

TOWN of SWANZEY, NEW HAMPSHIRE
TRUSTEES of TRUST FUNDS
INVESTMENT POLICY
23 January 2020

I. GENERAL

The Trustees of Trust Funds have fiduciary responsibility for several accounts: Swanzey Capital Reserves and Expendable Trust Funds; Swanzey Cemetery Trust Funds; Monadnock Regional School District Capital Reserves and Expendable Trust Funds; and Town and District Non-Restricted Trusts, including MRSD Scholarships.

The overarching objective is to protect principal from loss, including loss of purchasing power, while generating income sufficient to support the programs intended to be financed under terms of the trust documents.

As fiduciaries, Trustees have a duty of Loyalty to the public interest, a duty of Care to exercise diligence and conscientiousness in the management of trust funds, and a duty of Obedience to NH statutes, to donors' intent, and to sound administrative procedures.

Current policy is that all funds are invested under the "Prudent Person" Rule, as defined in RSA 31:25-b. This traditional investment standard makes preservation of principal the highest priority among Trustee objectives.

II. OBJECTIVE

Trustees manage investable funds with highest emphasis on safety, while attentive to the liquidity needs of the account holders (town government and school administration). Ordinarily, this entails investment in a mix of fixed income securities (for yield) and equities (for offsetting the effects of inflation).

III. INVESTMENT AUTHORITY and RESPONSIBILITY

There are three Trustees of Trust Funds, one elected annually for a three-year term. Trustees meet at least quarterly, but review investments and policies regularly. Investments may be made only in approved instruments and securities, as defined in RSAs 31 through 35 inclusively. All accounts are audited annually and reported in the Town Report.

IV. SWANZEY ACCOUNTS

A. Swanzey Capital Reserves and Expendable Trust - These accounts, funded by town appropriation, are public monies, and are invested primarily in pooled cash and cash equivalents, notably FDIC-insured bank money market accounts. The NH Public Deposit Investment Pool remains the default vehicle for publicly-appropriated trusts.

B. Monadnock Regional School District Capital Reserves and Expendable Trust - These funds, comprised of appropriated public money, are invested under the same

principles and policies as Section IV(A), above.

C. Swanzy Cemetery Trusts - This trust consists of testamentary and perpetual care accounts. As private money, investments are allocated among commonly held equity, debt and cash / cash equivalent positions. A legacy position from a sole testator-donor in shares of Chubb Corp. common stock continues to be held. All principal is inviolate; income is dedicated to cemetery purposes, and/or to reinvestment.

D. Town of Swanzy and Monadnock Regional School District Restricted Trusts - These accounts originate by private gift, bequest, memorials, donations, etc., and include numerous commonly held securities positions. Trustees manage these assets pursuant to the directives of the founding instrument (will, memorial fund, scholarship, etc.), with adherence to the Prudent Person standard. All principal is inviolate; income is dedicated to stated purposes, and/or to reinvestment.

E. Town of Swanzy and Monadnock Regional School District Non-Restricted Trusts and Scholarships - These accounts originate by private gift, bequest, memorials, donations, etc., and include commonly held securities and cash positions. Trustees manage these assets pursuant to the directives of the founding instrument (will, memorial fund, scholarship, etc.), with adherence to the Prudent Person standard.

V. ASSET ALLOCATION

Commonly held assets in Restricted and Non-Restricted Trust Funds shall on an individual common fund basis track the following allocation guidelines:

Fixed Income - no more than 55% of account

Equities - no more than 65% of account

Cash and cash equivalents - no more than 40% of account

Investments in Registered Investment Companies holding mixed allocations shall be included pro rata on the bases of their asset allocations. The Trustees recognize that periodically, based on market conditions or pending transactions, transitional allocation percentages may vary from guideline ratios. Weighting of ratios should be evaluated at least semi-annually, one such review being part of the annual Investment Policy review.

VI. CONSTRAINTS and LIMITATIONS

Individual investments in Fixed Income securities shall be managed such that their maturity shall not exceed twelve years, and their duration shall not exceed eight years. Where possible, investment maturities should be laddered prudently between zero and ten years.

Investments in Fixed Income Registered Investment Companies should be evaluated based upon their aggregate portfolio duration, which shall not exceed eight years for corporate and all other issuers' debt; however, debt secured by the full faith and credit of either the United States or the State of New Hampshire may have durations of up to

twelve years.

Each individual fixed income security shall have a quality rating of single-A category or higher as reported by Standard & Poor's, Moody's, or Fitch services.

Investments in Registered Investment Companies shall have a significant weighting of debt instruments in the aforementioned categories. Only a de minimis presence in non investment grade securities shall be permitted.

Concentrations in any one issuer shall not exceed 10%, except in obligations secured by the full faith and credit of either the United States or the State of New Hampshire.

The Equity portion of the portfolio shall be diversified broadly across asset classes and sectors. To avoid over-concentration, exposure to any single sector shall not exceed 20% of the portfolio, and exposure to any single issuer shall not exceed 10% of the portfolio. Investments shall be made in companies with a proven record of earnings, strong fundamentals and dividend histories, as well as a favorable valuation. At least 75% of the equity component shall be invested in large-cap companies (capitalization of greater than \$15 billion). Any security declining substantially from its purchase price should be re-evaluated for possible liquidation.

The Cash portion of the assets should be managed such that all practical safeguards (FDIC coverage, e.g.) will apply. Liquidity matters, as does yield, but risk should be minimized.

VII. PERFORMANCE MEASUREMENT

The equity portion of the investment accounts is intended to offset the effects of inflation on the cash and fixed income components. Equity performance should be measured on a year-to-date, one-, three-, and five-year basis against the S&P 500 index.

Combining the equity return with the other two components should give an overall target return greater than the rate of inflation, as measured by the Consumer Price Index.

- Adopted by Swanzey Trustees of Trust Funds, January 26, 2011
- Revised by Swanzey Trustees of Trust Funds, February 21, 2013
- Reaffirmed by Swanzey Trustees of Trust Funds, February 11, 2016
- Reaffirmed by Swanzey Trustees of Trust Funds, March 1, 2017
- Reaffirmed by Swanzey Trustees of Trust Funds, January 25, 2018
- Reaffirmed by Swanzey Trustees of Trust Funds, January 17, 2019
- Reaffirmed by Swanzey Trustees of Trust Funds, January 23, 2020



Steven Bittel, Trustee

Edward Morenz, Trustee



Richard Scaramelli, Trustee 1/24/2020