

City of Barre, Vermont

Cemetery Perpetual Funds Investment Policy

*Statement of Investment Guidelines and Objectives for
the Cemetery Perpetual and Endowment Funds*

Objective

To accumulate and preserve in perpetuity a pool of assets sufficient to meet the operating needs of the Barre City cemeteries.

Introduction

The City of Barre sets forth herewith its Statement of Investment Objectives and Guidelines for the moneys entrusted to it for supervision, guidance and investment management. The intent of this statement is to:

1. Establish a clear understanding on the part of the City of Barre of the guidelines and objectives employed in the investment management of the Cemetery and Endowment funds.
2. Provide guidance to the investment manager as to the parameters established for each of the funds. These parameters and objectives are intended to be sufficiently specific to be meaningful, yet sufficiently flexible to be practical.
3. To provide a basis of understanding between the City of Barre and the investment manager of the investment process and the evaluation of investment performance of the funds.
4. It is the assumption of the City that a professionally managed long-term portfolio of stocks and bonds will be able to yield a greater rate of return than is otherwise available from internal resources.

The City's trust funds consist of endowments and perpetual care funds. The purpose of each is described as follows:

Endowments

The endowments account for money provided by private donors to establish various trusts such as specialized cemetery or park maintenance. The principal amount of the gifts generally is to be maintained intact. Investment earnings are used to pay annual cemetery or park special care, as may be stipulated for other trust agreements.

Cemetery Perpetual Care

The perpetual care funds account for 20% of the money paid by cemetery lot purchases to finance the perpetual care and maintenance of cemetery lots. The principal amount of the gifts is to remain intact.

The City clerk/treasurer shall meet at least semi-annually with the investment manager to review growth in the Endowment Funds and the Perpetual Care Fund. The treasurer may liquidate up to 80% of the growth for general fund operating support of the City cemeteries. The balance of the growth shall remain in the Endowment or Perpetual Care Funds so as to continue to grow the funds until such time as the earnings from the funds cover 100% of the general fund costs of operating the Barre City cemeteries.

General Policy

The City's trust funds are considered long-term investments and will be managed under an agreement between the City and a professional investment manager. The agreement will notify the manager of the intended use of the money and give general guidance to the professional money manager regarding the overall investment goals, and the selection of individual stocks, bonds and money market instruments is in discussion with the professional money manager.

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The City's investment policy is to maintain a portfolio of high quality stocks, government and corporate bonds to meet the objectives of these funds as described above. Generally, principal growth is to be achieved through equity investment and current income needs are to be met through high quality fixed income investments. The City's goal is to achieve an equal balance between maintaining purchasing power through principal appreciation of the endowments and generating income to support its spending purposes. All management fees are charged to income as they are incurred. We require the manager to operate under the "prudent person" rule.

Investment Guidelines

The investment guidelines for the Cemetery Perpetual Care Funds are controlled by 18 V.S.A. §5309 Investment Funds:

The principal sum of such funds shall be invested in bonds of the United States or the state of Vermont, or in the bonds or in notes issued in anticipation of taxes and authorized by vote of any town, village, or city in the state, or loaned upon first mortgage on real estate in this state a sum not in excess of 60- percent of the value of such real estate, or upon collateral of any of the above securities of equal value with the loan, or in shares of a savings and loan association of this state or share accounts of a federal savings and loan association with its principal office in this state and to the extent to which the withdrawal or repurchase value of such shares or accounts may be insured by the Federal Savings and Loan Insurance Corporation, or stock in a federal bank, a safe deposit company, or a national bank or state bank or trust company organized and doing business in the United States. Up to 35 percent of the association's assets may be invested in common or preferred stocks of corporations organized and existing under the laws of any state of the United States of America, or may be invested in the manner required for the investment of trust funds, unless otherwise authorized by the donor. No assets of the association may be loaned to a member, officer, trustee, or director of any such cemetery agency.

The Endowment Funds shall be invested in a mix of allowable investments so as to maintain principal while maximizing growth and earnings. To the extent allowed by statute, the Barre City Investment Policy shall serve as guide for investment principals and the selection of investments.

Allowable Investments

- U.S. Treasury and Agency Securities
- Corporate Bonds
- Convertible Corporate Debentures
- Common Stocks
- Preferred Stocks
- Convertible preferred Stocks
- Money Market Mutual Funds
- Mutual Funds
- As otherwise approved or directed in writing by the City of Barre

Investment Quality

All assets selected will have a readily ascertainable market value, be readily marketable and be of investment grade. Corporate fixed income securities will be of investment quality at the time of purchase, having a Triple B or BAA2 or better equivalent rating by either S&P or Moody's Investor Services. Exposure in a higher yield bond fund below the investment ratings above shall be limited to no more than 5-7% of the portfolio. Any issue that experiences a rating decrease below this level will be evaluated by the investment manager and discussed with the Clerk/Treasurer.

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Portfolio Diversification

The City of Barre recognizes that to limit investment risk, the assets comprising the investment portfolios must be diversified to a reasonable extent. With the exception of U.S. Government Guaranteed investments and mutual funds, no single issue or issuer shall represent more than 5% of the fair market value of the portfolio. Any mutual funds utilized will maintain a total market value in excess of \$100 million. No single mutual fund will represent more than 10% of the total market value of the portfolio.

Prohibited Investments

Short selling, security lending, speculative derivative products, commodities, individual foreign stocks not traded on U.S. Exchanges, and the use of futures and option contracts are prohibited. Certain derivative products may be acquired in unusual circumstances without written approval of the Clerk/Treasurer.

Performance Standards

It is expected that the quantified investment objective for the City's total rate of return is to provide reasonable growth and earnings to meet budgetary targets for support of the operations of the City's cemetery department.

Portfolio Review

The investment manager will meet a minimum of semi-annually with the City Clerk/Treasurer and, if needed, the City Manager or members of the City Council to review relevant matters. It is the policy of the City to periodically examine the marketplace and consider proposals from qualified investment managers to manage the portfolio.

Adopted and approved by the Barre City Council on June 21, 2016.
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