TRUSTEES OF PUBLIC FUNDS INVESTMENT POLICY
TOWN OF DERBY

PURPOSE. In accordance with 24 V.S.A. § 2431, funds held by a town in trust for any purpose, including cemetery trust funds, are under the charge and management of the Town's trustees of public funds. The trustees of public funds have the power to hold, purchase, sell, assign, transfer, and dispose of any of the securities and investments in which any of these funds are invested, as well as the proceeds of such investments. 24 V.S.A. § 2432(c).

The purpose of this Investment Policy is to establish the investment objectives, standards of investing prudence, eligible investments and transactions, reporting requirements, and safekeeping and custodial procedures necessary for the proper management and investment of those funds under the management and control of the trustees of public funds.

OBJECTIVES. The primary objectives in priority order of investment of the trust funds of the Town of Derby shall be safety, liquidity, yield, and local investment:

Safety. Safety of principal shall be the foremost objective of Town trust funds. Investments will be undertaken so as to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk (the risk of loss due to the failure of the security) and interest rate risk (the risk that the market value of securities in the portfolio will fall due to changes in market interest rates). Credit risk will be minimized by diversifying the investment portfolio so that the impact of potential losses from any one type of investment will be minimized. Interest rate risk will be minimized by investing operating funds primarily in shorter term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the investment portfolio.

Liquidity. The investment portfolio will remain sufficiently liquid to meet all reasonably anticipated operating requirements. This will be accomplished by structuring the portfolio so that investments mature concurrent with cash needs to meet anticipated demands.

Yield. The investment portfolio will be designed to attain a market rate of return throughout budget and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments will be limited to relatively low-risk securities in anticipation of earning a fair return relative to the risk being assumed. Yield is of secondary importance compared to safety and liquidity objectives.

Local Investment. Where possible, trust funds may be invested for the betterment of the local economy. Local investment is of tertiary importance compared to the safety, liquidity, and yield objectives described above.

STANDARD OF CARE. The standard of care to be used by the trustees of public funds shall be the prudent investor standard set forth at 9 V.S.A. § 4652.
CONFLICTS OF INTEREST. The trustees of public funds shall refrain from personal business activity that could conflict with the proper execution and management of the Town’s trust investments or that could impair their ability to make impartial decisions. They shall disclose any material interests in financial institutions with which the Town conducts business, and further disclose any personal financial or investment positions that could be related to the performance of the Town’s trust investments. The trustees shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the Town.

AUTHORIZED INVESTMENTS AND INSTITUTIONS. In accordance with 24 V.S.A. § 2432(b), the trustees of public funds are authorized to invest in:

1. Any security, including a revenue obligation, issued, insured, or guaranteed by the United States;
2. Such municipal bonds or other bonds that are rated at the time of the transaction by a nationally recognized statistical rating organization in one of its four highest categories;
3. Repurchase agreements or debt securities of any federally insured financial institution as defined in 8 V.S.A. § 11101(32);
4. The shares of an investment company or a unit investment trust that is registered under the federal investment company act of 1940, as amended, if such mutual investment fund has been in operation for at least ten years and has net assets of at least $500 million; or
5. Deposits in federally insured financial institutions as defined in subdivision 11101(32) of Title 8.

In accordance with 24 V.S.A. § 2432(a), the trustees may also loan trust money, with interest, provided that such loans are secured by a deed or mortgage of real estate in Vermont.

COLLATERALIZATION. Collateralization using obligations fully guaranteed by the full faith and credit of a Vermont municipality, the State of Vermont and/or the United States Government will be required on certificates of deposit and repurchase agreements. The current market value of the applicable collateral will at all times be no less than 102% of the sum of principal plus accrued interest of the certificates of deposit or the repurchase agreement secured by the collateral. Collateral will always be held by an independent party, in the Town’s name, with whom the Town has a current custodial agreement. Evidence of ownership must be supplied to, and retained by, the Town.

SAFEKEEPING AND CUSTODY. All trades of marketable securities will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds. Securities will be held by an independent third-party custodian selected by the treasurer as evidenced by safekeeping receipts in the Town’s name. The safekeeping institution shall annually provide a copy of its most recent report on internal controls (Statement of Auditing Standards No. 70, or SAS 70).

REPORTING. In addition to the annual reporting requirement set forth in 24 V.S.A. § 2434, the trustees will prepare a quarterly investment report that analyzes the status of the current investment portfolio and the individual transactions executed over the last quarter.
The foregoing Policy is hereby adopted by the trustees of public funds of the Town of Derby, Vermont, this 16th day of April 2012 and is effective as of this date until amended or repealed.

[Signatures]

Chairperson

[Signatures]

Treasurer

[Signatures]

DERBY, VT  TOWN CLERK’S OFFICE
RECEIVED FOR RECORD

APRIL 17  A.D. 2012

at 3 o’clock 00 minutes P. M.

and recorded in Book TOWN # 14 Page 193-195

of TOWN Records.

Attest: Nancy Tassel

ASSISTANT Town Clerk