

TOWN OF SIMSBURY, CONNECTICUT

INVESTMENT POLICY

This investment policy applies to the investment activities of the Town of Simsbury, except for its employee retirement system funds, which are organized and administered separately. All Town funds, including the General Fund, Special Revenue Funds, Capital Projects Fund, and Trust and Agency Funds, and other funds that may be created from time to time, shall be administered in accordance with the provisions of this policy.

The Town of Simsbury seeks to attain market rates of return on its investments, consistent with constraints imposed by its safety objectives, cash flow considerations and state laws (particularly C.G.S. 7-400) that restrict the investment of certain public funds.

All participants in the investment process shall seek to act responsibly as custodians of the public trust. Investment officials shall avoid any transaction that might impair public confidence in the Town's ability to govern effectively.

Management responsibility for the investment program is vested in the Director of Finance, who shall insure the operation of the investment programs consistent with this investment policy. The Director of Finance shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

The standard of prudence to be used by investment officials shall be the that of the "prudent person" and shall be applied in the context of managing an overall portfolio.

The Finance Director shall prepare a quarterly investment report that summarizes recent market conditions, economic developments and anticipated investment conditions. The report shall summarize the investment strategies employed in the most recent period, and describe the portfolio in terms of investment securities, maturities, risk characteristics and other features. The report shall explain the period's total investment return and compare the return with budgetary expectations.

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Except for the Capital and Non-Recurring Expenditure Fund (CNR) and the Risk Management Fund, funds may be invested in: A) U.S. Treasury bills; b) Treasury notes or bonds maturing within 270 days; c) insured or collateralized certificates of deposit of banks and savings and loan associations maturing within 270 days; d) repurchase agreements collateralized by U.S. Treasury securities and marked-to-market; e) the State Short Term Investment Fund (STIF); and f) Class MBIA Plus. Funds of the CNR and Risk Management Fund may be invested in all authorized instruments for maturities up to one year provided the anticipated cash flow needs of the CNR account or RISK Management Fund are accommodated thereby.

Investment depositories shall be approved by the Board of Finance after an evaluation to ensure that the depository is in conformance with Connecticut Statutes (C.G. S. 7-400) governing qualified public depositories. In selecting depositories, the credit worthiness of institutions shall be considered.

For brokers and dealers of government securities, the Finance Director shall select only primary government securities dealers that report daily to the New York Federal Reserve Bank and meet all other statutory requirements as a Public depository.

Except for the CNR and Risk Management Funds, funds of the Town shall be invested in instruments whose maturities do not exceed 270 days at the time of purchase, unless a temporary extension of maturities is approved by the Board of Finance. In such cases, the average effective maturity of each fund's portfolio shall not exceed 270 days.

It is the policy of the Town of Simsbury to diversify its investment portfolios. Funds held in the general account shall be diversified to eliminate the risk of loss resulting from overconcentration of funds in a specific maturity, a specific issuer, or a specific class of securities. In establishing specific diversification strategies, the following general policies and constraints shall apply:

1. Maturities shall be staggered to avoid undue concentration of funds in a specific maturity. Maturities selected shall provide for stability of income and reasonable liquidity.

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2. For cash management funds liquidity shall be assured through practice ensuring that the next disbursement date and payroll date are covered through maturing investments or marketable U.S. Treasury bills.

3. At least 10 percent of the portfolio shall be invested in overnight instruments or in marketable securities which can be sold to raise cash in one day's notice.

To protect against potential fraud and embezzlement, funds of the Town invested in repurchase agreements shall be secured through third-party custody and safekeeping procedures. Bearer instruments shall be held only through third-party institutions. Investment officials shall be bonded to protect the public against possible embezzlement and malfeasance. Collateralized securities such as repurchase agreements shall be purchased using the delivery vs. payment procedure. Unless prevailing practice or economic circumstances dictate otherwise, ownership shall be protected through third-party custodial safekeeping.

The Director of Finance may request authority from the Board of Finance to make investments in investment products authorized by C.G.S. 7-400 but not authorized by this policy.

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