

INVESTMENT POLICY STATEMENT AND GUIDELINES FOR THE TOWN OF PELHAM, NH

REVISED July 2010

Scope

This investment policy applies to all financial assets 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 RSA 31:19-38-a, 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.

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, Citizens Bank Wealth Management, to assist in managing the assets of the Common Trust Funds 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 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 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. Concentrations 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 U.S. 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 position 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 one 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

The investment policy for capital reserve funds are to invest for interest yield in New Hampshire Public Deposit Investment Pool, "Treasuries Direct" for T-Bills, Certificates of Deposit, and New Hampshire Banks. Cash equivalent reserves may also consist of money market mutual funds that comply with Rule 2a-7 under the 1940 Act. The Capital Reserve Funds are held in an account with the Citizens Bank Government Banking Unit and are separate from the Common Trust Funds being managed by Citizens Bank Wealth Management.

Performance Management

The performance results should be reviewed on a year-to-date, one, three, and five year basis. For comparison purposes, equity performance should be compared to the Standard and Poor's 500 Index and fixed income performance compared to Barclays Aggregate Bond Index.

Meetings

The trustees should meet to review their portfolio at least four times a year. During the meeting 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 guidelines. In addition the information presented to reflect "where we were," "where are we now," and "where are we 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 or imprudent actions by employees and officers of the town.

Adoption

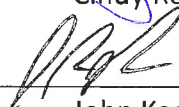
Adopted by the Trustees of the Trust Funds, Town of Pelham, NH



Mary Gleason, Chair



Cindy Ronning



John Kachmor

Date _____