



875 Elm Street
Manchester, NH 03101

December 11, 2009

Mr. Daniel Lynch
Finance Director
City of Dover
288 Central Avenue
Dover, NH 03820

RE: Sample Investment Policies

Dear Mr. Lynch:

It was a pleasure meeting with you and the City of Dover trustees yesterday. As discussed during the meeting, I have enclosed two sample investment policies that may help you and the trustees as you work on an update to the City of Dover investment policy. I hope you find them useful.

Please feel free to contact me if you have any questions. I can be reached at (603) 634-7759 or toll-free at (800) 451-7025.

Sincerely,



Brian A. Bickford, CFA, CFP®
V.P. & Sr. Portfolio Manager

Investment Policy Statement and Guidelines

As of March 16, 2009

General

The purpose of this policy is to outline general guidelines for the accomplishment of town objectives while ensuring compliance with state and federal laws for the investment of funds dedicated to the Trust Funds. This policy is also designed to outline internal controls over the safeguarding of fund assets. The investment policy retains management control of the Fund's investment portfolio in the Trustees, subject to the guidelines of this policy. The overall portfolio should be managed in accordance with the Prudent Investor Rule. The definition is based on RSA31:25-b

"A prudent investment is one in which a prudent man would purchase for his own investment having primarily in view the preservation of the principal and the amount and regularity of the income to be derived there from."

In carrying out these duties, the Trustees may retain an Investment Advisor to assist in managing the assets of the Fund. The Investment Advisor's role is to provide guidance to the Trustees on matters pertaining to the investment of Fund assets including investment policy, monitoring Fund performance and compliance of the Investment Policy.

Trustee Responsibility

- Retain a qualified Investment Advisor to assist in the development and implementation of the investment policy.
- Establish the investment policy for the funds.
- Meet a minimum of twice per year to review investment performance and other issues that may arise.

Investment Advisor Responsibility

- Assist the Trustees of the Trust Funds in establishing the investment policy and guidelines contained in this policy.
- Meet with the Trustees on a semi-annual basis to review investment performance and certify compliance with the investment policy.

- Report in a timely manner substantive developments that may affect the management of Fund assets.
- Prepare annually the MS/9 and MS/10 reports are required by state law.

Investment Objective

Notwithstanding any New Hampshire Statute or Rule of Law, the Town Trustees may maintain and operate one or more common trust funds in which may be combined money and property belonging to the various trusts in their care, for the purpose of facilitating investments, providing diversification and obtaining reasonable income. The fund will be invested to:

1. Preserve the value and safety of the principal
2. Maintain liquidity appropriate for short term cash needs and
3. Optimize the rate of return on investments consistent with the goals of safety and liquidity.

When making individual investments, the primary consideration will be risk rating, liquidity, income and maturity. It is recognized that income is a product of yield to maturity, therefore; fixed income securities may be purchased either at a discount to minimize initial cash outlay and take advantage of capital appreciation, or at a premium to optimize cash flow when conditions warrant.

Investments

Capital Reserves are funds set aside for a specific purpose such as to finance the purchase of a fire truck or for a building project. Usually the funds will be spent within one to five years. The goal is to provide safety of principal first and secondarily a market rate of return. Asset allocation is the single most important factor in determining performance of the portfolio. The current asset allocation guideline is as follows:

Cash and cash equivalents	5 – 20%
Fixed Income	50 – 80%
Equities	5– 15%

Trust Funds are established to provide income in perpetuity to cover annual expenses maintaining cemetery plots and library expenses among other things. Funds are also established to provide scholarships or for specified purposes where income and/or principal is to be disbursed according to instructions given by the donors at the time the funds were established. The current asset allocation guideline is as follows:

Cash and cash equivalents	5 – 20%
Fixed Income	50 – 75%
Equities	10– 20%

All investments must be domestic.

The fixed income portion of the portfolio should be managed as follows:

- Average maturity should not exceed 7 years with a maximum maturity of 15 years.
- All fixed income securities must be from issuers having a A or better long term debt rating from one or more of the primary rating agencies(Standard & Poor's, Moody's and Fitch).
- Concentration in any one issue, except for US Treasury or US Government Agency obligations, shall not exceed 10%.

Equity investments should be managed as follows:

- Should be in companies that have a proven record of earnings, growth, strong fundamentals and good valuations.
- Mutual funds and exchange traded funds may be used to gain exposure to specific asset classes.
- Excluding mutual funds and Exchange Traded Funds, no single security should exceed 5% of the equity portion of the portfolio.

Performance Measurement

Performance results should be reviewed on a year-to-date, one, three and five year basis. For comparison purposes, equity performance should be compared to the S & P 500. Fixed Income performance should be compared to the Barclays Capital Intermediate Government/Corporate Index.

Meetings

Trustees should meet at least two times per year to review investment performance as well as the performance of the Investment Advisors to assure that policy is being followed. Trustees will also discuss investment objectives, diversification, general compliance with policy guidelines and make changes where appropriate.

INVESTMENT POLICY STATEMENT

Trustees of Trust Funds

Adopted: November 19, 2008

DUTIES AND RESPONSIBILITIES

The Trustees of Trust Funds are responsible for managing the investment process of the City's trust funds and capital reserve funds in a prudent manner to preserve principal while providing reasonable returns. In carrying out these duties, the Trustees of Trust Funds may retain an investment advisor to assist in managing the assets of the fund. The investment advisor's role is to provide guidance to the board on matters pertaining to the investment of fund assets including investment policy, investment selection, monitoring fund performance and compliance with the Investment Policy. The Trustees of Trust Funds shall make all decisions pertaining to the Investment Policy and guidelines for the policy's implementation.

The Trustees of Trust Funds' standard for investing its trust funds is the Prudent Investor Rule in accordance with RSA 31:25-d, Application of Prudent Investor Rule.

Individual duties and responsibilities are detailed below:

Trustees of Trust Funds

- 1) Retain (or provide on its board) a qualified investment advisor to assist in the development and implementation of the Investment Policy (e.g. goals, objectives and guidelines).
- 2) Establish the Investment Policy of the fund. This includes, but is not limited to, allocation between equity and fixed income assets, selection of acceptable asset classes and investment performance expectations.
- 3) Meet as least twice a year to review investment performance including the performance of the investment advisor to assure this Policy is being followed and progress is being made toward achieving investment objectives.

Investment Advisor

- 1) Assist the Trustees of Trust Funds in establishing the Investment Policy and guidelines contained in this Investment Policy statement.
- 2) Determine an investment strategy and coordinate the asset allocation process through individual securities and/or mutual funds. This strategy shall be within

investments selected will be determined after consultation with the Finance Services Department of the _____ which will provide projections as to the city's spending requirements for the Capital Reserve Funds over the upcoming months and years.

Trust Funds

Trust Funds are established to provide income in perpetuity to cover the annual expenses maintaining cemetery plots and library operations. Funds are also established to provide scholarships or for specified purposes where income and/or principal is to be disbursed according to instructions given by the donors at the time the funds were established.

The investment horizon is long term. The goal is to provide for safety of principal, inflation protection and an adequate level of income. In order to meet these goals the investment strategy will require a diversified portfolio consisting of both equities and fixed income investments.

Not more than 45% nor less than 35% of the portfolio should be invested in equities of which not more than 80% nor less than 70% in a S & P 500 Index fund; 5% - 15% international equities and the balance in small-cap and mid-cap index funds. Not more than 60% nor less than 40% of the portfolio should be invested in diversified fixed income pools or funds representative of the broad U.S. government and corporate bond market. Concentration in any issuer shall not exceed 10% of the total Trust Fund Balance excepting obligations of the United States and mutual funds. The balance should be allocated to a suitable money market fund. The minimum cash balance should range between 0 and 10% of the total Trust Fund balance.

At least quarterly the portfolio's asset mix should be measured against the parameters and adjustments should be made to the portfolio in order to stay within Policy guidelines.