

TOWN OF DEDHAM INVESTMENT POLICY

SECTION I: The Investment of General Funds, Special Revenue Funds, and Capital Projects funds.

A. Scope

This section of the policy applies only to short term operating funds such as general funds, special revenue funds, enterprise funds and capital project funds. Section Two will deal with trust funds, bond proceeds, and any other funds with special circumstances such as stabilization funds. The Town Retirement Board is responsible for the investment of the pension funds.

B. Objectives

Massachusetts General Laws, Chapter 44, section 55B requires the municipal Treasurer/Collector to invest all public funds except those required to be kept uninvested for the purpose of immediate distribution. Modern banking systems enable the municipal Treasurer/Collector to maintain these funds in interest bearing form until the date a disbursement order clears through the banking system. The state law further requires that invested funds be placed at the highest possible rate of interest reasonably available, taking into account safety, liquidity and yield. Therefore, these guidelines are intended to further the objective of securing the highest return that is consistent with safety of principal while meeting the daily cash requirements for the operation of Town's business.

Safety of principal is the foremost objective of the investment program. Investments will be undertaken in a manner that seeks to ensure the preservation of capital through the mitigation of credit risk and interest rate risk. These risks shall be lessened by diversification and prudent selection of investment instruments and choice of bank or brokerage house. Credit risk is the risk of loss due to the failure of the security issuer or backer. Interest rate risk is the risk that the market value of the security will fall due to changes in general interest rates.

Liquidity is the second most important objective. The overall investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. Since all possible cash demands cannot be anticipated, the Treasurer/Collector shall carry out investment activities in a manner that provides for meeting unusual cash demands without the liquidation of investments that could result in forfeiture of accrued interest earnings, and loss of principal in some cases.

Yield is the third, and last, objective. Investments shall be made so as to achieve the best rate of return, taking into account safety and liquidity constraints as well as all legal requirements.

C. Investment Instruments

Public investments in Massachusetts are not protected through provisions in State law. Therefore, they are largely uncollateralized. Many banking institutions are willing to put up collateral, albeit at a cost to the town of a lower interest rate. The Treasurer/Collector negotiates for the highest rates possible, consistent with safety principles.

The Treasurer/Collector may legally invest in the following instruments:

1. The Massachusetts Municipal Depository Trust: The Cash Portfolio offers participation in a diversified portfolio of high-quality money-market instruments that seek the highest possible level of current income consistent with preservation on capital and liquidity. Seeking to

TOWN OF DEDHAM INVESTMENT POLICY

preserve capital investment through prudent management and sound investment policies and restrictions, it aims to maintain sufficient liquidity to meet reasonably foreseeable participant redemption activity. The investment objectives of the Cash Portfolio are preservation of capital, liquidity and yield. The Cash Portfolio offers participants an investment option for operating capital and bond proceeds consistent with their investment time horizons.

Under Government Accounting Standards Board Regulation (GASB Statement Number 3), the MMDT's Cash Portfolio is not considered an uncollateralized product.

2. Massachusetts Municipal Depository Trust Short Term Bond Fund; This fund offers participation in a diversified portfolio of investment grade short-term fixed-income securities that seek to generate long-term performance exceeding the Bloomberg Barclays 1-5 Year Government/Credit Index. It presents a fixed-income alternative with a longer time horizon than the cash portfolio. It offers participants an investment option for operating capital and bond proceeds consistent with investment time horizons.
3. U.S. Treasuries of unlimited amounts that are intended to be held to maturity up to one year from the date of purchase.
4. U.S. Agency obligations of unlimited amounts that are intended to be held to maturity up to one year from the date of purchase.
5. Bank accounts or Certificates of Deposit (C. D.'s); Unlimited amounts fully collateralized through a third-party agreement. Collateral pledged should be 102% of the deposit, and should consist of US Treasury Bills, Notes, Bonds, Federal Home Loan Bank notes, bonds or senior obligations or General Obligation Bonds of the Commonwealth rated AA or higher.
6. Bank accounts and C.D.'s should be fully insured by F.D.I.C. and in some cases Depository Insurance Fund of Massachusetts (D.I.F.) or Share Insurance Fund (S.I.F.). All bank accounts and C.D.'s in one institution are considered in aggregate to receive the \$250,000 F.D.I.C. insurance coverage.
7. The Treasurer/Collector should consider choosing banks with FDIC and either DIF or SIF insurance to fully protect Town funds, or a firm offering collateralization. In addition, per M.G.L. Ch 44, section 55 the town shall not at any one time have on deposit in a bank or trust company or banking company an amount exceeding sixty percent of the capital and surplus of such bank or trust company or banking company. These investments will be limited to no more than 5% of an institution's assets and no more than 25% of the Town's cash.
8. Repurchase Agreements ("Repos") are not to exceed ninety days.
9. Certain mutual funds, under Chapter 44, Sec. 55 of MGL, as amended by Chapter 314 of the Acts of 1996.

D. Diversification

Diversification should be interpreted in two ways: in terms of maturity, as well as instrument type and issuer. The diversification concept should include prohibition against over concentration of maturities as well as concentration in a specific institution. With the exception of U.S. Treasuries or agencies and MMDT, no more than 25% of the Town's cash should be invested in a single financial institution unless that institution's investment is fully insured or collateralized.

TOWN OF DEDHAM INVESTMENT POLICY

E. Authorization

The Treasurer/Collector and Assistant Treasurer/Collector, in his or her absence, have authority to invest the Town's funds, subject to the statutes of the Commonwealth cited above.

F. Ethics

The Treasurer/Collector, Assistant Treasurer/Collector, Commissioners of Trust Funds and any other officers authorized to invest Town Funds, shall refrain from any personal activity that may conflict or appear to conflict with the proper execution of the investment program or which could impair their ability to make impartial investment decisions. Said individuals shall disclose to the Town Manager any material financial interest in financial institutions that do business with the Town. They shall also disclose any personal financial investment positions or loans that could be related to the performance of the Town's investments.

G. Relationship with Financial Institutions

Financial institutions should be selected first and foremost with regard to safety. The Town should subscribe to and use one or more of the recognized bank rating services, such as Veribanc or Sheshunoff. Brokers should be licensed, insured dealers.

The Treasurer/Collector shall require any brokerage houses and broker/dealers, wishing to do business with the municipality, to supply the following information annually:

- Audited financial statements
- Proof of National Association of Security Dealers certification.
- Proof of credit worthiness (minimum standards: at least five years in operation and a minimum capital of \$10,000,000.

H. Reporting Requirements

It is important to keep the public informed of the Town's investments. The Treasurer/Collector will provide the following:

- 1) Information to be included in the Town's Annual Report, including at a minimum, a listing of individual accounts held at the end of the reporting period. The Treasurer/Collector will also include a brief statement of general market and economic conditions and other factors that may affect the Town's cash position.

- 2) Information as required for the Comprehensive Annual Financial Report (CAFR).

I. Custodial Credit Risk

The custodial credit risk for deposits is the risk that in the event of a failure of a depository institution, the Town would not be able to recover deposits, or the securities used to collateralize the deposits from the institution, or third party. For investments, the risk occurs if the Town is unable to recover the value of an investment, or collateral in possession of a third party.

The Treasurer/Collector will review each financial institution conducting business with the Town on a quarterly basis, using a recognized bank rating service as described in Part G. In

TOWN OF DEDHAM INVESTMENT POLICY

addition, required monthly activity statements must be reconciled to the Town's records to ensure the timely resolution of any errors, discrepancies, etc. Securities held directly by the Town must be registered in the Town's name and tax identification number to prevent loss. Investment pools managed by the PRIM (Pension Reserves Investment Management) Board for the PRIT Fund, and at MMDT (MA Municipal Deposit Trust) document the Town's shares as units of the investment pools. Otherwise, securities purchased on the Town's behalf by a financial/investment firm must be in the Town of Dedham's name.

SECTION II: The Investment of Trust Funds and Management of Bonds Proceeds

A. Scope

This section of the policy applies only to funds that could be invested long term (i.e. bond proceeds, trust funds, and stabilization funds).

B. Bond Proceeds

The management of bond proceeds is governed by the same restrictions as general funds, with the additional caveat of federal arbitrage regulations. The investment goals are the same as those for general funds.

Arbitrage violations may lead to penalties and fines as well as the loss in tax-free status of the debt. In order to avoid having to pay a rebate to the Federal government on investment income earned on borrowed funds all funds should be used in accordance with the relevant spending schedule.

C. Trust Funds

The investment of trust funds for library purposes is subject to the direction of the Board of Library Trustees. Unless otherwise directed by the terms of the trust instrument, all other trust funds are under the jurisdiction of the Commissioners of Trust Funds. The investment goal is long-term preservation of capital.

Trust Funds may be co-mingled and invested according to the prudent investor rule set forth in Chapter 203C of the General Laws. Each trust fund must be accounted for separately as to its unexpendable principal (if any), its expendable balance and its income.

D. Stabilization Funds

This paragraph shall apply to all general and special purpose stabilization funds of the Town. The total of all Stabilization Funds shall not exceed ten per cent of the equalized valuation of the town, and any interest shall be added to and become a part of the fund. The Treasurer/Collector may invest the funds according to the prudent investor rule set forth in Chapter 203C of the General Laws.

Stabilization Funds can be expended only upon a two-thirds vote of Town Meeting. Therefore, the investment goals are mid-term preservation of capital with foreseeable liquidity horizons.

E. Other Post-Employment Benefits Liability Trust Fund

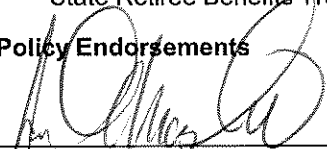
TOWN OF DEDHAM INVESTMENT POLICY

The OPEB Trust Fund was established by vote of Town Meeting on May 18, 2009, in accordance with section 20 of Chapter 32B of the General Laws. The Trust Fund shall be invested and reinvested by the Treasurer/Collector consistent with the prudent investor rule set forth in Chapter 203C of the General Laws.


The OPEB Trust Fund is intended to ensure the long-term availability of funding of benefits. Current benefit expenditures are not paid from the Fund. Therefore, the investment goals are long-term preservation and appreciation of capital.

As of December 30, 2015, the Town is investing 100% of its OPEB trust fund with Massachusetts State Retiree Benefits Trust Fund (SRBTF).

Policy Endorsements



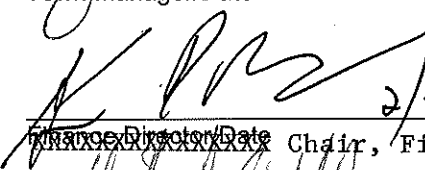
Chair, Board of Selectmen/Date 2/13/19




Town Manager/Date 2-13-19



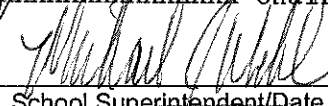
Chair, School Committee/Date 2/13/19




~~Finance Director/Date~~ 2/7/19
Chair, Finance Comm./Date



Treasurer/Collector/Date 2/13/19



School Superintendent/Date 2/12/2019



~~Chair, Finance Committee/Date~~
Finance Director

Rev 0: March 2012
Rev 1: