

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

## **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**

The overall portfolio should be managed in accordance with the Prudent Man or Prudent Person rule. The definition of prudence is based on RSA 31:25-b as follows:

"a prudent investment is one which a prudent man would purchase for his own investment having primarily in view the preservation of the principal and the amount and regularity of the income to be derived therefrom."

The investment guidelines that follow provide direction as to our risk tolerance and general preferences. This Investment Policy will be reviewed at least annually as required by New Hampshire laws.

## **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

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

Cash and cash equivalents:	10%
Fixed Income:	70%
Equities:	20%

### 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 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 fundamental 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. 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.

### 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 and New Hampshire Banks. Not more than \$100,000 is to be invested in any one bank or trust company doing business in New Hampshire. Investments in other than the above instruments will not be made without the knowledge and agreement of the responsible parties.

## **Performance Management**

The performance results should be reviewed on a year-to-date, one, three, and five year basis. For comparison purposes, the equity performance should be compared to the Standard and Poor (or S&P) and the Lehman Government/Corporate 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.