



Trustees of Trust Funds  
Town of Durham  
8 Newmarket Road  
Durham, NH 03824

INVESTMENT POLICY

PURPOSE:

This policy governs the administration and investment of funds in the custody of the Trustees of Trust Funds of the Town of Durham, NH.

The Trustees will manage the funds in their custody in accordance with the Prudent Investor Rule as referenced in RSA 31:25-d and in RSA 564-B:9-901 through -906, and summarized as:

“In general, the Trustees shall invest and manage trust assets as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the trust. In satisfying this standard, the trustee shall exercise reasonable care, skill, and caution. A trustee’s investment and management decisions respecting individual assets must be evaluated not in isolation but in the context of the trust portfolio as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the trust.”

The Trustees will employ an investment advisor to assist in the management of the funds in their custody as required by RSA 31:25-d and explicated in RSA 31:38-a. Fees for the investment advisor’s services will be charged against the reserves and trusts involved as provided in RSA 31:38-aIV and authorized by Durham Town Council Resolution #2014-14.

The funds in Trustee custody are categorized by source, per NH statutes, as follows (this is not the basis for the assignment of funds to bank sub-accounts, rather, a guide for understanding how reserves and trusts are classified under the law.):

1. Appropriated funds - RSA 31:19 and 31:19-a, and RSA 35:1 through 35:10 inclusive;
  - a. Capital reserves;
  - b. Other reserves;
  - c. Public money trusts;
  - d. Private money trusts with public purposes
2. Cemetery trusts – RSA 31:20 through 31:22a inclusive, and RSA 31-19-a:
  - a. Perpetual care trusts
    - 1) Municipal cemetery.
    - 2) Private trusts with private purposes.
  - b. Other trusts;
3. Agency trusts – RSA 35:1 through RSA 35:10 inclusive, and RSA 31:31, RSA 35-2 and RSA 198:20c:
  - a. Appropriated funds;
  - b. Public money trusts and private money trusts with public purpose;
  - c. Private purpose trusts (e.g. scholarships).

4. Private trusts – RSA 31:19 through 31:19-c inclusive.

The legislative body having authority over the reserves or trusts held in agency by the Durham Trustees has the authority to expend from these trusts, and is responsible for ensuring these expenditures are in accordance with the terms of the reserves and trusts. Reserve and trust resolutions or warrant articles may also appoint an agent to expend from the reserve or trust in accordance with the purpose of the trust.

**INVESTMENT OBJECTIVE:**

All funds in the custody of the Trustees of Trust Funds will be invested so as to ensure that the purchasing power of the principal is maintained, while seeking to provide a level of income sufficient to support the programs intended to be financed under the terms of the respective reserves and trusts. Within the context and limits of the foregoing statement, the Trustees will endeavor to manage the content of the investment portfolio so as to maintain an above average rating in Morningstar’s Sustainability Rating system. The Trustees will work closely with the Investment Advisor to achieve this objective.

**INVESTMENT AUTHORITY**

NH towns are required by RSA 31:22 to elect Trustees of Trust Funds to administer all town reserves and trusts. The Durham Town Charter recognizes this requirement in Section 5:15. The role and duties of the Trustees are explicated in the statutory references quoted in this policy. Additionally, RSA 31:25 addresses investment custody and RSA 31:27 addresses collective investment of reserve funds.

**RESPONSIBILITIES**

1. Trustees of Trust Funds: Establish the Trustee’s investment policy; supervise and evaluate the investment advisor; approve investments and allocations recommended by the investment advisor; prepare state and town reports; review and approve requests for withdrawals from trusts and reserves, and promulgate an Internal Controls policy.
2. Chair of Trustees: schedule and chair meetings; draft and post agendas; act as day-to-day contact for residents, Town and school officials, and the investment advisor.
3. Secretary of Trustees: prepare minutes of meetings, other correspondence.
4. Bookkeeper: With the assistance of the Town Business Office, maintain accounting records of investments, deposits, withdrawals, remittances, transmittals, balances and supporting documentation.
5. Investment advisor: Recommend portfolio allocations and contents; track investments in portfolio for sale or replacement; provide quarterly investment forecasts for Trustee perspective; provide monthly statements; provide online internet access to investment account information; provide quarterly evaluations of portfolio performance based on the following blended benchmarks:

<b>Total Portfolio Blended Benchmark "Blended Index"</b>			
Asset Category	%	Index	
Total Equity Benchmark	40%	See Below	*** 50% Cemetery

Total Fixed Income Benchmark	55%	See Below	*** 45% Cemetery
Cash	5%	3 Month T-bill	
<i>Total</i>	<i>100%</i>		

<b><u>Total Equity Benchmark</u></b>		
Stock Category	%	Index
U.S. Large-cap	80%	S&P 500 Large-cap Index
International Developed Market	13.5%	MSCI EAFE Index
International Emerging Market	6.5%	MSCI EM Index (net)
<i>Total</i>	<i>100%</i>	

<b><u>Total Fixed Income Benchmark</u></b>		
Bond Category	%	Index
Intermediate-Term Bond	100%	Bloomberg/Barclays US Intermediate Govt./Credit
<i>Total</i>	<i>100%</i>	

## APPROVED INVESTMENTS

1. For appropriated fund trusts and reserves:
  - a. Capital reserves and other reserves – as specified in RSA 35:9:
    - 1) In deposits in any federally or state-chartered bank or association authorized to engage in a banking business in NH;
    - 2) In bonds or notes of the state of NH
    - 3) In such stocks and bonds as are legal for investment by banks and associations chartered by the state of NH to engage in a banking business;
    - 4) In participation units in the NH Public Deposit Investment Pool (NHPDIP) established pursuant to RSA 383:22, or;
    - 5) In obligations with principal and interest fully guaranteed by the United States government.
  - b. Trusts – as specified by RSA 31:25, and RSA 35:1-c:
    - 1) In deposits in any federally or state-chartered bank or association authorized to engage in a banking business in NH;

- 2) In deposits in any credit union in NH;
  - 3) In state, county, town, city, school district, water and sewer district bonds and the notes of towns or cities of NH;
  - 4) In such equity and debt instruments as are legal for investment by banks, trust companies and associations chartered by the state of NH to engage in a banking business;
  - 5) In participation units in the NH Public Deposit Investment Pool (NHPDIP) established pursuant to RSA 383:22; or
  - 6) In obligations with principal and interest fully guaranteed by the United States government.
2. For cemetery trusts, including trusts funded from sale of burial plots:
    - a. Perpetual care trusts - as specified for trusts (paragraph 1.b. above) except that only the income, not the principal, may be expended. The Trustees of Trust Funds are agents to expend the income from these trusts.
    - b. Other trusts – as specified for trusts (paragraph 1.b. above). The Trustees of Trust Funds are agents to expend from these trusts.
  3. For agency funds – at present, primarily reserves and trusts of the Oyster River Cooperative School District, but could include reserves and trusts of other non-Durham municipal units:
    - a. Capital reserves and other reserves – as specified for capital reserves (Paragraph 1.a. above)
    - b. Trusts - as specified for trusts (paragraph 1.b. above)
    - c. Private purpose trusts (primarily scholarships) - as specified for expendable trusts (paragraph 1.b. above). Some of these trusts restrict expenditures to income only.
  4. For private trusts (primarily cemetery care endowments) - as specified for trusts (paragraph 1.b. above) except that in these trusts only the income, not the principal, may be expended.
  5. For all trusts - The “Alternative” asset class may include debt instruments or equities which offer unique opportunities for growth. The category may also include preferred stocks, corporate senior debt, high quality re-purchase agreements, commodity/materials funds and covered calls. The class is restricted as in Paragraph 1.b., above.

## RISK CONTROLS

1. Credit Risk:
  - a. No investments will be made in private placements, private equities, hedge funds, fixed income swaps or futures, derivatives, equity futures or options (except covered calls which are permitted), or illiquid securities. Margin trading and short sales are not permitted.
  - b. All fixed income security purchases shall either be individual issues with a minimum rating of investment grade (Baa – Moody’s, BBB – Standard & Poor’s), generally maturing within 10 years; or fixed income mutual funds or ETFs, with at least 80% in investment grade rated bonds as listed in the prospectus. Except for Federal and state securities, the portfolio of fixed income securities will contain no more than 10% of securities from any one issuer.
  - c. Equity investments will be in mutual funds, ETFs or companies with a proven record of earnings and dividend growth, strong fundamentals, and attractive valuations. Individual equity holdings will primarily be concentrated in stocks from

the S&P 500. The average dividend yield of the equity portfolio should target the dividend yield of the S&P 500. Foreign equities should not exceed 30% of the equity portfolio without Trustee approval. The equity portfolio will be broadly diversified with no more than 10% of equities from any single company.

2. Custodial Credit Risk:
  - a. The investment advisor will be a federally or NH chartered bank or trust company wealth management department in order that the funds held in the reserves and trusts are in account with an institution supervised by the US Comptroller of the Treasury or the NH Banking Commission. If the Investment Advisor undergoes an annual external audit, the Trustees should be included on the list of recipients of a copy of the audit, including any exception letters.
  - b. The investment advisor will provide evidence of insurance coverage for loss of funds.
3. Concentration of Credit Risk: See paragraphs 1.b. and 1.c. above.
4. Interest Rate Risk:
  - a. The Trustees will seek to manage interest rate risk actively by considering bond portfolio duration during quarterly meetings with the investment advisor. Decisions regarding duration will be made and recorded in the minutes of the quarterly meeting.
  - b. The Investment Advisor will also provide an assessment of the fair value sensitivity of the investment portfolio during quarterly meetings.
5. Foreign Currency Risk: In general, all reserve/trust investments will be in dollar denominated issues. The Trustees can authorize an exception to this policy only to take advantage of exceptional opportunity.
6. Fair Value Measurement: Investment is restricted to securities traded in active markets, and fair value calculations will be calculated on quoted prices in those markets.
7. Asset allocation will be governed by these guidelines:

**Asset Allocation (Not Cemetery Trust)**

<u>Asset Type</u>	<u>Percent Minimum</u>	<u>Strategic Targets</u>	<u>Percent Maximum</u>
Cash, near cash	2%	5%	25%
Debt Instruments	35%	55%	75%
Equities	20%	40%	60%
Alternatives	0%	0%	15%

**Asset Allocation (Cemetery Trust)**

<u>Asset Type</u>	<u>Percent Minimum</u>	<u>Strategic Targets</u>	<u>Percent Maximum</u>
Cash, near cash	2%	5%	25%
Debt Instruments	25%	45%	65%
Equities	30%	50%	70%
Alternatives	0%	0%	15%

8. Cash and near cash is limited to demand deposits in banks, short term certificates of deposit, money market funds, and high-grade repurchase agreements.

**REPORTING**

1. State of NH financial reports (MS 9/10): The investment advisor will provide an annual wrap-up statement to the Trustees' bookkeeper as the basis for these reports. The

investment advisor will provide other reporting assistance as requested. The Trustees, working with the Town Business Office, will prepare this report.

2. Investment policy report: The Trustees will forward their most current investment policy to the NH DOJ annually.
3. Town reports; The Trustees meet annually with the Council to provide an update on activities and accomplishments for the year. Additionally, the Trustees will provide a written summary of activity for inclusion in the Town Annual Report.

Approved: 14 November 2016

Updated and re-approved: 25 May 2018

Updated and re-approved: 27 September 2019

Updated and re-approved: 25 March 2022

/s/Michael H. Everngam  
Michael H. Everngam  
Chair

/s/Craig R. Seymour  
Craig R. Seymour  
Member

/s/William Cote  
William Cote  
Member