

# **Town of Warren**

## **Trust Fund Investment Policy & Guidelines**

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### **Policy**

It is the policy of the Town of Warren (hereinafter the "Town") to invest its endowment funds (hereinafter the "Fund") as defined by MRSA 30-A §5653 in accord with all federal and state governing statutes. Nothing in this policy shall be read to contravene with State law 30-A M.R.S.A. § 5706 through §5719, as amended.

### **Purpose**

The purpose of this policy is to set forth and detail the authority, discretion and responsibilities for the effective investment management, distribution and preservation of fund assets. These guidelines are designed to:

- Establish a clear determination of the fund's objectives
- Provide guidance and direction to the fund's Investment Manager
- Determine the frame work to monitor and evaluate the fund's investment performance
- Describe the distribution and spending parameters from the fund

### **Authority**

The authority for the Warren Board of Selectmen (hereinafter the "Board") to invest gifts of money or property in trust is governed by Maine Revised Statutes 30-A §5706.

### **Delegation of Authority**

Pursuant to MRSA 30-A §5706(4), the Board may enter into an agreement with any financial institution with trust powers (hereinafter the "Investment Manager") authorized to do business in the State for the safekeeping of trust funds as defined by MRSA 30-A §5653. Further terms assigning delegation of authority may be memorialized by an addendum to this Policy as a *Memorandum of Understanding*.

### **Scope**

This investment policy applies to all of the Town's endowment financial assets held by the Town.

### **Prudence**

The Town, or its designee, shall adhere to and be accountable for the provisions set forth by the Maine Uniform Prudent Investor Act as recorded in MRSA 18-B §901 et al, and Maine Standards of Prudence as recorded in MRSA 30-A, §5718.

### **Objective**

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The primary objectives, in priority of order, for investment activities is to first satisfy all statutory obligations under MRSA 30-A 5718 and then other objectives as permissible by state law. The objectives are as follows:

1. **Safety:** The safety of principal and preservation of capital in the overall portfolio; and
2. **Maintenance of liquidity:** Maintenance of sufficient liquidity to meet all operating and other cash requirements with which a fund is charged that are reasonably anticipated; and
3. **Income/Yield:** The income to be derived throughout budgetary and economic cycles, taking into account prudent investment risk constraints and the cash-flow characteristics of the portfolio; and
4. **Growth:** To pursue reasonable growth equal to or greater than the benchmarks contained within this Policy so as to preserve the principal of the Fund against the long-term effects of inflation.

**Investment Committee**

The Board shall appoint at least three, but no more than five, residents to the Investment Committee (hereinafter the "Committee") for three-year staggered terms. Said appointments shall include at least one sitting Board member, but not more than two, who shall also be a voting member(s).

The purpose of the Committee shall be to review quarterly reports, market conditions, budgetary needs, and accordingly make policy, benchmark, and or investment guideline recommendations to the Board. The Committee shall also annually receive, review, and recommend if necessary, any changes to the General Asset Allocation Guidelines submitted by the Investment Manager.

Agendas and minutes of the Committee shall be filed with the Clerk and copied to the Board.

**Investment Guidelines**

The Town's authority to invest funds, or to authorize the Investment Manager to invest funds, is limited to investments permitted by MRSA 30-A, §5706 through §5718. Pursuant to MRSA 30-A §5719, "Limitations on investments", a municipality's authority to invest municipal funds is limited to investments permitted under MRSA 30-A and a municipality has no authority under home rule authority or otherwise to make any investments other than those permitted by MRSA 30-A.

Additional guidelines may be established by the Investment Manager's proprietary General Asset Allocation Guidelines as attached as Exhibit A, as amended; however, all guidelines shall meet statutory requirements.

**Spending Guidelines**

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In consultation with the Investment Committee, and the Investment Manager, the Board will determine an annual spending target for the amount of endowment assets that can be used to cover operating expenses. This target shall be either a percentage of the average total portfolio market value as of the 31<sup>st</sup> of December over the past three years (or fewer in the case of the first three years), or net income. Notwithstanding the above spending guidelines, there exist individual trust funds with specific restrictions; for example, according to the John F. Richardson Trust, unspent income in any one particular year reverts to non-expendable principal as of December 31<sup>st</sup> of each year. Furthermore, not all cemetery trust fund income reverts to the Segregated Fund; for example, the Watts and Skinner Cemetery Trust Funds retain any earned interest income as expendable income. Generally speaking, if trust fund language is silent, then interest income may be spent regardless of what year the income was generated.

**Performance Benchmarks**

Portfolio performance benchmarks will consist of a blended index and then by category by individual benchmark as follows:

1. **Benchmark 1:** Overall fund performance will be indexed with a blended index consisting of the S&P 500, Barclays Capital U.S. Intermediate Government/Credit Bond index, and the CitiGroup 90 Day Treasury Bill Index.
2. **Benchmark 2:** Equity securities will be benchmarked using the S&P 500 Index over periods of the most recent 12, 36, 60 months.
3. **Benchmark 3:** Fixed Income securities will be benchmarked using Barclays Capital Government Credit Intermediate Index.
4. **Benchmark 4:** Cash shall be benchmarked against the Citigroup 90 Day Treasury Bill Index.
5. **Benchmark 5:** A percentage annually agreed upon by the Board that is equal to or greater than the corresponding growth percentage of any of the above mentioned indices.

**Investment Manager**

The Investment Manager shall make timely notifications to the Town regarding any major financial/market changes/disruptions; major adjustments or changes in security holdings; or any changes in the firm's fundamental investment strategy, firm's ownership, or personnel.

Furthermore, the Investment Manager shall meet quarterly with the Board and Committee to review the portfolio and its investment results in the context of this Policy and its benchmarks. Presentations for the meeting may include, but not be limited to:

1. The portfolio performance for the trailing 12-months measured against performance benchmarks

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2. A market review of the economic climate and risk levels associated with the actual portfolio
3. Discussion of current holdings
4. The portfolio benchmark performance projections for future 12-months
5. The expected level of projected income
6. Review and discussion of any necessary changes to policy objectives or investment guidelines so as to align fund performance with objectives and benchmarks

**Approval**

Approved this 26<sup>th</sup> day of June, 2013.

  
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Doug Pope, Chairman

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Arnold D. Hill, Vice Chair

  
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Daniel Davey, Selectman

  
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Edmund LaFlamme, Selectman

  
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Michael York, Selectman