

Charter Township of Van Buren Investment Policy

1.0 Policy:

It is the policy of the Charter Township of Van Buren to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Township and conforming to all state statutes and local ordinances governing the investment of public funds.

2.0 Scope:

This investment policy applies to the investment activities of the Charter Township of Van Buren except for its employee pension funds, deferred compensation funds and retiree health care trust funds, which are organized and administered separately. These funds are accounted for in the Township's annual financial report and include the following funds:

- General Fund
- Special Revenue Funds
- Capital Improvement Funds
- Water and Sewer Funds
- Trust and Agency Funds
- Debt Service Fund
- Inter-Government Service Funds
- Any new fund created by the governing body, unless specifically exempted by the governing body.

This investment policy applies to all transactions involving the financial assets and related activity of all the foregoing funds.

2.1 Excluded Funds:

Funds specifically excluded from this policy are funds within the Charter Township of Van Buren's employee pension funds, deferred compensation funds and retiree health care trust funds. These funds should not be limited by Public Act 20. Retiree Health Care Trust Funds can be invested in accordance with the Michigan Public Act 149 of 1999. Health Care Trust Fund investments shall be consistent with the provisions of the Public Employee Health Care Fund Investment Act, MCL #38.1211 – 38.1216 and the Public Employee Retirement System Investment Act, MCL #38.1132 – 38.1140m (collectively, the "Michigan Investment Acts"), to the extent applicable.

3.0 Prudence:

The standard of prudence to be applied by the investment officer shall be the “prudent person” rule which states: “Investments shall be made with judgement and care (under circumstances then prevailing), which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation but for investment, considering the probable safety of their capital as well as the probable income to be derived.” The prudent person rule shall be applied in the context of managing the overall portfolio. Investment officers acting in accordance with written procedure and exercising due diligence shall be relieved of personal responsibility for an individual security’s credit risk or market price changes. Significant deviations from expectations will be reported during budgetary process while appropriate action will be taken immediately to control adverse developments.

4.0 Objectives:

Funds of the Charter Township of Van Buren will be invested in accordance with Michigan Public Act 20 of the Public Acts of 1943, as amended, and in accordance with the following objectives, procedures and policy.

4.1 Safety of Capital – Safety of principal is the foremost objective of the Township. Each investment transaction shall seek to first ensure that capital losses are avoided whether they are from defaults or erosion of market share.

4.2 Liquidity – The Township’s investment portfolio will remain sufficiently liquid to enable the Township to meet all operating requirements, which might be reasonably anticipated.

4.3 Return on Investment – The investment portfolio of Van Buren Charter Township shall be designed in a manner to attain a market rate of return throughout budgetary and economic cycles while preserving and protecting capital.

4.4 Maintain Public Trust – All participants in the investment process shall seek to act responsibly as custodians of the public trust. The overall investment program shall be designed and managed with a degree of professionalism worthy of the public trust.

5.0 Delegation of Authority:

The Township Treasurer is designated as the investment officer of the Township and is responsible for investment decisions and activities. The Treasurer shall develop and maintain written administrative procedures and internal controls for the operation of the investment program and consistent with the investment policy. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in investment transactions except as provided under the terms of this policy and the administrative procedures established by the Township Treasurer. The Township Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

6.0 Ethics and Conflict of Interest:

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the chief executive officer any material financial interest in financial institutions that conduct business with the Township. Employees and officers shall subordinate their personal investment transactions to those of the Township, particularly with regard to the timing of purchases and sales.

7.0 Qualified Institutions:

The Township shall maintain a listing of financial institutions that are approved for investment purposes. Banks shall provide, at minimum, annual financial statements. Securities dealers not affiliated with a bank shall be required to be classified as reporting dealers affiliated with the New York Federal Reserve Bank as primary dealers or be non-primary reporting dealers that have net capital equal to or greater than twice the amount required by the securities and exchange commission's net capital rule.

Prior to executing an order to purchase or trade the funds of the Township, each approved institution shall be provided a copy of the Township's investment policy. In addition, each approved institution shall acknowledge receipt of the investment policy and agree to comply with the terms of the investment policy regarding the buying or selling of securities.

8.0 Instruments:

In accordance with Michigan Public Act 20 of 1943, as amended by Act 196 of 1997, the surplus funds of Van Buren Charter Township may be invested as follows:

- a) Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b) Certificates of deposit, savings accounts, deposit accounts or depository receipts of a financial institution that is a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office located in the State of Michigan under law or rule of this State or the United States.
- c) Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d) Bankers' acceptances of United States banks.
- e) Mutual funds composed of investment vehicles whose intention is to maintain a net asset value of \$1.00 per share and that are legal for direct investment by local units of government in Michigan.
- f) Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment policy grade two by not less than one standard rating service.
- g) Obligations described in subdivisions (a) through (f) if purchased through an interlocal agreement under the urban cooperation act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- h) Investment pools organized under the surplus funds investment pool act, 1982 PA 367, MCL 129.111 to 129.118.

9.0 Safety and Custody:

All securities purchased by the Charter Township of Van Buren under this section shall be properly designated as an asset of the Township and held in safekeeping. No withdrawal of such securities, in whole or in part, shall be made from safekeeping except by the Treasurer as authorized herein, or by their respective designee(s).

Transactions in negotiable instruments which have a value exceeding SIPC insurance protection and other insurance protection as may be applicable, with any one dealer will be required to be settled on a Delivery-vs.-Payment basis. A Trust Receipt from the contra-party and proof of SIPC and other insurance will be required when the transaction is covered by insurance. Non-negotiable, noncollateralized Certificates of Deposit, as is the law in the State of Michigan, shall be evidenced by safekeeping receipt from the issuing bank.

Confirmation notices for certificates of deposit, pooled funds and savings/checking accounts may be safely stored in the Township safe or safety deposit box.

10.0 Diversification:

Assets shall be diversified to eliminate the risk of loss resulting from over concentration in a specific maturity, individual financial institution(s) or a specific class of securities. Diversification strategies shall be determined and revised by the Township Treasurer from time to time to meet diversification objectives (to reduce overall portfolio risks while attaining market average rates of return).

Investing maturities for operating funds shall be scheduled to coincide with projected cash flow needs, taking into account large routine expenditures (example: payroll, debt service) as well as considering sizeable blocks of anticipated revenue (example: taxes, state revenue sharing payments). To the extent possible, risks of market price changes shall be controlled through maturity diversification.

11.0 Maximum Maturities:

Limitations on instruments, diversification and maturity scheduling shall depend upon whether the funds being invested are considered short-term or long-term funds. With the exception of debt service, capital improvement and special assessment funds, all funds shall be considered short-term and shall be invested in instruments whose maturities do not exceed five years at the time of purchase.

12.0 Internal Controls:

An independent audit of investments shall be conducted on an annual basis. The audit shall be conducted as part of the Charter Township of Van Buren's annual audit, which is performed by the auditing firm authorized by the Township Board of Trustees. This review will provide control by assuring compliance with policy and procedure.

13.0 Performance Standards:

The investment portfolio will be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs.

13.1 Market Yield (Benchmark):

The Township's investment strategy is passive. Given this strategy, the basis used by the Treasurer to determine whether market yields are being achieved shall be three-month U.S. Treasury Bills and the average of State investment pools.

14.0 Reports:

Per Public Act 213 of 2007 which is an amendment to Public Act 20 of 1943, the Treasurer shall provide quarterly written reports to the governing body concerning the investment of the funds of the Charter Township of Van Buren.

15.0 Effective Date:

This policy shall supercede any prior resolutions, and become effective the day following adoption by the Charter Township of Van Buren Board of Trustees, and any modification(s) made thereto must be approved by the Board of Trustees.