

AMEND BOARD REPORT 02-0626-PO02
CHICAGO PUBLIC SCHOOLS INVESTMENT POLICY

THE CHIEF EXECUTIVE OFFICER RECOMMENDS:

That the Chicago Board of Education adopt the amended Chicago Public Schools Investment Policy.

POLICY TEXT:

CHICAGO PUBLIC SCHOOLS INVESTMENT POLICY – INTRODUCTION

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

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

"Chicago Public Schools," or the "CPS"). The Board is responsible for maintaining schools in District 299. "CPS" shall refer to the administrative staff responsible for the day to day operations of the Board. CPS recognizes its responsibilities with respect to the use and custody of public funds. It is the policy of CPS to manage public funds in a manner which will meet cash flow needs, insure security, and provide the

I. Purpose

This document outlines policies, guidelines and criteria governing investments of all public funds

held

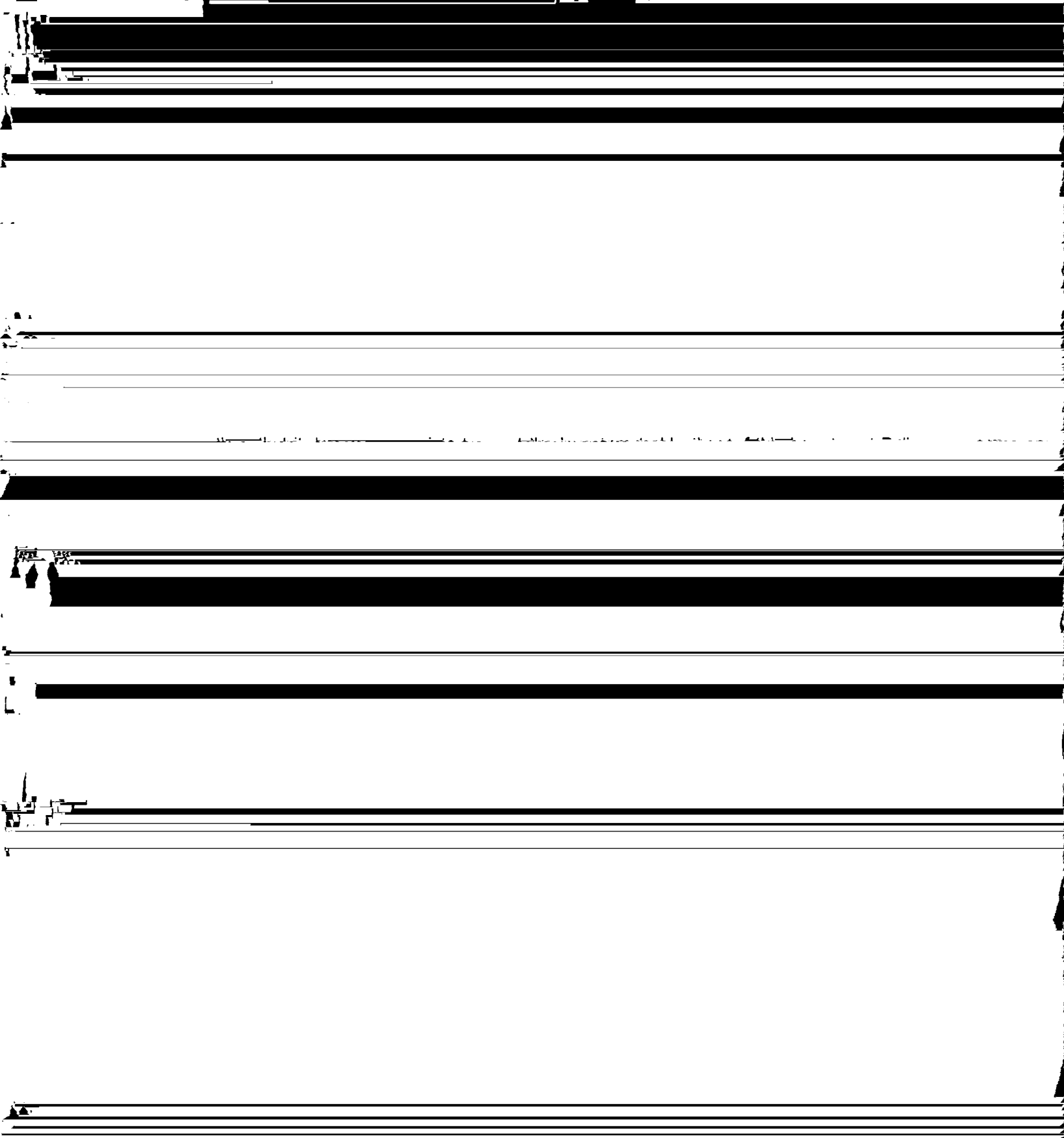
held by the Chicago Public Schools in the course of its operations and mission as provided for in the Public Funds Investment Act 30 ILCS 235/1 et seq. (the "Investment Act") and other applicable law

II. Investment Objectives and Standards

It is the policy of the Chicago Public Schools to invest public funds in a manner which is consistent

Portfolio Management

The Board recognizes and authorizes the Treasurer to develop procedures regarding trading



monitoring and challengeably review the approved broker/dealer list to ensure that all relationship risks

Short-term ratings in the highest classification without regard to gradation: < 20% of total

funds and maturities of < 180 days
Short-term ratings in one of the highest 2 classifications and long-term ratings in one of the
highest 3 classifications without regard to gradation: < 15.0% of total funds and
maturities of < 90 days

6. 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 (f) and (g) of this section and to agreements to repurchase such obligations and

The Operating Fund shall maintain a portfolio structure consisting of a two-tiered investment
philosophy with the following tier structure: Liquidity Cash, Management and Enhanced Cash

Management

The Chicago Public Schools shall require collateral of not less than 110% of the

acquisition price, including principal and accrued interest, on depository account balances, certificates of deposit, bankers' acceptances, and bank notes, unless either: 1) the bank has assets exceeding \$500,000,000; or 2) the applicable instrument is insured at the time of purchase by an entity with long-term ratings in one of the highest 2 classifications without regard to gradation, in which case collateralization is not required. Repurchase agreement collateral shall be not less than 102%.

XII. Accounting

All investment transactions shall be recorded in the various Chicago Public Schools Funds in

accordance with generally accepted accounting principles as promulgated by the Government Accounting

Standards Board.

XIII. Arbitrage

The Chicago Public Schools may at times have responsibility for arbitrage rebate calculations under Federal government regulations in connection with the issuance of debt by the Chicago Public Schools, or debt issued by others on behalf of the Chicago Public Schools. These regulations can limit or

- experience as fixed income manager

- effective and appropriate portfolio management strategies
- cost effective
- staff resources

Contracts may be on a non-discretionary or discretionary basis, and all investment managers shall be subject to this Investment Policy. (See Appendix A for defined responsibilities of professional money managers.)

XVIII. Prohibited Transactions

The following transactions are not in compliance with current applicable law and are prohibited:

- When Issued Trading - trading of security prior to its issuance

- proceeds
- Securities Lending - the loaning of Chicago Public Schools securities for other securities

4. Establish procedures for monitoring and annually reviewing CPS' broker-dealers
5. Provide monthly investment reports as specified in this Investment Policy to the Investment Committee at least quarterly
6. Develop policies regarding trading practices which meet the objectives of this Investment Policy

Responsibilities of the Investment Committee include, but are not limited to, the following:

- Review the reports provided by the Treasurer to monitor compliance with the Investment Policy
- Review and discuss investment strategy and trading practice
- Review relationships with financial institutions, including broker/dealers, to ensure that financial

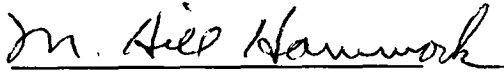
- Monitor use of all CPS funds, including bond funds, to ensure appropriateness and compliance with CPS Investment Policy and objectives
- Review policies regarding trading practices
- Review the system of internal controls established by the Treasurer

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

- Manage the portion of the Chicago Public Schools' investment portfolio under their control in accordance

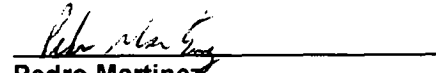
LEGAL REFERENCE: Illinois Public Funds Investment Act

Approved for Consideration:



M. Hill Hammock
Chief Operating Officer

Noted:



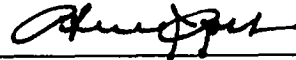
Pedro Martinez
Chief Financial Officer

Respectfully Submitted:



Arne Duncan
Chief Executive Officer

Approved as to Legal Form



Patrick J. Rocks
General Counsel