

TOWN OF PLYMOUTH



INVESTMENT POLICY

Established by the Select Board: June 7, 2011

Revision Approval Dates: April 23, 2019; February 11, 2025

Town of Plymouth: Investment Policy

Purpose

The purpose of this policy is to establish guidelines that oversee the management of the Town's investments being defined as cash, cash equivalents, short-term investments and long-term investments. These guidelines shall include:

- Identifying the Town's cash management strategies
- Identifying the Town's investment goals, including its investment strategies and objectives
- Identifying staff responsibilities
- Establishing and maintaining appropriate internal controls encompassing effective operational procedures

Scope

This policy shall apply to all funds maintained by the Town's Treasurer including the general fund, special revenue funds, debt service funds, capital project funds, trust and agency funds, the Town's enterprise funds, and other funds unless specifically exempt.

Investment Objectives

Short Term Operating Funds - General Funds:

Massachusetts General Law Chapter 44, Section 55B requires the Town Treasurer to invest all public funds except those required to be kept uninvested for purposes of immediate distribution.

Funds are to be placed at the highest possible rate of interest reasonably available, taking account of 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 the Town's business.

The primary objectives, in priority order, shall be:

- **Safety**- Safeguarding principal is the primary objective of the Town's investment policy. Investments shall be made in a manner that preserves the portfolio's capital/principal investment. In consideration of maximizing safety objectives; the Town shall minimize both credit and interest rate risks.
 - Credit Risk (Custodial Credit Risk and Concentration Credit Risk)
 - The Town will minimize Custodial Credit Risk with the use of reporting services such as Veribanc, Moody's Investor Services, Fitch Rating, and Standard and Poors. The target credit rating is a Veribanc "Green***". Ratings lower than "Green" will be placed on a watch list. Institutions or investments not Veribanc rated will have a target rating of "AAA". Those not rated at AAA" will be placed on a watch list.
 - Credit Risk for investment of funds, the investment manager will purchase investment grade securities with a high concentration in securities rated A or better at the time of purchase. There will be no limit to the amount of United States Treasury and United State Government Agency obligations.

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- Concentration of credit risk is the risk of loss attributed to the magnitude of a Governmental Unit's investment in a single issuer. The Investment Manager will diversify the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. Securities of a single corporate issuer (with the exception of the United States Government and its Agencies) will not exceed 5% of the portfolio value.
- **Interest Rate Risk**
 - The Town will minimize interest rate risk by diversifying in a "laddered" type of investment to spread out maturities of Certificates of Deposit, Treasuries and Government Agency Bonds.
- **Foreign Currency Risk**
 - The Town is not allowed to invest in investments which have this type of risk.
- **Liquidity**- The investment portfolio shall remain sufficiently liquid to meet all operating requirements. The Treasurer shall consider both static and dynamic liquidity when measuring liquidity. Additionally, a portion of the portfolio shall be maintained in money market and local government investment pools, e.g. the Massachusetts Municipal Depository Trust (MMDT).
 - **Static Liquidity**; structuring the portfolio in order to match investment maturities with anticipated uses.
 - **Dynamic Liquidity**; maintaining investments with active secondary and resale markets.
- **Yield**- The investment portfolio shall be designed with the objective of attaining a market rate of return taking into account the investment risk constraints and liquidity needs. The Town's investments shall be managed in accordance with Massachusetts General Laws.
- **Local Considerations**- Funds may be invested for the betterment of the local economy provided that such investments provide, and can demonstrate, a direct community benefit.

Short Term Investment Instruments - General Funds:

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, although at a cost to the town of a lower interest rate. The Treasurer negotiates for the highest rates possible, consistent with safety principles.

The Treasurer may invest in the following instruments:

1. Massachusetts State pooled fund: Unlimited amounts
2. U. S. Treasuries that will be held to maturity: Unlimited amounts with a maximum maturity as defined in MGL C. 44, § 55
3. U.S. Agency obligations that will be held to maturity: Unlimited amounts with a maximum maturity as defined in MGL C. 44, § 55
4. Bank accounts or Bank Certificates of Deposit: Unlimited amounts with a maximum maturity as defined in MGL C. 44, § 55

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5. Unsecured bank deposits of any kind such as other checking, savings, money market, or Certificates of Deposit accounts at banks that do not fit the above categories. These investments are subject to the following limitations: These investments will be limited to no more than (five) 5% of an institution's assets and no more than (ten) 10% of a municipality's cash. Their credit worthiness will be tracked by Veribanc or other bank credit worthiness reporting systems, and they will be diversified as much as possible. Exceeding these limits will place the excess amounts on a watch list

Trust and Stabilization Funds

Trust Funds may be co-mingled and invested in any instrument allowed by the Legal List issued by the Banking Commissioner. Each trust fund must be accounted for separately. Stabilization funds shall not exceed (ten) 10% of the equalized valuation of the Town, and any interest shall be added to and become a part of the fund. The Treasurer may invest the proceeds in the following:

- National banks
- Savings banks
- Cooperative banks or trust companies organized under Massachusetts laws
- Securities legal for savings banks as described on the Legal List
- Federal Savings and Loan Association situated in the Commonwealth
- Massachusetts Municipal Depository Trust

Upon acceptance of the provisions of M.G.L. c. 44, § 54 as amended per sec 26 of c. 28 of the Act of 2023, trust funds may be invested in accordance with the provisions of the Massachusetts Prudent Investor Act. M.G.L. c. 203c

Employee Responsibilities

Employees shall recognize the following **Standards of Care**:

- **Prudence**- The standard of prudence shall be the **Prudent Person** standard which shall be applied to all Town activities and investments. Any deviations, perceived or actual, must be reported to the Finance Director immediately.
- **Ethics and Conflicts of Interest**- Employees shall refrain from personal business activity that could conflict with or impair the proper execution and management of the Town's investment portfolio, or the ability to make impartial decisions. Employees shall disclose any material interest in financial institutions with which they conduct business.
- **Delegation of Authority**- Responsibility for the Town's investments shall be that of the Treasurer/Collector who shall act in accordance with the Town's investment policies and all internal controls. The Treasurer shall be responsible for all transactions undertaken and shall establish systems and controls.

Operational Procedures and Internal Controls

Authorized Financial Institutions- the Town shall only conduct business with qualified/authorized financial institutions as recommended by GFOA best practices.

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Safekeeping and Custody-

- All trades of marketable securities will be executed by delivery vs. payment.
- Securities shall be held by qualified custodians and evidenced by safekeeping receipts or account statements.
- The Treasurer shall establish, maintain and update on an ongoing basis, a system of internal controls that ensure the Town's assets are adequately protected from loss due to fraud, employee and third-party errors, omissions or misrepresentation, theft or misuse, or imprudent actions. The Treasurer shall document the internal controls in the Department's Investment Policy and Procedures manual. The internal control structure shall address:
 - Control or collusion
 - Segregation of duties; separation of authority, accounting and recordkeeping
 - Safekeeping
 - Delegation of authority
 - Documentation / confirmation of all transactions and wire transfers
 - Dual controls over disbursements
 - Wire transfer agreements with depository institution and third-party custodians

The scope of the annual audit will include testing the internal controls.

Investment Parameters

It is the policy of the Town to diversify its investment portfolio. To eliminate risk of loss resulting from an over-concentration of assets, all investment securities shall be diversified by asset class, maturity, issuer, and class of security. Diversification and asset classification strategies shall be determined, reviewed at least quarterly, and revised when appropriate.

In establishing asset allocation strategies, the following components shall be considered:

- Equities, fixed income, and cash investments
- Equity holdings will adhere to Division of Banks - List of Legal Investments, where required by statute
- Bond maturities shall be staggered and provide stability of income and liquidity
- Risks of market volatility shall be controlled through equity and maturity diversification

Reporting

The Treasurer shall prepare an investment report on an annual basis that provides an analysis of the investment portfolio. The report will include the following:

- A list of securities and investments including maturity dates
- Realized and unrealized gains reported in accordance with GASB requirements
- Average weighted yield to maturity of portfolio on investments as compared to applicable benchmarks
- An asset allocation report

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Equity Allocation Parameters

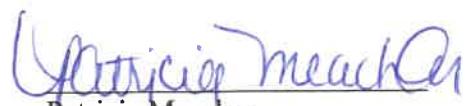
The appropriate asset allocation will be determined by the Treasurer in consultation with the Investment Manager of the funds.

OPEB

Refer to Plymouth Retirement Board Investment Policy



Lynne Barrett
Finance Director

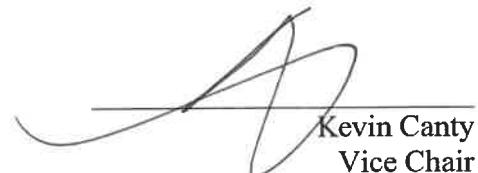


Patricia Meachen
Treasurer/Collector

We, the Town of Plymouth Select Board, do hereby set our hands in approval of the above written Town of Plymouth Investment Policy statement.



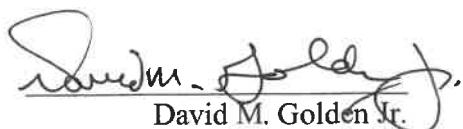
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