

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:

“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 trust funds involved as provided in RSA 31:38-aIV and authorized by Durham Town Council Resolution #2014-14.

The funds under Trustee custody are categorized by source, as shown in NH statutes, as follows:

1. Appropriated funds - RSA 31:19 and 31:19-a, and RSA 35:1 through 35:10 inclusive.
2. Capital reserves
3. Capital reserves with agents to expend
4. Expendable trusts
5. Expendable trusts with agents to expend
6. Cemetery trusts – RSA 31:20 through 31:22a inclusive.
7. Perpetual care trusts
8. Municipal cemetery
9. Private trusts
10. Expendable trusts
11. Expendable trusts with agents to expend
12. Agency trusts – RSA 35:1 through RSA 35:10 inclusive, RSA 31:31, RSA 35-2 and RSA 198:20c
13. Capital reserves
14. Capital reserves with agents to expend
15. Expendable trusts
16. Expendable trusts with agents to expend
17. Private purpose trusts
18. Private trusts – RSA 31:19 through 31:19-c inclusive
19. Expendable trusts with agents to expend
20. Income-only trusts with agents to expend

INVESTMENT OBJECTIVE:

All funds in the custody of the Trustees of Trust Funds will be invested to insure that the purchasing power of the principal is maintained, while providing a level of income sufficient to support the programs intended to be financed under the terms of the respective reserves and trusts.

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 shown 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; approve state and Town reports; review and approve requests for withdrawals from trusts and reserves.
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. Investment advisor: recommend portfolio allocations and contents; track investments in portfolio for sale or replacement; provide periodic investment forecasts for Trustee perspective; provide monthly statements; provide on-line internet access to investment account information; and evaluate portfolio performance based on suitable benchmarks.

APPROVED INVESTMENTS

1. For appropriated fund trusts:
2. Capital reserves, with or without agents – as specified in RSA 35:9:
3. Deposits in any federally or state-chartered bank or association authorized to engage in a banking business in NH;
4. In bonds or notes of the state of NH
5. 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;
6. In participation units in the NH Public Deposit Investment Pool (NHPDIP) established pursuant to RSA 383:22, or;
7. In obligations with principal and interest fully guaranteed by the United States government.
8. Expendable trusts, with or without agents – as specified by RSA 31:25, and RSA 35:1-c:
9. In deposits in any federally or state-chartered bank or association authorized to engage in a banking business in NH;
10. In deposits in any credit union in NH;
11. In state, county, town, city, school district, water and sewer district bonds and the notes of towns or cities of NH;
12. 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;
13. In participation units in the NH Public Deposit Investment Pool (NHPDIP) established pursuant to RSA 383:22; or
14. In obligations with principal and interest fully guaranteed by the United States government.
15. Cemetery trusts:
16. Perpetual care trusts - as specified for expendable 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.
17. Expendable trusts – as specified for expendable trusts (paragraph 1.b. above). The Trustees of Trust Funds are agents to expend from these trusts.
18. Agency trusts – primarily trusts of the Oyster River Cooperative School District:
19. Capital reserves with and without agents to expend – as specified for capital reserves (Paragraph 1.a. above)
20. Expendable trusts with or without agents to expend - as specified for expendable trusts (paragraph 1.b. above)
21. Income-only trusts - as specified for expendable trusts (paragraph 1.b. above) except that only the income, not the principal, may be expended.
22. Private purpose trusts (primarily scholarships) - as specified for expendable trusts (paragraph 1.b. above). Some of these trusts restrict expenditures to income only.
23. Private trusts (primarily cemetery care endowments) - as specified for expendable trusts (paragraph 1.b. above) except that for most of these trusts only the income, not the principal, may be expended.

CONSTRAINTS

No investments will be made in private placements, private equities, hedge funds, fixed income swaps or futures, derivatives, equity futures or options, or illiquid securities, Margin trading and short sales are not authorized.

Portfolio risk will be minimized by diversification.

Asset allocation will be governed by these guidelines:

Asset type Percent minimum Percent maximum

Cash, near cash 0% 20%

Bonds, notes 20% 100%

Equities 0% 20%

Cash and near cash means demand deposits in banks, short term certificates of deposit, money market funds, and high-grade repurchase agreements,

Fixed income securities will be rated “investment grade” by S&P or Moody, and will generally mature within 10 years. Except for Federal and state securities, the portfolio of fixed income securities will contain no more that 10% of securities from any one issuer.

Equity investments will be in companies with a proven record of earnings and dividend growth, strong fundamentals, and attractive valuations. The equity portfolio will be broadly diversified with no more than 5% of equities from any single company.

REPORTING

1. State of NH financial report (MS 9/10): The investment advisor will provide an annual wrap-up statement to the Trustees’ bookkeeper as the basis for this report(s). The investment advisor will provide other reporting assistance as requested. The Trustees, working with the Trustees’ bookkeeper, 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 provide a written summary of activity inclusion in the Town Annual Report.

Approved: 12 June 2015

/s/Michael H. Everngam /s/Craig R. Seymour /s/William Cote

Michael H. Everngam Craig R. Seymour William Cote

Chair Member Member