

# **Trustees of the Trust Funds Investment Policy**

## **Town of Allenstown, NH**

### **Purpose**

This investment policy applies to all financial assets of the Trust Funds. These funds are accounted for in the Town's annual financial report and include:

- Common Trust Funds
- Capital Reserve Funds
- Other such Trusts established or accepted by the Board of Selectmen, and placed under the responsibility of the Trustees of the Trust Funds (herein "Trustees")

The Policy applies to all transactions involving the financial assets and related activity of all the foregoing funds.

### **Investment Objectives**

The Trustees seek to attain a rate of return on their investments consistent with the constraints imposed by this policy, cash flow considerations, and state laws that restrict the placement of trust funds. The Trustees shall act responsibly as custodians of the public trust. They shall avoid any transaction that might impair public confidence in the Trustees' ability to administer the trust funds effectively. In the process of meeting the above, investment decisions shall be made for each category of trust based on the following objectives:

#### ***Common Trusts***

The investment objectives of the Trustees are threefold. 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 non-expendable in nature (only the interest may be spent), this will allow the Trust funds to support higher future costs. The second objective is to seek income so the designated purposes of the Trust can be carried out. The third objective is to preserve principal.

In the case of the Common Trust Funds the portfolio of the investments shall be operated on a collective basis (all common trusts sharing in common

investments) in order to maximize the investment potential and efficiency. If the fees on the investments would exceed the income generated from the funds, then the Common Trusts will be combined with the Capital Reserve Funds for investment.

### ***Capital Reserve Funds***

Due to the expendable nature and less predictability of the funds, the holding period is shorter, resulting in the investment objectives of the Trustees to maintain the principal and provide liquidity. Meeting these objectives may restrict the level of yield attainable.

Although risk is an inherent factor to any investment, there shall be performed such necessary reviews to ensure that principal is protected. Investment review will encompass, but not be limited to, the parameters set in this policy of the relevant variables and ratios for the various types of investments allowed. Investment purchases will be made with the intent of the investment being held long term (1 year or longer, but not to exceed 5 years).

### **Statutory Authority**

This policy complies with the requirements of RSA 31:25 (Custody; Investment) and RSA 31:27 (Collective Investments).

### **Investment Authority**

The Trustees of the Town of Allenstown are empowered with the authority and the responsibility to invest Town trust funds in a safe and prudent manner in order to provide an adequate return on the funds. The Trustees have the right to delegate the management of investing the Town trust funds day to day to a bank or brokerage firm. RSA 31:38-a

### **Prudence**

The standard for investment to be used by the Trustees, unless another standard is permitted and adopted, shall be the “prudent man rule” as that term is defined under RSA 31:25-b. The Trustees adopted the “prudent investor” standard, at their

meeting of July 19<sup>th</sup>, 2017. Notification was made to the attorney general in writing, and a brokerage firm was engaged as required by RSA 31:25-d. The prudent investor standard shall be applied in the context of managing an overall portfolio and avoiding speculative investments. The Trustees as a whole, acting in accordance with written procedures and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

### **Ethics and Conflict of Interest**

The Board shall refrain from personal business activity that could conflict with proper execution of the investment program. Any Trustee shall disclose to the Trustees any material financial interests of any matter that could be related to the performance of the trust portfolio. The Trustees shall subordinate their personal investment transactions to those of the trust funds; particularly with regards to the timing of purchase and sales of securities, they are aware of.

### **Internal Controls**

The Trustees shall establish a system of internal controls which shall be documented in writing. The Trustees shall review the internal controls and they will be subject to review as part of the Town's annual independent audit. 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.

### **Reporting**

The Trustees shall at a minimum meet quarterly and more frequently, if necessary, to review the investment report that summarizes the portfolio cost and market value and performance of investments. The Trustees shall review the investment policy on an annual basis on or before June 30. The Trustees shall prepare and submit the necessary investment report annually to the NH Attorney General's Office, Charitable Trust Division. After review of the Investment Policy, the Trustees may either conform or otherwise adopt the Investment Policy on an annual basis.

### **Eligible Investment for Capital Reserve Funds (RSA 35:9)**

The moneys in capital reserve funds shall be kept in a separate account and not intermingled with other funds of the town. 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 the state;
- Stocks and bonds as are legal for investment by banks and associations chartered by this state to engage in a banking business;
- Participation units in the public deposit investment pool established pursuant to RSA 383:22; and
- Obligations with principal and interest fully guaranteed by the United States government.

#### **Eligible Investment for Trust Funds (RSA 31:25)**

The Trust funds shall be invested only in:

- Deposits in any federally or state-charted bank or association authorized to engage in a banking business in this state;
- Deposits in any credit union in this state;
- State, county, town, city school district, water and sewer district bonds and the notes of towns or cities in this state;
- Stocks and bonds as are legal investment by any bank or association chartered by the state to engage in a banking business;
- Participation units in the public investment pool established pursuant to RSA 383:22; and
- Obligations with principal and interest fully guaranteed by the United States government.

Please note that any person receiving Trust Funds for deposit or investment in securities shall prior to accepting 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. The collateral shall be segregated for the exclusive benefit of the Town. Only securities defined by the bank commissioner, as provided by rules adopted pursuant to RSA 386:57 shall be eligible to be pledged as collateral.

#### **Foreign Issuers:**

Securities issued in foreign markets are not permitted investments.

### **Holding Period**

There shall be no set policy for the holding period for specific securities. The Trustees shall determine, based on the quarterly review or more frequent periods if deemed necessary, whether any holdings have appreciated to highs that overprice the security, providing an advantageous opportunity for the sale of the security. Alternatively, the Trustees may sell a security that has fallen in price and believe it will not recover to higher levels over the long term, if ever, and may continue to drop. The Trustees may take such action with respect to the sale, acquisition, and holding of securities, for which they have good cause.

### **Constraints**

No security shall constitute more than 10% of the fund or \$10,000, whichever is greater, excepting deposits in any federally or state-chartered banks or associations authorized to engage in banking business in this state; credit unions in this state; obligations of the United States, the State of New Hampshire and its subdivisions; participation units in the public deposit investment pool established pursuant to RSA 383:22; or in shares of open ended mutual funds selected by the Trustees for investment under RSA 31:25 and provided further that the participating contributory interests of said trusts are properly evidenced by appropriate bookkeeping entries showing on an annual basis the capital contribution of and the profits and income allocable to each trust.

### **Risks**

The Board recognizes that investment risks can result from issuer defaults, market price change or various technical complications leading to temporary loss of liquidity. Portfolio diversification is to be employed as means to control risk. The Trustees are expected to use prudence in the selection of securities as a way to minimize default risk. No individual investment transaction shall be undertaken that jeopardizes the total capital position of the specific issuer. The Trustees shall review and, if appropriate, proceed to liquidate any securities having comparable credit risks. Investments shall be investment grade, with not more than 10% of the portfolio invested in "BBB" securities.

### **Ineligible Trading Techniques**

In addition to the limitations described elsewhere in this policy the Trustees shall

refrain from engaging in the following techniques:

- No investments will be purchased on margin and no Trust securities shall be used as security to acquire additional investments.
- No trading shall occur involving selling short.
- No option trading shall occur, including puts and calls.

### Safekeeping and Custody

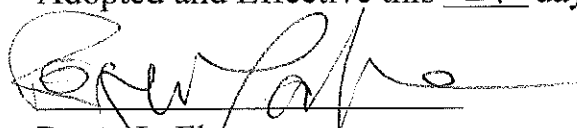
To protect against potential fraud and embezzlement and to provide central accounting and efficiency, all investment assets of the Trust shall be held in a brokerage account for safekeeping, or other financial institutions that meet or exceed industry guidelines for insurance protection standards. The Trustees shall review the security procedures of the brokerage firm to assure safety of Trust assets. The Trustees are authorized to take advantage of computerized purchase and sale methods in order to realize any discounts offered.

### Capital Gains, Dividends and Interest

Both short and long-term capital gains or losses shall be accounted for as increase or decreases, respectively, of the principal of the trusts and shall be distributed to the individual trust at least quarterly, prorated based on the beginning principal position of the trusts.

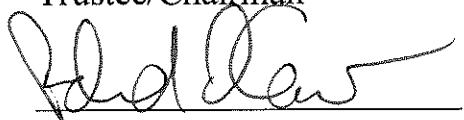
All dividends and interest shall be considered an increase to the accumulated income of the trusts and shall be distributed to the individual trusts at least quarterly, prorated based on the beginning principal and accumulated interest of the trusts.

Adopted and Effective this 27 day of AUGUST 2018




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Roger LaFlamme  
Trustee/Chairman



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Richard Caruso  
Trustee



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Michael O'Meara  
Trustee/Bookkeeper



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Debbie Bender  
Finance Director