TOWN OF HANOVER
TRUSTEES OF TRUST FUNDS
Meeting Minutes
Tuesday, June 25, 2019 at 7:30 a.m.

In Attendance:  S. Boyle (Trustee), P. Gardent (Trustee), J. Pierson (Trustee); B. McClain (Town Administration)

Election of Chair
Trustee Pierson moved to reappoint Trustee Gardent as Chair; Trustee Boyle seconded the motion, and the motion passed, with Trustee Gardent abstaining.

Investment Policy Review and Adoption
In accordance with RSA 35:9, Trustees of Trust Funds must adopt an investment policy and review it annually. Trustee Gardent noted that the Investment Policy Statement (IPS) provides guidance to the professional investment manager on how the funds are expected to be managed; it also provides specific benchmarks against which to measure the performance of the funds. There were some minor suggested edits to the document.

Trustees noted that an annual review of the investment strategy of the PDIP was called for in the Investment Policy Statement and asked Ms. McClain to arrange for the Trustees’ PDIP account representative to attend an upcoming meeting of the Trustees of Trust Funds.

Trustee Boyle moved to adopt the Investment Policy Statement as revised; Trustee Gardent seconded the motion, and the motion passed unanimously. A copy of this adopted Investment Policy Statement is attached as part of these minutes.

Internal Controls Policy Review and Adoption
The Internal Controls Policy formalizes that the Trustees shall maintain policies and procedures reasonably designed to prevent mishandling of the funds entrusted in their control. The Trustees review this policy on an annual basis to assure its continued relevance. There were some minor suggested edits to the document.

Trustee Gardent moved to accept the Internal Controls Policy as revised; Trustee Pierson seconded this motion, and the motion passed unanimously. A copy of this adopted Internal Controls Policy is attached as part of these minutes.

Transaction Authorization
Trustees approved the following transactions:

- Deposit of $40,610 to the Land and Capital Improvements Fund
- Deposit of $34,265 to the Municipal Transportation Improvement Capital Reserve Fund
- Deposit of $91,029 to the Ambulance Equipment Capital Reserve Fund
- Deposit of $100,000 to the Bridge Replacement and Renovation Capital Reserve Fund
- Deposit of $114,500 to the Building Maintenance and Improvement Capital Reserve Fund
- Deposit of $22,000 to the Dispatch Equipment and Dispatch Center Enhancements Capital Reserve Fund
- Deposit of $175,000 to the Fire Department Vehicle and Equipment Capital Reserve Fund
- Deposit of $331,500 to the Highway Construction and Maintenance Equipment Capital Reserve Fund
- Deposit of $105,000 to the Parking Operations Vehicles and Parking Facility Improvements Capital Reserve Fund
- Deposit of $68,000 to the Police Vehicles and Equipment Capital Reserve Fund
• Deposit of $68,000 to the Road Construction and Improvements Capital Reserve Fund
• Deposit of $222,817 to the Sewer Equipment and Facilities Improvements Capital Reserve Fund
• Deposit of $135,529 to the Water Treatment and Distribution Equipment and System Capital Reserve Fund
• Withdrawal of $410 payable to the Town of Hanover from the Dresden School District Rueb Photography Prize to reimburse the Town for a check issued in advance to the 2018-2019 prize recipient

Other Business
Trustee Boyle moved to approve the minutes of the April 23, 2019 with minor revisions; Trustee Pierson seconded the motion, and the motion passed unanimously.

As a follow-up to the discussion from the last Trustees’ meeting, Trustee Gardent distributed a schedule he had prepared illustrating the year-by-year authorized commitments from the Bressett Fund. Trustees Boyle and Pierson were very appreciative of the revised format. Trustee Gardent will share the file with Ms. McClain so that this can become a routine schedule provided to the Trustees of Trust Funds. Trustee Gardent also noted that it would be helpful if Ms. McClain could craft a flowchart illustrating the various ins/outs of funds administered by the Trustees of Trust Funds.

Ms. McClain will contact the Trustees to schedule the next meeting in later August 2019 for review of the annual state reports, transaction review and approval, and an investment performance review.

Meeting adjourned at 8:45 a.m.
Town of Hanover  
Trustees of Trust Funds  
Investment Policy Statement  
Reviewed and Adopted by Trustees of Trust Funds June 25, 2019

Pursuant to NH RSA 34:5, NH RSA 35:9, and in accordance with the Prudent Investor Rule under NH RSA 564 B:9-901 - NH RSA 564 B:9-906, the Trustees of Trust Funds of the Town of Hanover (Trustees) adopt this investment policy statement for the prudent investment of the funds under their jurisdiction.

I. Public Funds

A. Trust Funds Created by Towns pursuant to RSA 31:19-a. Funds raised from public monies for the maintenance and operation of the town and other public purposes shall be invested in the New Hampshire Public Deposit Investment Pool (PDIP) established pursuant to RSA 383:22, or a similar investment instrument affording safe and liquid investments and sub-account recordkeeping. Each fund shall be kept in a separate account and not intermingled with other funds of the town.

B. Reserve Funds. Funds raised from public monies for capital and other reserve funds appropriated pursuant to the provisions of Chapters 34 and 35 RSA shall be invested in the PDIP, or a similar investment instrument affording safe and liquid investments and sub-account recordkeeping. Each fund shall be kept in a separate account and not intermingled with other funds of the town.

II. Private Funds

A. Nonexpendable (endowment type) funds raised from private sources pursuant to RSA 31:19, 31:20 and 31:21 (and without explicit spending formula or other income distribution guidance from donor), such as privately donated gifts, legacies, and devises made to the town or school district, 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 objects of the Town of Hanover or the Hanover School District 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 exceed the long-term rate of inflation (as measured by the CPI) by 3.0%. The goal of the Fund is to exceed an aggregate benchmark index comprised of 60% MSCI ACWI (All Country World Index) All Cap Index and 40% Barclay’s Intermediate Government/Credit Bond Fund Index over a full market cycle. The Trustees may look at full market cycle as “trough to trough” or “peak to peak.”

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 and asset class managers; the Investment Manager is allowed latitude in constructing the components of the total portfolio.

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Minimum</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equities</td>
<td>35.0%</td>
<td>70.0%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>15.0%</td>
<td>45.0%</td>
</tr>
<tr>
<td>Other</td>
<td>0.0%</td>
<td>10.0%</td>
</tr>
</tbody>
</table>

Other assets include cash, real estate and commodities within the guidelines provided by this Policy.

In addition, a portion of the fund reflecting anticipated future expenditures may be held in cash or cash equivalents.

3. Risk. The portfolio shall display an overall level of risk which is consistent with the risk associated with the above stated benchmarks. Trustees shall assess this level of risk when the Investment Manager attends meetings of the Trustees of Trust Funds to provide the required periodic performance updates.

4. Time Horizon. The fund has a perpetual time horizon. Every effort will be made to forecast future cash need for the next 12-18 months and communicate this timely with the Investment Manager.

5. General Guidelines. The Fund shall comply with the provisions of RSA 31:25 (Trust Funds). As such, 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. Expendable funds will be invested in the PDIP. Each fund shall be kept in a separate account and not intermingled with other funds.
C. Bridgman Fund. The Bridgman Fund was created under the will of Don S. Bridgman. Pursuant to the order of the Grafton County Probate Court entered June 3, 1997, the Hanover School District was confirmed as the beneficiary of the terminated trust. Distributions from the Bridgman Fund are at the discretion of the Hanover School Board, except that the assets will not be used “to relieve others from contributing their just share to the support and maintenance of the public schools, but to afford advantages in addition thereto.” Although technically an expendable fund, the Hanover School Board has formally adopted a policy of treating the corpus of the Bridgman Fund as an endowment, and has limited its annual distributions from the fund to no more than 5% of the value. The Hanover School Board has requested that the Trustees of Trust Funds manage the fund as an endowment with an investment policy similar to that which the Trustees apply to nonexpendable private funds. Due to the large size of this fund, the Trustees have chosen to keep the Bridgman Fund as a separate fund and not intermingle it with the other private nonexpendable funds. The Bridgman Fund shall be managed with the same investment policy as nonexpendable funds as set forth in II A.

D. Lou and Ann Bressett Memorial Endowment Fund. The Bressett Memorial Fund was created under the will of Ann Bressett and remitted to the Hanover Trustees of Trust Funds in September 2016. The purpose of this fund is to provide a yearly distribution of income to be used for projects, programs and activities which will enhance and enrich the lives and welfare of residents of the Hanover community. The trust instrument allows for an annual endowment distribution of approximately 5.0% of the value of the fund assets, subject to adjustment by the Selectboard. The use and distribution of the annual endowment shall be determined by the then serving Selectboard members. Due to the large size of this fund, the Trustees have chosen to keep the Bressett Fund as a separate fund and not intermingle it with other private nonexpendable funds. The Trustees will invest this fund for long-term total return with the objective to maintain the fund’s purchasing power over time while providing requested annual income disbursements. The Bressett Fund shall be managed with the same investment policy as nonexpendable funds as set forth in II A.

III. Professional Banking and Brokerage Assistance. 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 bookkeeping services. The investment advisory agreement shall be put out to bid at least every seven years. The investment manager shall supply the Trustees with performance reports on at least a semi-annual basis. The investment performance of the total portfolios, as well as asset class components, will be measured against commonly accepted performance benchmarks. The Investment advisor shall be reviewed at least annually regarding performance, personnel, strategy, research capabilities,
organizational and business matters, and other qualitative factors that may impact its ability to achieve the desired investment results.

On at least an annual basis, the Trustees shall review the performance and investment strategy of the PDIP, or similar custodian of the Public Funds mentioned in Section I. above.

IV. **Investment Policy Review.** The trustees will review this investment policy statement on an annual basis in June of each year to assure the continued relevance of these guidelines and objectives.
TOWN OF HANOVER, NEW HAMPSHIRE
TRUSTEES OF TRUST FUNDS

INTERNAL CONTROLS POLICY
Reviewed and Approved 6/25/2019

Requirements
The Hanover Trustees of Trust Funds (the “Trustees”) shall maintain internal control policies and procedures reasonably designed to prevent misappropriation or other mishandling of any trust, capital reserve or other non-capital reserve funds entrusted to their control.

The NH Revised Statutes Annotated (“RSA’s”) shall govern all actions of the Trustees; this policy is a guideline for local implementation of the applicable RSA’s.

Fiduciary Responsibility
Duty of Loyalty
The Trustees shall always act in the best interest of the trusts held in their custody. Unless the trust instrument specifies otherwise, the Trustees oversee and are responsible for the administration of these funds.

Duty of Care
The Trustees shall take the due diligence necessary to monitor the management and investment of the trust funds. They shall ensure that decisions made are in the trusts’ best interests. The Trustees shall insure that any statutory and fund-specific requirements are met prior to releasing funds.

Duty to Manage
The Trustees shall have the duty to manage and administer the trusts in accordance with directives of the donor, to establish investment policies, to exercise due diligence, and to act within the scope of authority as stated in the RSA’s.

Classification of Trust Funds
For ease of discussion, trust funds in the Town of Hanover are classified as follows:

Capital Reserve Funds
Funds established by Town Meeting through approval of warrant articles for the purpose of setting aside monies for the maintenance and operation of the Town and future projects, or any other allowable use as allowed by RSA 35:1.
Trust Funds
All other funds established for public purposes as allowed by RSA 31:19-a. These include, but are not limited to:

- Funds established by Town Meeting through approval of warrant articles setting aside monies for the maintenance and operation of the Town, or any other allowable use.
- Funds established by wills, letters or cash gifts and using private funds for any public purpose that is not foreign to the Town’s public purposes.

Organizational Assignments
In June of each year, the Trustees of Trust Funds shall meet for an organizational meeting to elect its Chairperson and to discuss goals for the upcoming year.

Bookkeeping and general administrative duties supporting the Trustees of Trust Funds have been delegated to Town staff. These responsibilities include but are not limited to: maintaining all trust and capital reserve fund records, reconciling accounts on a monthly basis, making deposits and preparing transactions and reports for the Trustees. Trustees shall be responsible for formally authorizing all disbursements from and deposits to any funds in its custody.

Trustee Records
Maintenance of the record of all funds administered by the Trustees of Trust Funds has been delegated to Town staff and shall be kept in accordance with State law. Such records are open to public inspection and shall, at a minimum, clearly state the fund’s origin and any specific provisions applicable to the fund so the Trustees are able to properly administer the fund.

All cash deposits or cash withdrawals from any funds in the Trustees’ custody will be fully documented as part of the retained records of the Trustees, with a transmittal signed by a majority of the Trustees.

Town staff will be responsible for preparing the annual MS-9 and MS-10 reports for the Trustees and will secure the Trustees’ approval and signatures in time to meet the annual September 1 filing deadline.

An annual audit of the financial records of the Trustees of Trust Funds is performed as a part of the Town’s annual financial audit. The auditors will proactively notify the Trustees of Trust Funds of any unresolved questions or issues identified by the Town’s auditors related to the funds in the custody of the Trustees of Trust Funds. And, further, to the extent any of these issues noted above are identified in the Town’s management letter accompanying its
annual financial statements, the auditors will timely and promptly provide a copy of such letter to the Trustees of Trust Funds.

**Investment Policy**

The Trustees shall formally adopt an Investment Policy for all trust funds and capital reserve funds in their custody. The Investment Policy shall be reviewed and confirmed at least annually, and copies of the Investment Policy shall be filed with the Charitable Trusts Unit of the Office of the Attorney General (“Charitable Trusts”).

**Responsibilities**

The Chairperson of the Trustees of the Trust Funds is responsible for monitoring and enforcing this Internal Controls Policy. Trustees and Town staff shall report any violation or suspected violation of this Internal Controls Policy to the Chairperson of the Trustees of the Trust Funds and the Town Manager.

The Trustees will review this Internal Controls Policy on an annual basis in June of each year to assure the continued relevance of these guidelines and objectives.

The Trustees will meet periodically or when necessary with the Board of Selectmen to discuss issues of mutual interest and to update the Selectmen on specific actions taken or concerns held by the Trustees.

**Amendment**

The policy may be amended at any time by a majority vote of the Board of Trustees.