

# INVESTMENT POLICY STATEMENT AND GUIDELINES FOR

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THE TRUSTEES OF THE TRUST FUNDS,

TOWN OF PELHAM, NH

REVISED 7 September,

2016

## Scope

This investment policy applies to all financial assets held by the Town of Pelham, NH Trustees of the Trust Funds which are accounted for in the Town of Pelham's annual financial report and include:

Common Trust Funds

Capital Reserve Funds

Other such trusts established or accepted by the Town of Pelham and placed under the responsibility of the Trustees of the Trust Funds.

This policy applies to all transactions involving the financial assets and related activity of all the foregoing funds.

## General

Pursuant to the provisions of RSA 31:19-38-a and RSA 35:9-a II, the Trustees of Trust Funds for the Town of Pelham, NH administer various trusts created by gifts and legacies to the Town. The Trustees also administer capital reserve funds appropriated by Town Meeting as separate funds subject to the provisions of RSA 35:9 and RSA 35: 9-a.

The Trustees of Trust Funds may manage and invest Funds in accordance with the Prudent Investor Rule under RSA 564-B:9-901-RSA 564-B:9-906 without regard to the investment limitations of RSA 31:25 and RSA 31:25-a, provided, however, the Trustees of Trust Funds:

- Notify the attorney general in writing of their decision to invest according to the prudent investor rule; and
- Hire or employ the trust department of a bank or a brokerage firm to provide investment advice and assistance under RSA 31:38-a, III.

In carrying out these duties, the Trustees have retained an Investment Adviser, Enterprise Bank and Trust, to assist in managing both the assets of the Common Trust Funds and selected Capital Reserve Funds. The Investment Adviser's role is to provide guidance to the Trustees on matters pertaining to the Investment of Fund assets including investment policy, investment selection, monitoring Fund performance and compliance with the Investment Policy. All decisions pertaining to the investment policy and guidelines for the policy's implementation shall be made by the Trustees.

Individual duties and responsibilities are detailed below:

1. Retain a qualified Investment Adviser to assist in the development and implementation of the investment policy (e.g., goals, objectives, and guidelines.)
2. Establish the investment policy of the Funds. This includes, but is not limited to, allocation between equity and fixed income assets, selection of acceptable asset classes and investment performance expectations.
3. Regularly review investment performance of the Funds including the performance of the Investment Adviser to assure the policy is being followed and progress is being made toward achieving objectives.

This Investment Policy will be reviewed at least annually as required by New Hampshire law.

### **Objective**

The monies of the trust funds and Capital Reserve Funds are to be invested to protect principal, provide for growth above inflation and provide earnings and liquidity for the beneficiaries named in the various trust instruments as well as the purposes specified by the Town for Capital Purchases, all in accordance with all applicable federal and state regulations.

### **Asset Allocation for Trust Funds**

The asset allocation decision is the single most important factor in determining the performance of the total portfolio. The current asset allocation guidelines are as follows:

<u>Asset Class</u>	<u>Range</u>	<u>Target Weight</u>
Cash and cash equivalents	0 – 10	0
Fixed Income	40 – 60	50
Equities	40 – 60	50

#### *Fixed Income*

The fixed income portion of the portfolio should be managed as follows:

The average maturity of the debt securities should not exceed ten years nor should the average duration exceed five years. All fixed income security purchases shall have a minimum quality rating of "A" by either Mergent Bond Record (formerly Moody's Investor Services), or Standard and Poor's Corporation. Concentration in any one issuer shall not exceed ten percent except in obligations of the United States and/or of the State of New Hampshire and its subdivisions.

#### *Common Stocks*

The equity asset class may be comprised of individual securities, mutual funds and other pooled asset portfolios that are invested principally in equity securities of US or international companies.

The investment objectives of the Trustees are twofold. The first objective is to seek growth in the portfolio in order to keep pace with or exceed economic inflation. As most common trusts are expendable in nature (only the interest may be expended), this will allow the trust funds to support higher future costs. The second objective is to seek income so the designated purposes of the trusts can be fulfilled.

The equity investments should be in companies that have a proven record of earnings growth, strong fundamentals and good valuations. The majority of the equity positions should be in larger capitalization companies (stocks that have a market capitalization of over \$15 billion), with only a small percentage devoted to mid-cap (stocks with a market capitalization between \$1 and \$15 billion dollars) and small cap (stocks that have less than \$1 billion in market capitalization). The equity portion of the portfolio should be broadly diversified, to the extent possible. At the highest level, the maximum exposure to any one industry sector should not exceed twenty-five percent without prior approval of the Trustees. At the security level, the purchase of a single security should not exceed five percent of the equity portion of the portfolio. The maximum exposure to any once name, because of price appreciation, should not exceed ten percent of the equities.

Other investments may be comprised of Inflation Hedge and/or Alternative Investments deemed appropriate for investment by the Investment Advisor and approved by the Trustees.

#### *Capital Reserve Funds*

Each capital reserve fund shall be maintained separately on the books of the town. The assets of such funds may be pooled in order to invest in a broader range of investments to maximize growth and mitigate risk. Said capital reserve funds shall be invested only in deposits in any federally or state-chartered bank or association authorized to engage in a banking business in this state, or in bonds and notes of this state, in such stocks and bonds as are legal for investment by banks and associations chartered by this state to engage in a banking business, or in participation units in the public deposit investment pool established pursuant to RSA 383:22, or in obligations with principal and interest full guaranteed by the United States government. The obligations may be held directly or in the form of securities of or other interests in any open-end or closed-end management-type investment company or investment trust registered under 15 U.S.C. section 80a-1 et seq., if the portfolio of the investment company or investment trust is limited to such obligations and repurchase agreements fully collateralized by such obligations. When so invested the trustees hereinafter named shall not be liable for the loss thereof. Any interest earned or capital gains realized on the moneys so invested shall accrue to and become a part of the individual funds on a pro rata basis. Deposits in federally or state-chartered banks and associations shall be made in the name of the town, district, or county which holds the same as a reserve, and it shall appear upon the books thereof that the same is a capital reserve fund. Any person who directly or indirectly receives any such capital reserve funds for deposit or for investment in securities of any kind shall, prior to acceptance of such funds, make available at the time of such deposit or investment an option to have such funds secured by collateral having a value at least equal to the amount of such funds. Such collateral shall be segregated for the exclusive benefit of the town, school district, village district, or county depositing or investing such funds. Only securities defined by the bank commissioner as provided by rules adopted pursuant to RSA 383-B:3-301(e) shall be eligible to be pledged as collateral. The trustees shall formally adopt an investment policy for all investments made by them or their agents for any trust funds in their custody in conformance with the provisions of applicable statutes. The trustees shall review and confirm the investment policy at least annually. A copy of the investment policy shall be filed with the attorney general.

## **Performance Management**

The performance results should be reviewed on a year-to-date, one, three, and five-year basis. For comparison purposes, all investments should be compared to their appropriate subclass benchmark.

## **Meetings**

The Trustees should meet to review their portfolio at least four times a year and at least twice a year with representatives from Enterprise Bank and Trust in attendance. During the meetings the Trustees should review the Investment Policy and, if necessary, make changes where appropriate. As part of the review the Trustees should discuss the investment objective, asset allocation, performance, diversification, and general compliance with the guidelines. In addition, the information presented to reflect “where we *were*”, “where we are now”, and “where we are going.”

## **Statutory Authority**

This policy complies with the requirements of RSA 31:27 – Collective investments for trust funds and RSA 35:9 – Investment of capital reserve funds for towns.

## **Ethics and Conflict of Interest**

The Trustees shall refrain from personal business activity that would conflict with the proper execution of the investment program. Any Trustee shall disclose to the Trustees of the Trust Funds any material financial interests of any matter that could be related to the performance of the trust portfolio.

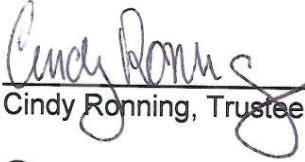
The Trustee membership shall subordinate their personal investment transactions to those of the trust funds, particularly with regard to the timing of purchases and sales they are aware of.

## **Internal Controls**

The Trustees shall establish a system of internal controls, which shall be documented in writing. The Trustees and the Town’s independent auditor shall review the internal controls. The controls shall be designed to prevent loss of public funds arising from fraud, employee error and misrepresentation by third parties of imprudent actions by employees and officers of the town.


**Adoption**

Adopted by the Trustees of the Trust Funds, Town of Pelham, NH, and Enterprise Bank & Trust:

  
Cindy Ronning, Trustee

  
Demetra Bergeron, Trustee

  
Edmund Gleason, Trustee

  
Lauren Mersereau  
VP, Senior Relationship Manager

  
Jeffrey McDonald  
SVP, Chief Investment Officer

Date: 7 September, 2016