



Town of Merrimack, NH
Trustees of Trust Funds
Investment Policy
Adopted by Trustees of Trust
Funds on August 30, 2016

This investment policy applies to all public funds held by the Town Treasurer in accordance with RSA 41:29 and to capital reserve funds held by the Trustees of Trust Funds in accordance with RSA 35:9. Additional guidance is provided for the Trustee's investment of permanent funds and other duties and obligations under RSA 31, Powers and Duties of Towns.

Deposits and investments shall be made only in obligations of the United States, in the New Hampshire Public Deposit Investment Pool, and in New Hampshire banks that are FDIC-insured. The following restrictions shall apply to deposits and investments in banks.

No more than \$2,000,000 shall be deposited or invested, without perfected collateral, in any one bank.

Unsecured deposits and investments of more than \$100,000 in banks that do not meet at least six of the following creditworthiness ratios are prohibited.

Unsecured deposits and investments of more than \$1,000,000 may be made only in banks that meet at least seven of the following creditworthiness ratios.

Cash and Securities
Deposits
Capital Deposits
Capital Loans

25% minimum
5% minimum
7% minimum

| | |
|---|--------------|
| <u>Capital Assets</u> | 5% minimum |
| <u>Loans Deposits</u> | 80% maximum |
| <u>Net Charge-Offs</u> | |
| Loans | .75% maximum |
| <u>Net Income</u> | |
| <u>Assets</u> | .70% minimum |
| <u>Net Income</u> | |
| <u>Capital</u> | 13% minimum |
| <u>Capital + Allowance for Loan Losses</u> | |
| Average Assets + Allowance For Loan Losses | 6% minimum* |
| <ul style="list-style-type: none"> • Subject to change per FDIC Part 235 minimum equity standards. | |

In addition, several capital reserve funds managed by the trustees are invested with Cambridge Trust of New Hampshire to best take advantage of secondary markets not available to the trustees. They include but are not limited to T-Bills, T-Notes, other U.S. Government obligations, and Certificates of Deposit. In accordance with RSA 35:9-a II as amended in 2014, the Town authorized (November 6, 2014) the Trustees to charge Capital Reserve Fund management fees against the funds. The School District and Merrimack Village District passed similar warrants at their annual meetings.

I. Reserve Funds

- A. Capital and other reserve funds appropriated pursuant to the provisions of Chapters 34 and 35 RSA shall be invested to maintain principal and provide liquidity, due to the expendable nature and short term time horizon of the funds. The Trustees are aware that meeting these objectives may restrict the level of yield attainable.
- B. Capital reserve funds shall be kept in a separate account or sub-account and shall be invested only in:
1. Deposits in any federally or state chartered bank or association authorized to engage in a banking business in the United States;
 2. Participation units in the public deposit investment pool established pursuant to RSA 383:22; and
 3. Obligations with principal and interest fully guaranteed by the United States government or a federal agency of the

United States government.

II. Private Funds

A. Non-expendable (endowment type) funds raised from private sources pursuant to RSA 31:19, 31:20 and 31:21, such as privately donated gifts, legacies, and devises made to the town and accepted by it, for the establishment, maintenance, and care of libraries, reading rooms, schools, and other educational facilities, parks, cemeteries, and burial lots, the planting and care of shade and ornamental trees upon their highways, and other public places, and for any other public purpose not foreign to or incompatible with the objectives of the Town of Merrimack shall be invested under the following guidelines:

1. Investment Strategy. All such non-expendable funds shall be invested on a total return basis; that is, the aggregate return from capital appreciation and dividend and interest income. Such funds may be invested in a common trust fund. The specific investment objective is to meet or exceed the long-term rate of inflation (as measured by the CPI) by 3.0%. The goal of the Fund's combined Equity and Other component is to meet or exceed the S&P 500 Index total return over a full market cycle. The Trustees may look at full market cycle as "trough to trough" or "peak to peak." The goal of the Fund's Fixed Income component is to meet or exceed the return of the Barclays Intermediate Government/Credit Bond Fund Index over a full market cycle.
2. Asset Allocation Guidelines. The portfolio will be invested in accordance with the Maximum and Minimum Ranges for each asset category as described below. The total portfolio is expected to be diversified with respect to asset classes:

| Asset Class | Minimum | Maximum |
|------------------|---------|---------|
| Equities | 35.0% | 90.0% |
| Other* | 0.0% | 10.0% |
| Fixed Income | 15.0% | 50.0% |
| Cash Equivalents | 0.0% | 20.0% |

*Other assets may include real estate investment trusts (REIT) and commodities within the guidelines provided by this Policy.

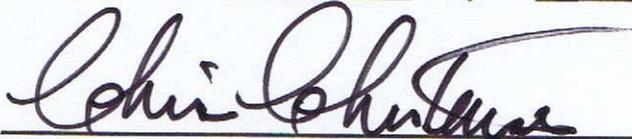
3. Risk. The portfolio shall display an overall level of risk which is consistent with the risk associated with their generally accepted benchmarks.
 4. Time Horizon. The fund has a perpetual time horizon. Every effort will be made to forecast future cash needs for the next 12-18 months and communicate this in a timely manner to the Investment Advisor.
 5. Constraints. The Trustees shall comply with the provisions of RSA 31:25. Exchange Traded Funds may be used as the investment vehicle in order to provide prudent diversification of investments for a relatively small pool of assets.
- B. Expendable funds. Based on the purpose and time horizon of the fund, expendable funds may be invested:
1. In deposits in any federally or state chartered bank or association authorized to engage in a banking business in the United States;
 2. In participation units in the public deposit investment pool established pursuant to RSA 383:22;
 3. In obligations with principal and interest fully guaranteed by the United States government or a federal agency of the United States government;
 4. According to the guidelines established for non-expendable funds.

III. Professional Investment Assistance

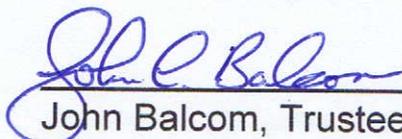
- A. The Trustees may retain a professional Investment Advisor pursuant to the provisions of RSA 31:38 to assist the trustees in the prudent management and investment of trust fund assets and to provide ancillary recordkeeping services.

- B. The investment manager shall supply the Trustees with performance reports on a quarterly basis. The investment performance of the total portfolio will be measured against commonly accepted performance benchmarks.
 - C. The investment advisor shall be reviewed at least annually concerning performance, personnel, investment strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact its ability to achieve the desired investment results.
- IV. Investment Policy Review. The trustees will review this investment policy statement on an annual basis to assure the continued relevance of these guidelines and objectives.

Adopted this 30 day of August, 2016.



Chris Christensen, Trustee



John Balcom, Trustee



William Wilkes, Trustee