

# Investment Policy

Wethersfield Library

*Revised May 22, 2012*

## **I. Policy Statement and Scope**

This document will govern the investment activities of the Wethersfield Town Library (the Library). It is the policy of the Library to invest its funds in a manner which will provide the highest return with the maximum security while meeting cash flow demands. All investments will conform to all applicable laws and regulations governing the investment of public funds.

## **II. Investment Objectives**

The five primary objectives of the Library's financial investments are:

**Safety of Principal** - Safety of principal is a significant objective of the investment program. All investments shall be undertaken in a manner that seeks to both preserve capital and to fulfill the following other investment objectives.

**Liquidity** - The Library's investment portfolio will remain sufficiently liquid to enable the Library to meet all Library objectives which might be reasonably anticipated

**Return on Investments (Yield)** - The Library's investments should generate the highest available return without sacrificing the first two objectives outlined above.

**Minimization of Risk** – Reasonable and prudent steps shall be made to minimize risks inherent in investment through proper diversification so as to eliminate the risk of loss resulting from an over-concentration of funds in a specific maturity, issuer, industry, geographical area, or class of securities. No more than half of the library's investments should ever be invested in equities (stocks) or real estate at any one time. At least half of the investment portfolio should always be invested in typically lower-risk fixed investments such as government bonds, certificates of deposit (CDs), investment-grade bonds and insured money market funds.

**Minimization of Cost** - All attempts shall be made to minimize the inherent costs of financial transactions related to implementing investment strategies.

## **III. Delegation of Authority**

Management responsibility for the Library's investment program is hereby delegated to the Finance Committee of the Library Board. The Committee shall act only in accordance with this Investment Policy, and report regularly to the Library Board.

#### **IV. Authorized and Suitable Investments**

The following investments are deemed to be suitable for inclusion in the Library's investment program. The Library Board is authorized to invest Library funds in only those investments specifically delineated below.

U.S. Treasury Bills and Notes for which the full faith and credit of the U.S. Government is pledged for the repayment of principal and interest. Bills are short term (one year or less) obligations issued and sold at a discount. Notes have fixed coupon rates with original maturities of between one and five years.

FDIC-Insured deposit accounts (such as checking accounts) established with local financial institutions.

FDIC-insured Certificates of Deposit (CDs) issued by reputable financial institutions.

Mutual funds and/ or Exchange-traded Funds (ETFs) trading in domestic and international stocks.

Mutual funds and ETFs comprised primarily of investment-grade corporate bonds, government bonds, Inflation-protected bonds (e.g. TIPS), international and municipal bonds.

Highly-rated corporate preferred stock.

#### **V. Maturity of Investments**

No investment shall have a maturity date of more than five years from its date of purchase by the Library. To the extent possible and prudent, the Library will attempt to match its investment maturities with anticipated cash flow requirements.

#### **VI. Deposit Requirements**

The Library shall deal only with brokers or dealers who are registered as such with the Securities and Exchange Commission and, which are licensed to do business in the State of Connecticut. Such brokers or dealers should also be members of the National Association of Securities Dealers, Inc. Securities brokers and dealers shall be utilized only after an analysis performed by the Finance Committee has revealed that the broker is adequately financed to conduct business with the Library and they have been approved by the Library Board.

A copy of this Investment Policy and any revisions or updated versions will be given to eligible financial institutions and brokers and dealers desiring to do business with the Library. It shall be the responsibility of the designated officer of those institutions and brokers and dealers to review the Investment Policy and agree to comply with all applicable State of Connecticut and Federal Laws. Furthermore, the aforementioned officer shall agree to disclose any potential conflicts or risks to the Library funds that could arise out of financial transactions between the financial institutions, brokers, dealers and the Library.

## **VII. Reporting**

The Finance Committee of the Library Board shall provide financial updates to the Library Board at each meeting.

Reports which clearly provide the following information regarding the investment portfolio: types of investment, depository institutions, principal balances, rates of return and maturities will be provided to the Board upon request.

The designated investment advisor shall meet at least annually with the Library Board and make a report.

## **VIII. Investment Policy Adoption**

The Library's Investment Policy shall be adopted by resolution of the Library Board. The Policy shall be reviewed no less than annually by the Finance Committee of the Library Board and any modifications made thereto must be approved by the Library Board.

All brokers, dealers and financial institutions initiating transactions with the investment authority by giving advice or making investment policy thereby acknowledging their agreement to abide by the policy's content;

All brokers, dealers and financial institutions executing transactions initiated by the investment authority, having read the policy's contents thereby acknowledging their comprehension and receipt.

Approved by the Library Board

October 27, 2009

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