

**VILLAGE OF NEW BERLIN  
SANGAMON COUNTY, ILLINOIS**

**MUNICIPAL INVESTMENT POLICY**

*Adopted*

*Wednesday, October 20, 1999*

**MISSION STATEMENT**

It is the intent of this investment policy to serve as both a curb and guide to aid in the administration of all funds established and existing under the municipality now known as the Village of New Berlin (municipality). It is the policy of this municipality to invest public funds in a manner which will provide for the greatest degree of safety of principal, liquidity of funds, and to conform and comply with all local ordinances, and state and federal laws. Return on investment will not be a predominant factor in the investment of public funds.

**SCOPE**

This policy applies to the investment of all funds governed by the Board of Trustees of this municipality.

**PRUDENCE**

The standard of prudence to be used by investment officials shall be the “prudent person” standard, when applicable and when not prevented by law, and shall be applied in the context of managing an overall portfolio.

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.

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.

## **OBJECTIVES**

- Safety: Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to insure the preservation of capital in the portfolio.
- Liquidity: The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.
- Legality: All investment activity shall conform with all federal, state other legal requirements.
- Return on investment: The return on investment shall be subject to safety, liquidity and legality of all investments. The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity.

## **DELEGATION OF AUTHORITY**

Management and administration responsibility for the investment program is hereby delegated to the Treasurer or equivalent, who, under the direction of the Board of Trustees, shall establish written procedures for the operation of the investment program. Procedures should include references to: safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, collateral/depository agreements and banking service contracts.

## **ETHICS AND CONFLICTS OF INTEREST**

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions.

## **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 brokers/dealers selected by credit worthiness.

## **AUTHORIZED AND SUITABLE INVESTMENTS**

Investments may be made in any type of security allowed for in Illinois statutes regarding the investment of public funds.

Investments shall be made that reflect the cash flow needs of the fund type being invested.

## **COLLATERALIZATION AND ALTERNATIVE INSURANCE**

Funds on deposit (checking accounts, certificates of deposit, etc.) in excess of FDIC or SIPC limits must be secured by some form of collateral, witnessed by a written agreement. The amount of collateral provided will not be less than 110% of the fair market value of the net amount of public funds secured. Pledged collateral shall be held in safekeeping, by an independent third party depository, or the Federal Reserve Bank of Chicago, designated by the appropriate governing body and evidenced by a safekeeping agreement.

## **SAFEKEEPING AND CUSTODY**

All security transactions, including collateral for repurchase agreements, entered into by this municipality, shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by an independent third party custodian designated by the Treasurer and evidenced by safekeeping receipts and a written custodial agreement.

## **DIVERSIFICATION**

To the greatest extent possible and in conformance to this policy, it is the desire of the Board of Trustees to invest public funds in financial institutions located and doing business within the boundaries of the municipality.

None the less, the entity shall diversify its investments to the best of its ability based on the type of funds invested and the cash flow needs of those funds.

Diversification can be by type of investment, number of institutions invested in, and length of maturity.

## **MAXIMUM MATURITIES**

To the extent possible, the municipality shall attempt to match investments with anticipated cash flow requirements.

Unless matched to a specific cash flow, the municipality will not directly invest in certificates of deposits, securities or other accounts maturing more than five (5) years from the date of purchase.

Reserve funds may be invested in securities exceeding five (5) years if the maturity of such investments are made to coincide as nearly as practical with the expected use of the funds.

## **INTERNAL CONTROL**

The Treasurer, under the direction of the Board of Trustees, is responsible for establishing and maintaining an internal control structure designed to insure that the assets of the municipality are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met.

The internal controls shall address the following points.

- Control of collusion
- Separation of transaction authority from accounting
- Custodial safekeeping
- Written confirmation of telephone transactions for investment and wire transfers.

## **PERFORMANCE STANDARDS**

The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a comparable rate of return during market/economic environment of stable interest rates. A comparable rate of return will be within a range of Two hundred basis points (2.00%). Portfolio performance should be compared to benchmarks with similar maturity, liquidity and credit quality as the portfolio.

Such benchmarks will include comparable maturity's of U.S. Treasury bills or notes and IPTIP.

## **REPORTING**

The Treasurer shall prepare an investment report at least monthly. The report should be provided directly to the Board of Trustees and available upon request. The report should be in a format suitable for review by the general public. An annual report should also be provided to the Board.

## **MARKING TO MARKET**

A statement of the market value of the portfolio shall be issued monthly along with and made a part of the monthly investment report.

## **EXEMPTIONS**

Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

## **EXCEPTIONS**

Any exception to this policy will be reported immediately to the Mayor and Village Clerk in writing and will be reported to the Board of Trustees at the next regularly scheduled Village Board of Trustees meeting.

## **ADOPTION AND REVIEW OF THE INVESTMENT POLICY**

The investment policy shall be adopted by the Board of Trustees. The policy shall be reviewed on an annual basis by the Treasurer and any modifications made thereto must be approved by the Board of Trustees.

This investment policy initially approved and adopted October 20, 1999.

This investment policy reviewed and re-approved this 20th Day of September, 2000.

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Stephen R. Frank, Mayor

Attest:

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Marsha J. Sweet, Village Clerk