

City of Rochester, NH

Investment Policy Statement

1. Purpose

It shall be the purpose of this policy to direct the investment activity of the Trust funds of the **City of Rochester** in accordance with all applicable RSA's.

2. Objective

The objectives of investment activities shall be as follows: first, safety and preservation of principal; second, liquidity; and third, maximizing the return for each fund and account. With respect to return or yield, the assets of the portfolio are to be invested for the benefit of the **City of Rochester** to maintain or increase the purchasing power of the funds principal and income over the long term, taking into account the primary objectives of safety and liquidity.

3. Investment Authority

- a. Authorized financial institutions and depositories: The types of institutions and depositories which may be used for investment, custody, or income are those contained in RSA 31:25. Where possible, in selecting financial institutions, preference should be given to those in the local area when the standards and objectives of this policy are not otherwise compromised.
- b. Professional guidance: Whenever required or deemed necessary by the trustees, professional guidance will be requested of experienced professionals in the investment field. The Trustees will hire or employ the trust department or departments of a bank or banks or a brokerage firm to assist in the management and investment of trust fund resources, pursuant to RSA 31:38-a and in compliance with the investment guidelines outlined in this policy.

4. Responsibilities

- a. In accordance with this policy, the Trustees shall periodically:
 - i. Review the acceptability of various asset categories
 - ii. Set guidelines for the percentage of various asset categories
 - iii. Monitor investment manager performance.
 - iv. Establish specific goals.
- b. The Trustees have hired a professional investment manager, **Charter Trust Company**, and will invest the portfolio(s) in accordance with the Prudent Investor Rule as so stated in RSA 31:25-d. The Trustees expect the assets to be managed over the long term. They neither expect nor encourage high turnover, nor emphasis on the short term.
- c. Those investments that the Trustees oversee should not be for speculation, but for investment, always considering the safety of capital as well as the probable income.
- d. The Investment Policy Statement should be reviewed and approved by the Trustees at least annually.

5. Approved Investments

- a. The Trustees shall select asset classifications, presently limited to domestic and international common stock, preferred stock, U.S. government and corporate bonds, mutual funds, exchange traded funds, and cash equivalents.

6. Constraints – Trust funds and Expendable Funds

- a. **Guidelines – Equities:**
 - i. **The percentage of the portfolio in common and convertible preferred stock shall not exceed 65% nor fall below 35% of the total market value of the portfolio. The current target is 50%.**
 - ii. Equities purchases are restricted to those listed in the S&P 1500 & Global 700 indices and/or those approved by the Investment Manager unless otherwise noted.
 - iii. For the purpose of diversification, no single equity should exceed 10% of the total market value of the equity portion of the portfolio, except in unusual circumstances. The total value

of a single company (equity or fixed income) should not exceed 10% of the market value of the entire portfolio.

- iv. The equity portfolio shall at all times be well diversified across industry groups as defined by Standard & Poor's. Although the Trustees prefer not to specify precise weightings, the intent is to comply with common law prudence.

b. Guidelines – Fixed Income and Cash Equivalents:

- i. **The percentage of the portfolio held in fixed income investments and cash equivalents shall not exceed 65% nor fall below 35% of the total market value of the portfolio. The current target is 50% of total assets: 45% fixed income, 5% cash equivalents.**
- ii. Convertible bonds and preferred stock shall not exceed 15% of the total market value of the portfolio.
- iii. Corporate bonds shall at the time of purchase be restricted to "investment grade" quality (BBB) by a nationally recognized rating agency.

7. Constraints – Capital Reserve Funds (History Funds)

- a. The objective of the Capital Reserve Funds is to maintain the security of the principal and provide liquidity. A market rate of return shall be sought from investments that meet this objective.
- b. Asset Allocation
 - i. The percentage held in cash and cash-equivalent investments shall not be less than **10%** of each fund. There is no maximum allocation to cash and cash-equivalents. **The current target allocation is 20%.**
 - ii. The percentage held in fixed income securities shall not exceed **90%** of the fund. There is no minimum allocation. **The current target is 80% of total assets.**
- c. Restrictions
 - i. Credit: all funds shall be invested in debt instruments issued by the US Government, Agencies, instrumentalities, territories, or guaranteed thereby. This includes General Obligation bonds issued by various States, and General Obligation and Revenue

bonds issued by instrumentalities and towns of the State of New Hampshire, so long as all bonds purchased are rated investment grade quality at the time of purchase.

- ii. Maturity: the maximum maturity of bonds purchased for the Capital Reserve Fund shall be ten (10) years.

8. Reporting

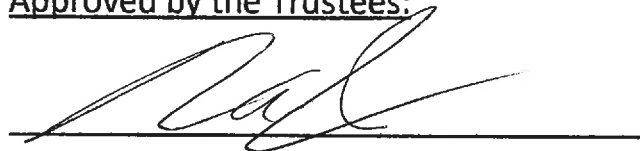
The investment manager shall provide quarterly reports listing all holdings and transactions. Additionally, the investment manager shall provide periodic reviews comparing portfolio performance to relative indices.

9. Conflicts of Interest

Trustees shall refrain from personal business activity that could conflict with the city's investment program or could impair their ability to make impartial investment decisions. City Trustees shall disclose any significant outside activity or interest that could be related to the city's investment performance.

Any deviation from these policy guidelines shall require the approval of the Rochester Trustees of Trust Funds.


Approved by the Trustees:



Trustee

2-9-2022

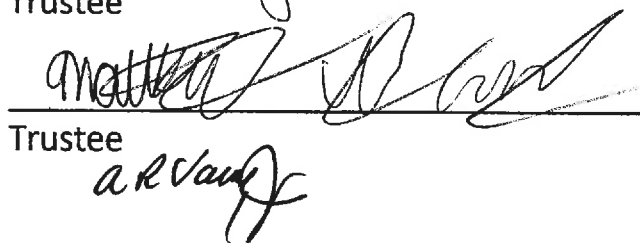
Date



Trustee

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