

# SALEM TOWNSHIP INVESTMENT POLICY

Adopted October 3, 1995, Amended November 10, 1998

## 1.0 Purpose:

It is the policy of Salem Township 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, while conforming to all state and local statutes governing the investment of public funds.

## 2.0 Scope:

This investment policy applies to all financial assets of Salem Township. These funds are accounted for in the **Annual Financial Audit** and include but are not limited to the following:

2.1.1 General Fund

2.1.2 Trust and Agency Funds

2.1.3 (Any new fund created by the Salem Township Board, unless specifically exempted).

## 3.0 Prudence:

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.

3.1 The standard of prudence to be used by investment officials shall be the "**prudent person**" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

#### 4.0 **Objective:**

Funds of the Township 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, in priority order:

4.1 **Safety:** Safety of principal is the foremost objective of the investment program. Investments of Salem Township shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, **diversification** is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

4.2 **Liquidity:** Salem 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 Investments:** Salem Township's investment portfolio shall be designed with the objective of attaining a rate of return throughout budgetary and economic cycles, consistent with the township's investment risk constraints and the cash flow characteristics of the portfolio.

#### 5.0 **Delegation of Authority:**

Authority to manage Salem Township's investment program is derived from the following: MCLA 41.76, MCLA 211.43b and local township board authorization. Management responsibility for Salem Township's investment program is hereby delegated to the Salem Township Treasurer, who shall establish written procedures for the operation of the investment program consistent with this investment policy. Procedures should include reference to: safekeeping, wire transfer agreements, banking service contracts and depository agreements. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of the policy and the procedures established by the Treasurer. The 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 Conflicts 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 Salem Township Supervisor and the Treasurer, any material financial interests in financial institutions that conduct business within this jurisdiction, and they shall further disclose any large personal/financial investment positions that could be related to the performance or timing of Salem Township's investments.

### 7.0 Authorized Financial Dealers and Institutions:

The Treasurer will maintain a list of financial institutions authorized to provide investment services. In addition, a list will also be maintained of approved security **broker/dealers** selected by credit worthiness who are authorized to provide investment services in the State of Michigan. These may include "**primary**" dealers or regional dealers that qualify under **Securities & Exchange Commission Rule 15C3-1 (uniform net capital rule)**. No public deposit shall be made except in a **qualified public depository** as established by state laws.

All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the treasurer with the following: audited financial statements, proof of National Association of Security Dealers certification, trading resolution, proof of state registration, completed broker/dealer questionnaire, certification of having read Salem Township's Investment Policy, and all depository contracts.

An annual review of the financial condition and registrations of qualified bidders will be conducted by the Treasurer.

A current audited financial statement is required to be on file for each financial institution and broker/dealer in which Salem Township invests.

### 8.0 Authorized & Suitable Investments:

Salem Township is empowered by statute to invest in those security types as listed in **Michigan Public Act 20 of 1943, as amended in 1988**. Specifically the following:

Bonds, securities, and other obligations of the United States, certificates of deposit, savings accounts, deposit accounts or depository receipts of a FDIC bank, 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, U.S. government or federal repurchase agreements, bankers' acceptances of U.S. banks, investment pools organized under the surplus funds investment pool act, 1982 PA 367, MCL 129.111 to 129.118, and mutual funds which are legal for direct investment by local units of governments in Michigan. (See attached copy of **Michigan Public Act 20 of 1943, as amended in 1988** for complete details.)

### 9.0 Diversification:

Salem Township will diversify its investments by security type and institution. With the exception of U.S. Treasury securities and authorized pools, no more than 50% of the Township's total investment portfolio will be invested with a single financial institution.

#### 10.0 **Maximum Maturities:**

To the extent possible, Salem Township will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, Salem Township will not directly invest in securities maturing more than one (1) year from the date of purchase.

#### 11.0 **Internal Control:**

The Treasurer shall allow for an annual process of review as part of Salem Township's annual audit. This review will provide assurance of compliance with policies and procedures.

#### 12.0 **Performance Standards:**

Salem Township's investment portfolio shall be designed with the objective of obtaining a reasonable rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs. Benchmark will be six-month U.S. Treasury Bills.

#### 13.0 **Reporting:**

The Treasurer is charged with the responsibility of providing a market report on investment activity on a quarterly basis. Reports will include performance, market sector breakdown, and number of trades including interest and earnings.

#### 14.0 **Safekeeping and Custody:**

All securities purchased by Salem Township 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 a respective designee. Any repurchase agreements transactions must be made in accordance with the guidelines of Salem Township's Master Repurchase Agreement. 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, non-collateralized Certificates of Deposit, as is the law in the State of Michigan, shall be evidenced by a safekeeping receipt from the issuing bank.

**15.0 Investment Policy Adoption:**

Salem Township's investment policy shall be adopted by a resolution of the Salem Township Board. The policy shall be reviewed annually by the Treasurer, and any modifications proposed as a result of that review must be approved by the Salem Township Board.

**SALEM TOWNSHIP  
9600 SIX MILE ROAD  
SALEM, MICHIGAN 48175  
PHONE 248 349-1690 FAX 248 349-9350**

