

***Town of Bedford, New Hampshire  
Trust Funds and Capital Reserves Investment Policy***

## **General**

The purpose of this policy is to outline general guidelines for the accomplishment of Town objectives while maintaining compliance with State and federal laws for the investment of funds dedicated to the Town of Bedford Capital Reserve and Permanent Trust Funds. This policy is also designed to outline internal controls over the safeguarding of fund assets. The investment policy retains management control of the Fund's investment portfolio in the Trustees, subject to the guidelines of this policy. The overall portfolio should be managed in accordance with the Prudent Investor Rule. The definition is based on RSA31:25-b, as follows:

- “A prudent investment is one in 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.”

## ***Trustee Responsibility***

- Establish the investment policy for the funds in accordance with RSA 31:25. Meet at least quarterly per year to review investment performance and other issues that may arise.
- Trustees shall provide the Investment Advisor with a Capital Improvement Plan (CIP) budget plan annually by January of each year, to provide that sufficient cash flow will be available from the Capital Reserve Fund.
- Retain a qualified Investment Advisor to assist in the development and implementation of the investment policy.

## ***Investment Advisor Responsibility***

- Assist the Trustees of the Trust Funds in establishing the investment policy and guidelines contained in this policy.
- Report to the Trustees on a quarterly basis or on the request of the trustees to review investment performance.
- Verify compliance with the investment policy at all times.
- Report in a timely manner substantive developments that may affect the management of Fund assets.
- Prepare the MS/9 and MS/10 annual reports as required by State law.
- Autonomously invest the funds under custodianship, such investments in compliance at all times with the investment policy herein stated.

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**Trust Funds Investment Objectives**

Notwithstanding any New Hampshire Statute or Rule of Law, the Town Trustees may maintain and operate one or more common trust funds in which may be combined money and property belonging to the various trusts in their care, for the purpose of facilitating investments, providing diversification and obtaining reasonable income.

The fund shall be invested to:

1. Preserve the value and safety of the principal
2. Maintain liquidity appropriate for short term cash needs
3. Optimize the rate of return on investments consistent with the goals of safety and liquidity

When making individual investments, the primary consideration will be risk rating, liquidity, income and maturity. It is recognized that income is a product of yield to maturity; therefore, fixed income securities may be purchased either at a discount to minimize initial cash outlay and take advantage of capital appreciation, or at a premium to optimize cash flow when conditions warrant.

The investment manager shall not make investments in non-USD denominated assets and shall not utilize wrap fund products in the management of the assets.

**Capital Reserves Investments**

**Capital Reserves** are funds set aside for a specific purpose such as to finance the purchase of a fire truck or a building project. Usually the funds will be spent within one to five years. The goal is to provide safety of principal first and only secondarily a market rate of return.

Asset allocation is the single most important factor in determining performance of the portfolio. The current asset allocation guideline:

Cash and cash equivalents	5 – 10%
Fixed Income	90 – 95%

The fixed income portion of the portfolio shall be managed, as follows:

- Maturity range for the portfolio is to be between zero and five years. Average maturity will be dictated by the CIP budget provided by the trustees.
- All fixed income securities at time of purchase shall be issues having an A or better long term debt rating from Standard & Poor's or Moody's rating agencies.
- Concentration in any one issue, except for US Treasury or US Government Agency obligations, shall not exceed 10% of portfolio assets.

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***Permanent Trust Funds Investments***

**Permanent Trust Funds** are established to provide income in perpetuity to cover annual expenses maintaining cemetery plots and library expenses among other things. Funds are also established to provide scholarships or for specified purposes where income and/or principal is to be disbursed according to instructions given by the donors at the time the funds were established.

The current asset allocation guideline follows:

Cash and cash equivalents	0 – 10%
Fixed Income (including mutual funds and ETFs)	30 – 50%
Equities (including mutual funds and ETFs)	50– 70%

The fixed income portion of the portfolio shall be managed as follows:

- Average maturity shall not exceed 7 years with a maximum maturity of 15 years.
- All fixed income securities at time of purchase shall be issues having an A or better long term debt rating from Standard & Poor's or Moody's rating agencies.
- Concentration in any one issue, except for US Treasury or US Government Agency obligations, shall not exceed 10% exclusive of mutual funds or exchange traded funds.
- Fixed income mutual funds and exchange traded funds may be used to achieve appropriate diversification across market sectors and maturities as liquidity constraints exist, given the current size of the trust fund portfolio.

Equity investments shall be managed as follows:

- Shall be in companies that have a proven record of earnings, growth, strong fundamentals and good valuations.
- Mutual funds and exchange traded funds may be used to gain exposure to specific asset classes and to achieve appropriate diversification across equity classes.
- Excluding mutual funds and Exchange Traded Funds, no single security shall exceed 5% of the equity portion of the portfolio.

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**Performance Measurement**

***Capital Reserves Performance Measurement***

Performance results should be reviewed on a quarterly, year-to-date, one, three and five year basis. For comparison purposes, the Barclays 1-5 Year Government/Corporate Index benchmark shall be used.

***Permanent Trust Funds Performance Measurement***

Performance results should be reviewed on a quarterly, year-to-date, one, three and five year basis. For comparison purposes:

- Equity performance shall be compared to a blended benchmark to foster a comparison relative to a broad selection of global market capitalization, composed as follows:
  - ✓ 75% S & P 500
  - ✓ 15% MSCI EAFE
  - ✓ 10% S&P Midcap 400.
  
- Fixed Income performance shall be benchmarked against the Barclays Intermediate Government/Corporate Index.

**Meetings**

Trustees shall meet at least quarterly per year to review investment performance as well as the performance of the Investment Advisors to ensure that policy is being followed. Trustees will also discuss investment objectives, diversification, and general compliance with policy guidelines and make changes where appropriate.

Accepted:

	Kenneth S. Peterson	Lawrence Cheetham	Mac McMahan
By:	_____	_____	_____
	Name: Printed	Name: Printed	Name: Printed
	<i>///signed///</i>	<i>///signed///</i>	<i>///signed///</i>
	_____	_____	_____
	Signature	Signature	Signature
	Chair	Treasurer	Member
	_____	_____	_____
	Title	Title	Title

Date: \_\_\_\_\_