance, Buildings and Grounds Committee

March 19, 2026



Set Tuition Rates for Three Online Programs

FOCUS PROGRAMS

- MA in Rehabilitation Counseling (15 students – Fall 2025)
- MS in Exercise and Sport Science (32 students – Fall 2025)
- Masters in Public Health (38 students – Fall 2025)

These will be NEIU's first fully online programs, with the opportunity to expand our target student population to neighboring states.

Pilot Program: Proposed 3-year ramp up, to allow for recruitment and marketing efforts

