

# WINCHESTER COMMISSIONERS OF TRUST FUNDS

## Investment Policy Statement

(Revised: April 14, 2021)

The **Winchester Commissioners of Trust Funds** are a body created pursuant to M.G.L. c. 41, §45. Pursuant to such authority, the Commissioners manage funds which have been given to the Town for library, educational, and other purposes, as well as the perpetual care funds of Wildwood Cemetery. The funds are divided into four separate portfolios: The *Main Account* (consisting of cemetery perpetual care funds co-mingled with all Town trust funds other than Library Trust funds), the *Library Endowment Account*, the *Library Trust Funds Account*, and the *Retiree Health Care Liability Trust Fund* (the “*Accounts*”). In the case of the funds held under M.G.L. c. 44, § 53(a) (trust funds from donors), the expenditures are limited to the income of the funds and amounts expendable under M.G.L. c.180A, if applicable. In the case of funds held under M.G.L. c. 44, § 54 (cemetery perpetual care funds), the Town Meeting has the authority to apply income and principal to cemetery permanent care expenditures. In the case of the *Retiree Health Care Liability Trust Fund*, expenditures are limited as provided in Chapter 139 of the Acts of 2002; the Town Select Board has designated the Town Treasurer is the sole Trustee of this *Account*.

The purpose of this policy is to establish a framework within which the Commissioners shall manage the *Accounts* in their care with a view to the preservation of the principal value of such funds, the generation of a reasonable current income, and the realization of reasonable capital appreciation. In light of the purposes of such *Accounts*, the Commissioners have determined that the *Accounts* should be invested in a combination of **equity** investments, **income-producing** investments, and **short-term** investments. The Commissioners have determined that the assets of the *Main Account*, the *Library Endowment Account*, and the *Retiree Health Care Liability Trust Fund* should generally be allocated 60% to 75% to **equity** investments and 25% to 40% to **income-producing** and **short-term** investments. The Commissioners have determined that in view of the Library’s need for current

income, the *Library Trust Funds Account* should generally be allocated 30% to 45% to **equity** investments and 55% to 70% to **income-producing** and **short-term** investments. The Commissioners' policy is to adjust periodically the holdings of the *Accounts* to the appropriate ranges when the allocations of the *Accounts* fall outside of the above-referenced ranges.

The **equity** portions will be invested primarily in a diverse portfolio of large capitalization companies based in the United States and other developed countries. The companies in which the assets are invested shall be in a variety of industries designed to provide broad exposure to the global economy without undue concentration in any one area. Generally, no individual holding should exceed three percent (3%) of the total fair market value of an *Account's* assets. In addition, no exposure in any industry should exceed 25% of the fair market value of an *Account's* assets. In selecting equity investments, the Commissioners shall consider the dividend income produced by those investments, as well as the potential for capital appreciation. However, holdings may include equity investments paying no current return that have the prospect of superior capital appreciation. The Commissioners may invest in **equity mutual funds** or *exchange-traded funds* (collectively termed "*funds*"). Any *funds* chosen for investment should have reasonable expense ratios as determined by the Commissioners. Such holdings of *funds* will not be subject to the three percent (3%) limit for individual holdings. These *funds* may include investments that – to some degree – account for individual companies' adherence to *economic, social, and corporate governance* ("ESG") factors.

The **income-producing** portions of the *Accounts* shall have an average maturity of not more than ten (10) years. The dual objectives of these portions of the *Accounts* are to provide current income and to lessen the overall risk of the *Accounts*. The percentage limitations stated in the preceding paragraph with respect to the size of individual investments shall not apply to direct obligations of the United States Treasury. The Commissioners may invest some of the **income-producing** portion in medium-to-high quality bonds issued by domestic and foreign corporations, as well as by states and municipalities. Such corporate and municipal debt obligations shall be rated no

less than "A1" or "A+" by at least one nationally recognized bond rating service at the time of purchase. The Commissioners may also invest not more than five percent (5%) of the fair market value of the assets at the time of purchase in high yield corporate bond *funds*, as well as in floating-rate bond funds. Like the *equity* portions, the Commissioners may invest the **income-producing** portions in one or more *funds* which have reasonable expense ratios; in addition, such holdings of *funds* are not subject to the three percent (3%) limit for individual holdings.

The **short-term** portions of the *Accounts* shall be invested in money market mutual funds, income-producing securities with maturities of less than one year, or an FDIC-insured account or certificate-of-deposit at a commercial bank or thrift institution.

The *Accounts* will be domiciled with a nationally recognized investment manager / brokerage firm. Only the Town Treasurer and Assistant Town Treasurer shall have the authority to execute trades in the *Accounts* through the firm at which the *Accounts* are domiciled.

The Commissioners believe that the foregoing **Investment Policy** complies with the standards stated by the *Massachusetts Prudent Investor Act*. This policy may be amended from time to time by the Commissioners in their discretion.