CHARTER TOWNSHIP OF WEST BLOOMFIELD

INVESTMENT POLICY
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I. Governing Authority

Funds of the Township shall be invested in accordance with the investment of Surplus Funds of Political Subdivisions Act, P.A. 20 of 1943, MCL 129.91 et seq.; the Surplus Funds Investment Pool Act, P.A. 367 of 1982, MCL 129.111 et seq.; the investment policy; and any written administrative procedures.

The Treasurer is the custodian of Township funds and shall pay over and account for the money according to the order of the Township Board, or the authorized officers of the Township. MCL 41.76 and 41.77.

The Resolution of the Township Board adopted March 10, 2014, as amended, requires the Township to contract with a professional investment consultant, to designate an investment officer in accordance with Public Act 20 of 1943, and to amend the investment policy designating the new investment officer.

The Township Board has contracted with an investment advisor who shall become familiar with this policy to ensure the investment of Township funds is conducted in accordance with this Policy.

The Township Board has designated and authorized the Investment Officer pursuant to the Investment of Surplus Funds of Political Subdivisions Act, P.A. 20 of 1943, MCL 129.91 et seq. as set forth in Section III. The Investment Officer (defined in section III. 1. B) and the Treasurer shall comply with the mandates of this Investment Policy. The Treasurer is responsible to carry out the investment directions of the Investment Officer, and shall monitor the investments and report to the Investment Officer.

II. Scope

This investment policy applies to financial assets held by the Township including but not limited to:

- General fund
- Special Revenue funds
- Capital Project funds
- Enterprise funds
- Trust and Agency funds
- Debt Service funds

All new funds created by the Township, unless specifically exempted by the Board.

These assets shall be accounted for in the Township's Annual Financial Report.

This policy does not cover investment activities of the following funds:
- Parks & Recreation funds
- Pension funds
- Retiree health care funds
- Deferred compensation funds
III. Standards of Care

The Treasurer, Investment Officer and external Investment Advisor have a fiduciary duty to ensure that Township funds are maintained, invested and accounted for with care, diligence, fidelity and sound business judgment in accordance with this Investment Policy.

1. Delegation of Authority

A. Investment Advisor. The Township utilizes the services of an external authorized Investment Advisor. The Investment Advisor is authorized to manage a portion of the Township’s assets on a discretionary basis within the Investment Policy guidelines and Michigan state statutes.

B. Investment Officer. Regarding assets not managed by the Investment Advisor, for the protection of Township funds, and to provide a system of checks and balances, the Township Board hereby designates the following three (3) individuals to jointly serve as the Investment Officer pursuant to the Investment of Surplus Funds of Political Subdivisions Act: the Treasurer, Deputy Treasurer and Finance Director. Each person serving as Investment Officer shall be provided with prior notice of a proposed investment decision. All investment decisions shall be authorized as evidenced by the signature of two of the three individuals who serve jointly as the Investment Officer. The individuals serving as Investment Officer shall be bonded with sureties as the Township shall require, conditioned on the faithful discharge of their duties as Investment Officer.

C. Custodian. In accordance with MCL 41.76 and 41.77, the Treasurer is the custodian of Township funds and is responsible for depositing Township funds and carrying out investment decisions and activities authorized by the Investment Officer. The Treasurer shall develop and maintain written administrative procedures for the operation of the investment program that are consistent with these policies. In the absence of the Treasurer, all Treasurer duties shall only be performed by the Deputy Treasurer.

2. Prudence

In managing its investment portfolio, the Treasurer, Investment Officer and/or the Township’s authorized Investment Advisor shall avoid any transaction that might impair public confidence. The standard of prudence to be used by the Investment Officer and any persons performing the investment functions shall be the “prudent person” standard, which states:

“Investments shall be made with judgment 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.”
Due professional diligence shall be exercised in every transaction. This shall be the standard for professional responsibility and shall be applied in the context of managing the overall portfolio.

The Township's overall investment program shall be designed and managed in such a fashion to be worthy of the public trust. The Township recognizes that no investment is totally free of risk and that the investment activities of the Township are a matter of public record. Accordingly, the Township recognizes that occasional measured losses are inevitable in a diversified portfolio and shall be considered within the context of the overall portfolio's return, provided that this Policy has been followed and that the sale of a security prior to maturity is in the best long-term interest of the Township.

The Treasurer, Investment Officer and/or the Township's authorized Investment Advisor, acting in accordance with State Laws and local ordinances, this Policy, written procedures as may be established, and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that deviations from expectations are reported in a timely manner to the Board, and appropriate action is taken to control adverse developments.

3. Ethics and Conflict of Interest

Township Officers, Investment Officer, employees, and authorized Investment Advisors 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 or create the appearance of impairment of their ability to make impartial investment decisions. The Treasurer, Investment Officer and/or authorized Investment Advisor shall disclose to the Board any material financial interests in financial institutions that conduct business with the Township, and they shall further disclose any large personal financial investment positions that could be related to the performance of the Township's portfolio. The Treasurer, Investment Officer and/or authorized Investment Advisor shall subordinate their personal investment transactions to those of the Township, particularly with regard to the timing of purchases and sales.

IV. Investment Objectives

The policy of the Township is to invest the public funds in a manner, which will provide maximum security while meeting the cash flow demands of the Township and that will provide the highest investment return while being in full compliance with all State laws and local ordinances governing the investment of public funds. The following investment objectives, in order of priority, shall be applied in the management of the Township's funds:

1. Safety

Investments shall be undertaken in a manner that seeks to insure the preservation of capital in the overall portfolio by diversifying holdings and maturities to mitigate both credit risk and interest rate risk as follows:
A. **Credit Risk.** The Township shall minimize credit risk, the risk of loss due to the failure of the security issuer or backer, by:

* Limiting investments to the safest types of securities
* Pre-qualifying financial institutions with which the Township will do business
* Diversifying the portfolio so that potential losses on individual securities will be minimized
* Maintaining credit ratings on all holdings

B. **Interest Rate Risk.** The Township shall minimize the risk that the market value of the securities in the portfolio will fall due to changes in general interest rates by structuring the maturities of the portfolio to meet the cash requirements of ongoing operations, thereby mitigating the need to liquidate securities at a loss prior to maturity.

The primary objective of the Township's investment activities is the preservation of capital. To satisfy this criterion, several actions are required including diversification of securities and deposits, except when invested in direct obligations of the United States Government.

Risk shall also be minimized by closely monitoring pertinent financial information and rating agency reports that would disclose a weakening financial condition at any firm or institution associated with Township investments. Written notice of any adverse changes in financial condition of these institutions shall be immediately forwarded to the Board by the Treasurer for further review and appropriate action.

The objective of the Treasurer, in conjunction with the Township's authorized Investment Advisor, shall be to control risks and diversify investments regarding specific security types or individual financial institutions. Investments shall be limited to those types of securities as set forth in Section VII of this policy statement.

2. **Liquidity**

The Treasurer shall insure the investment portfolio shall remain sufficiently liquid to enable the Township to meet operating requirements that might be reasonably anticipated.

3. **Return on Investment**

The investment portfolio shall be designed with the objective of attaining an appropriate rate of return relative to the Township's investment risk constraints and cash flow requirements.

V. **Pooling of Cash and Investments**

Except for cash in certain restricted and special accounts, the Treasurer and/or the Township's authorized Investment Advisor may pool the cash of various funds into one investment portfolio to maximize investment earnings. Investment income shall be allocated to the various funds based upon their respective participation and in accordance with generally accepted accounting principles.
Investment of bond proceeds shall be governed by the appropriated bond resolutions and applicable state law.

VI. Authorized Financial Institutions and Broker/Dealers

1. Authorized Financial Institutions

The Treasurer shall prepare a list of authorized financial institutions that shall be approved by resolution of the Board on an annual basis to provide depository and investment services.

No public deposit shall be made except in a qualified public depository as established by State law. An annual analysis of the financial condition, registration, professional institution/bank rating, and Community Reinvestment Act rating of the authorized financial institutions shall be conducted by the Township’s Treasurer. Information indicating a material reduction in ratings, standards, or a material loss or prospective loss of capital on existing investments, must be shared with the Board in writing immediately. The Investment Officer shall only invest funds of the Township with authorized financial institutions.

2. Broker/Dealer Transactions

A. Investment Advisor. The authorized Investment Advisor shall utilize the Investment Advisor’s list of broker/dealers when executing transactions on behalf of the Township. The Investment Advisor’s approved list of broker/dealers shall be provided to the Township on an annual basis. If any changes are made to the Investment Advisor’s approved list of broker/dealers, the Investment Advisor shall notify the Township of such change. Changes shall be reflected in the subsequent report submitted to the Township Board.

Pursuant to MCL 129.96, PA 20 of 1943, the Treasurer shall provide the authorized Investment Advisor with a copy of the Township’s Investment Policy and the Investment Advisor shall certify in writing:

i. Acknowledge receipt, review and understanding of the policy; and

ii. Agree to conduct transactions on behalf of the Township in accordance with the Investment Policy and comply with the terms of the policy regarding buying or selling of securities; and

iii. The authorized Investment Advisor shall provide such certification on an annual basis or upon any revision to this Investment Policy.

B. Broker/Dealers. Broker/Dealers must be licensed in the State of Michigan and meet at least one (1) of the following criteria:
i. be recognized as a Primary Dealer by the Federal Reserve Bank of New York or have a primary dealer within its holding company structure; OR

ii. report voluntarily to the Federal Reserve Bank of New York; OR

iii. qualify under Securities and Exchange Commission (SEC) Rule 15c3-1 (Uniform Net Capital Rule).

VII. Authorised and Suitable Investments

1. Authorised Investments

Investments for the Township shall be made in accordance with Michigan State statutes: 1943 Public Act 20 as amended, MCL 129.91 et seq., the Surplus Funds Investment Pool Act, P. A. 367 of 1982, MCL 129.111 et seq.

The Township has further restricted the types of securities and transactions eligible for investment by the Investment Officer or authorized Township Investment Advisor as follows:

a. **U.S. Treasury Obligations:** Treasury Bills, Treasury Notes, and Treasury Bonds with a final maturity not exceeding five years from the date of trade settlement.

b. **Federal Instrumentality Securities:** Debentures, discount notes, step-up and callable securities with a final maturity not exceeding five years from the date of trade settlement.

c. **Repurchase Agreements** with a termination date of 90 days or less collateralized by U.S. Treasury Obligations and Federal Instrumentality Securities listed in a. and b. above with maturities not exceeding ten years. For the purpose of this section, the term “collateral” shall mean “purchased securities” under the terms of the Township’s approved Master Repurchase Agreement.

- The collateral shall have an original minimum market value (including accrued interest) of 102 percent of the dollar value of the transaction. If collateralized value drops below 101 percent, it will immediately be restored to 102 percent.
- Collateral shall be held by the Township’s custodian bank as safekeeping agent, and the market value of the collateral securities shall be marked-to-the-market daily.
- Repurchase agreements shall be entered into only with primary dealers reporting to the Federal Reserve Bank of New York or with firms that have a primary dealer within their holding company structure, that have executed an approved Master Repurchase Agreement with the Township.

d. **Certificates of Deposit** with a maturity not exceeding one year from the date of trade settlement, savings accounts or deposit accounts in financial institutions as
defined in MCL 129.16, "Depositories for Public Money", that are eligible to be a depository of funds for the State of Michigan, and Certificates of Deposit that are purchased in accordance with MCL 129.91 guidelines. Certificates of Deposit, savings accounts or deposit accounts exceeding the federally insured amount may be acquired only from financial institutions having a bank credit rating of 30 or better by SNL Financial or its successor firm, for the most recent reporting quarter. Not more than 25% of the Township’s total portfolio may be invested in certificates of deposit with no more than 5% held in any one issuer at the time of purchase.

e. **Municipal Securities**: Obligations of the State of Michigan or any of its subdivisions that are rated at least A or the equivalent at the time of purchase. Not more than 25% of the portfolio may be invested in municipal securities with no more than 5% held in any one issuer at the time of purchase. Maturities in these investments shall not exceed five years from the date of trade settlement. The limitations on municipal securities do not include the investment in debt obligations of the Township.

f. **Prime Commercial Paper** with an original maturity of 270 days or less from the date of trade settlement. Investments in commercial paper are restricted to those which, at the time of purchase, are rated by two nationally recognized ratings agencies as at least A-1 by Standard and Poor’s, P-1 by Moody’s, or F1 by Fitch. Not more than 25% of the Township’s total portfolio may be invested in commercial paper with no more than 5% held in any one issuer at the time of purchase.

g. **Eligible Bankers Acceptances** with maturities not exceeding 180 days from the date of trade settlement, rated at least A-1 by Standard & Poor’s, P-1 by Moody’s, or F1 by Fitch at the time of purchase, issued by a state or nationally chartered bank which has combined capital and surplus of at least $250 million, whose deposits are insured by the FDIC, and whose senior long-term debt is rated, at the time of purchase, A+ by Standard and Poor’s, A1 by Moody’s, or A+ by Fitch. Not more than 25% of the Township’s total portfolio may be invested in eligible bankers acceptances with no more than 5% held in any one issuer at the time of purchase.

h. **Money Market Mutual Funds**: Investments in money market mutual funds registered under the Investment Company Act of 1940 composed of investment vehicles that are legal for direct investment by local governments in Michigan and which are "no-load" (i.e., no commission or fee shall be charged on purchases or sales of shares); have a constant net asset value per share of $1.00; and have a maximum stated maturity and weighted average maturity in accordance with Rule 2a-7 of the Investment Company Act of 1940. Not more than 25% of the Township’s total portfolio may be invested in money market mutual funds at any one time.

i. **Investment Pools** organized under the Surplus Funds Investment Pool Act, 1982 PA 367, MCL 129.111 to 129.118 that are “no-load”; have a constant net asset value per share of $1.00; limit assets of the fund to securities authorized in MCL 129.91 as legal investments for municipalities; have a maximum stated maturity and weighted
average maturity in accordance with Rule 2a-7 of the Investment Company Act of 1940; and are rated either AAA by Standard and Poor’s, AAA by Moody’s or AAA/V1+ by Fitch. Not more than 25% of the Township’s total portfolio may be invested in investment pools at any one time.

j. Joint Inter-local Investment Ventures organized under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA7, MCL 124.501 to 124.512 that are “no-load”; have a constant net asset value per share of $1.00; limit assets of the fund to securities authorized in MCL 129.91 as legal investments for municipalities; have a maximum stated maturity and weighted average maturity in accordance with Rule 2a-7 of the Investment Company Act of 1940; and are rated either AAAm by Standard and Poor’s, Aaa by Moody’s or AAA/V1+ by Fitch. Not more than 25% of the Township’s total portfolio may be invested in investment pools at any one time.

k. Local Government Investment Pools organized under Section 4 of Public Act 121 of 1985, the Local Government Investment Pool Act. Not more than 25% of the Township’s total portfolio may be invested in these pools at any one time.

2. Investments Not Authorized

In accordance with the position of the Michigan Department of Treasury issued as 1998-3, the following types of investments are determined by the Township Board to not be suitable investments for the surplus funds of the Township. The Treasurer and Investment Officer are not permitted to invest the surplus funds of the Township in the following types of investments:

a. CATS - Certificates of Accrual on Treasury Securities.

b. COUGRs - Certificates on Government Receipts.

c. ETRs - Easy Growth Treasury Receipts.

d. TBRs - Treasury Bond Receipts.

e. TIGRs - Treasury Investment Growth Receipts.

f. TRs – Treasury Receipts, the generic form of zero coupons issued by a group of dealers, including Propriety/Government-Guaranteed Receipts.

g. ZCTOs - Zero Coupon Treasury Obligations

h. CMOs and REMICs - Collateralized Mortgage Obligations, and Real Estate Mortgage Investment Conduits, including pools of GNMA, FNMA, FNMC mortgages packaged as a bond.
3. Ratings Downgrade

Securities that have been downgraded to a level that is below the minimum ratings described herein shall be immediately reported to the Board. Such securities may be held or sold at the Township’s discretion.

4. Competitive Transactions

Each investment transaction shall be competitively transacted with authorized broker/dealers. Whenever possible, at least three broker/dealers or issuers shall be contacted for each transaction and their bid and offering prices shall be recorded. If the Township is offered a security for which there is no other readily available offering, then the Treasurer shall document quotations for comparable or alternative securities. The Treasurer shall maintain documentation outlining all bid, offering prices and quotations reviewed for each investment transaction.

VIII. Diversification and Maturity Limits

To the extent possible, the Investment Officer and/or the Township’s Investment Advisor shall attempt to match investments with anticipated cash flow requirements. The Township shall not directly invest in securities maturing more than five years from the date of trade settlement, unless authorized by the Board. The weighted average final maturity of the Township’s portfolio shall not exceed two and a half years. The limitations on securities maturing more than five years from the settlement date and weighted average final maturity of the Township’s portfolio do not include the investment in debt obligations of the Township.

Investments shall be diversified by security type and institution. With the exception of U.S. Treasury obligations, Federal Instrumentality securities and Repurchase Agreements authorized in this Policy, no more than 25% of the total investment portfolio shall be invested in a single security type or with a single depository financial institution at the time of purchase. Investments in the Oakland County Local Government Investment Pool are permitted up to 25% of the Township’s total investment portfolio.

IX. Safekeeping and Custody; Third-Party Custodial Agreements

All securities purchased by the Township under this section shall be properly designated as an asset of the Township and held in safekeeping by a third party custodial bank chartered by the United States Government or the State of Michigan.

The Township shall execute third party custodial agreement(s) with its bank(s) and depository institution(s). Such agreements will include details as to responsibilities of each party, notification and reporting requirements, and safekeeping and transactions costs.

All security transactions, including repurchase agreements, entered into by the Township shall be conducted on a delivery-versus-payment (DVP) basis.
Title to all purchased securities shall be perfected in the name of the Township. Sufficient evidence to title shall be consistent with modern investment, banking and commercial practices. All deliverable investments purchased by the Township shall be delivered by book entry and shall be held in third-party safekeeping by a Township approved custodian bank or the Depository Trust Company (DTC).

X. **Internal Controls and Accounting**

The Treasurer shall establish a system of internal controls, designed to prevent losses of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the Township.

The Township maintains its records on the basis of funds, each of which is considered a separate accounting entity. All investment transactions shall be recorded in the various funds of the Township in accordance with Generally Accepted Accounting Principles as promulgated by the Governmental Accounting Standards Board.

The Board in accordance with State Law shall establish a process for an annual review by an independent external auditor. This review shall examine the system of internal controls to assure that the established policies and procedures are being complied with and may result in recommendations to change operating procedures to improve internal control.

XI. **Reporting**

a. The Treasurer shall submit a quarterly and annual investment report that provides the description, a listing of original cost, carrying value and market value of each security held in the portfolio, earnings for the period and annualized yield.

b. The Investment Advisor shall submit a quarterly performance report that provides the description, listing of original cost, carrying value and market value of each security held in the portfolio, performance results, including earnings, yield, and maturity of each security and the average maturity of the total portfolio.

The Investment Advisor shall meet with the Township Board at a minimum once a year.

c. The Investment Consultant shall submit a quarterly analysis of investments, including written conclusions and recommendations. The Investment Consultant shall meet with the Township Board on a semi-annual basis.

XII. **Investment Performance**

The cash management portfolio shall be designed with the objective of regularly meeting or exceeding a selected performance benchmark, which may include the average return on one-year U.S. Treasuries, a bank investment pool, or the average rate of Fed funds. These
indices are considered benchmarks for lower risk investment transactions and therefore comprise a minimum standard for the portfolio’s rate of return.

XIII. Investment Policy Adoption

The Township's Policy is adopted by resolution of the Board. The policy should be reviewed on an annual basis by the Board. Modifications made at that time or when necessitated by statutory revision must be approved by the appropriate action of the Board. This investment policy was originally adopted by the Board January 1998.

Adopted: January 1998
Amended: February 23, 1998
Amended: April 20, 1998
Amended: October 14, 1998
Amended: March 5, 2001
Amended: May 3, 2004

Amended: September 12, 2005
Amended: July 20, 2009
Amended: May 17, 2010
Amended: March 18, 2013
Amended: July 21, 2014
Amended: November 17, 2014
Amended: March 2, 2015
Amended: May __, 2016
GLOSSARY

Banker’s Acceptance (BA): A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

Broker: A broker brings buyers and sellers together for a commission paid by the initiator of the transaction or by both sides.

Callable Bond: A bond issue in which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions.

Certificate of Deposit: A time deposit with a specific maturity evidenced by a certificate. Large denomination CDs are typically negotiable.

Collateral: Securities or property pledged by a borrower to secure payment.

Commercial Paper: An unsecured promissory note with a fixed maturity of no more than 270 days. Commercial paper is normally sold at a discount from face value.

Dealer: A dealer, as opposed to a broker, acts as a principal in all transactions; buying and selling for his/her own account.

Debenture: A bond secured only by the general credit of the issuer.

Delivery versus Payment: There are two methods of delivery of securities: delivery versus payment and delivery versus receipt (also called “free”). Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

Discount Securities: Non-interest bearing money market instruments that are issued at a discount and redeemed at maturity for full face value.

Diversification: Dividing investment funds among a variety of securities offering independent returns.

Federal Deposit Insurance Corporation (FDIC): A federal institution that insures bank and savings and loan deposits, currently up to $100,000.

Federal Funds Rate: The rate of interest at which fed funds are traded. This rate is currently pegged by the Federal Reserve through open market operations.

Fed Wire: A computer system linking member banks and other financial institutions to the Fed, used for making inter-bank payments of Fed funds and for making deliveries of and payments for Treasury, agency and book-entry mortgage backed securities.
Investment Advisor’s Act: Legislation passed by Congress in 1940 that requires all investment advisors to register with the Securities and Exchange Commission. The Act is designed to protect the public from fraud or misrepresentation by investment advisors.

Liquidity: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value.

Local Government Investment Pool: The aggregate of all funds from political subdivisions that are placed in custody of pools authorized under the laws of the State.

Mark-to-market: The process whereby the book value or collateral value of a security is adjusted to reflect its current market value.

Market Value: Current market price of a security.

Master Repurchase Agreement: A written contract covering all future transactions between the parties to repurchase or reverse repurchase agreements that establish each party’s right in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

Maturity: The date upon which the principal or stated value of an investment becomes due and payable.

Money Market Mutual Fund: A mutual fund that limits its investments to some or all types of money market instruments.

Net Asset Value: The market value of one share of an investment company, such as a mutual fund.

No Load Fund: A mutual fund that does not levy a sales charge on the purchase of its shares.

Portfolio: Collection of securities held by an investor.

Primary Dealer: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker-dealers, banks, and a few unregulated firms.

Prudent Person Rule: Investments shall be made with judgment 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.

Rate of Return: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond or the current income return.
Ratings: An evaluation of an issuer of securities by Moody’s, Standard & Poor’s, Fitch, or other rating services of a security’s credit worthiness.

Repurchase Agreements: A holder of securities sells securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security “buyer” in effect lends the “seller” money for the period of the agreement, and the terms of the agreement are structured to compensate him/her. Dealers use repurchase agreements extensively to finance their positions.

Rule 2a-7 of the Investment Company Act: Applies to all money market mutual funds and mandates such funds to maintain certain standards, including a 13-month maturity limit and a 90-day average maturity on investments, to help maintain a constant net asset value of one dollar ($1.00).

Safekeeping: Holding of assets (e.g. securities) by a financial institution.

Treasury Bills: A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in one month, three months, or six months.

Treasury Bonds: Long-term U.S. Treasury securities having initial maturities of more than ten years.

Treasury Notes: Intermediate term coupon bearing U.S. Treasury securities having initial maturities of from one to ten years.

Yield: The rate of annual income return on an investment, expressed as a percentage.
V. Pooling of Cash and Investments

Except for cash in certain restricted and special accounts, the Treasurer and/or the Township's authorized Investment Advisor may pool the cash of various funds into one investment portfolio to maximize investment earnings. Investment income shall be allocated to the various funds based upon their respective participation and in accordance with generally accepted accounting principles.

Investment of bond proceeds shall be governed by the appropriated bond resolutions and applicable state law.

VI. Authorized Financial Institutions and Broker/Dealers

A. Authorized Financial Institutions

The authorized Investment Advisor shall prepare a list of authorized financial institutions that shall be approved by resolution of the Board on an annual basis to provide depository and investment services.

No public deposit shall be made except in a qualified public depository as established by State law. An annual analysis of the financial condition, registration, professional institution/bank rating, and Community Reinvestment Act rating of the authorized financial institutions qualified—bidders—shall will be conducted by the Township’s authorized Investment Advisor. Information indicating a material reduction in ratings, standards, or a material loss or prospective loss of capital on existing investments, must be shared with the Board; in writing immediately.

The Investment Officer shall only invest funds of the Township with authorized financial institutions.

It shall be the policy of the Investment Officer to conduct security transactions only with authorized institutions and firms. To be eligible a firm must:

Broker/Dealers must be licensed in the State of Michigan and meet at least one of the following criteria:

a) be recognized as a Primary Dealer by the Federal Reserve Bank of New York or have a primary dealer within its holding company structure; OR

b) report voluntarily to the Federal Reserve Bank of New York; OR

c) qualify under Securities and Exchange Commission (SEC) Rule 15c3-1 (Uniform Net Capital Rule);

B. Broker/Dealer Transactions
1. **Investment Advisor.** The authorized Investment Advisor shall utilize the Investment Advisor's list of broker/dealers when executing transactions on behalf of the Township. The Investment Advisor's approved list of broker/dealers shall be provided to the Township on an annual basis. If any changes are made to the Investment Advisor’s approved list of broker/dealers, the Investment Advisor shall notify the Township of such change, or upon request. Changes shall be reflected in the subsequent report submitted to the Township Board.

   a) Pursuant to MCL 129.96, PA 20 of 1943, the Treasurer shall provide the authorized Investment Advisor with a copy of the Township's Investment Policy and the Investment Advisor shall certify in writing:

   i. Acknowledge receipt, review and understanding of the policy; and

   ii. Agree to conduct transactions on behalf of the Township in accordance with the Investment Policy and comply with the terms of the policy regarding buying or selling of securities; and

   iii. The authorized Investment Advisor shall provide such certification on an annual basis or upon any revision to this Investment Policy. In addition, the authorized Investment Advisor shall provide a written receipt of this Investment Policy and agreement to conduct transactions on behalf of the Township in accordance with this Investment Policy. The authorized Investment Advisor shall provide such certification on an annual basis or upon any revision to this Investment Policy.

   Broker/dealers will be selected by the authorized Investment Advisor on the basis of their expertise in public cash management and their ability to provide services for the Township’s account. Approved broker/dealers and the firms they represent shall be licensed to do business in the State of Michigan and as such are subject to statutes of the State of Michigan as well as the Township’s Policy.

   Per Section 129.96 of Michigan’s Act 20 of 1943, before executing an order to purchase or trade the funds of a public corporation, a financial intermediary, broker, or dealer shall be provided with a copy of the Township's policy and shall do both of the following:

   a. Acknowledge receipt, review and understanding of the policy.

   b. Agree to comply with the terms of the policy regarding buying or selling of securities.

   b) Broker/Dealers must be licensed in the State of Michigan and meet at least one (1) of the following criteria:
be recognized as a Primary Dealer by the Federal Reserve Bank of New York or have a primary dealer within its holding company structure; OR

ii. b) report voluntarily to the Federal Reserve Bank of New York; OR

iii. e) qualify under Securities and Exchange Commission (SEC) Rule 15c3-1 (Uniform Net Capital Rule).

VII. Authorized and Suitable Investments

1. Authorized Investments

Investments for the Township shall be made in accordance with Michigan State statutes: 1943 Public Act 20 as amended, MCL 129.91 et seq, the Surplus Funds Investment Pool Act, P. A. 367 of 1982, MCL 129.111 et seq.

The Township has further restricted the types of securities and transactions eligible for investment by the Investment Officer or authorized Township Investment Advisor as follows:

a. U.S. Treasury Obligations: Treasury Bills, Treasury Notes, and Treasury Bonds with a final maturity not exceeding five years from the date of trade settlement.

b. Federal Instrumentality Securities: Debentures, discount notes, step-up and callable securities with a final maturity not exceeding five years from the date of trade settlement.

c. Repurchase Agreements with a termination date of 90 days or less collateralized by U.S. Treasury Obligations and Federal Instrumentality Securities listed in a. and b. above with maturities not exceeding ten years. For the purpose of this section, the term “collateral” shall mean “purchased securities” under the terms of the Township’s approved Master Repurchase Agreement.

- The collateral shall have an original minimum market value (including accrued interest) of 102 percent of the dollar value of the transaction. If collateralized value drops below 101 percent, it will immediately be restored to 102 percent.
- Collateral shall be held by the Township’s custodian bank as safekeeping agent, and the market value of the collateral securities shall be marked-to-the-market daily.
- Repurchase agreements shall be entered into only with primary dealers reporting to the Federal Reserve Bank of New York or with firms that have