INVESTMENT POLICY
Town of Thomaston

INTRODUCTION

The principal purpose of this Investment Policy Statement is to provide long term direction to the Town of Thomaston for the investment of its funds and the spending of income. A secondary purpose is to describe the underlying logic and philosophy supporting this Statement.

Setting investment policy is the most critical phase of the entire investment process. The effects of a good or bad policy can be more significant that the effects of good or poor investment management.

To be successful, an investment policy needs to be appropriate for its organizations. It needs to match the needs of the organization to the financial assets most likely to meet those needs. The best way to minimize investment risk is to match, as closely as possible, the timing of cash needs with timing of future cash flows from the portfolio assets.

The policy statement also must withstand "board risk" – the possibility that the Investment Committee at some stress point (most frequently a low point in the stock or bond markets) will react in a manner detrimental to the long-term health of the fund. Board members tend to serve only a few years at a time, and those who adopt this Policy Statement today may not be here ten years from now to maintain the steady course that is one prerequisite of a successful investment plan. For that reason, this Statement contains an introductory section presenting the principles and expectations upon which the policy is based.

PRINCIPLES AND ASSUMPTIONS

We, the Investment Committee, on behalf of the Town of Thomaston, outline below the principles that have guided us in preparing this Policy Statement.

- **WE ARE LONG TERM INVESTORS.** This enables us to purchase long term assets, such as equities, which tend to have high returns over many years but whose price volatility precludes their use by those with shorter time horizons. By always keeping our long-term focus in mind, we hope to weather the periodic bad times when investors with short term orientations tend to panic. We expect this long-term view to provide us with better long-range results than will be earned by those who pick short term investments or who will abandon planned strategies during turbulent years.

- **WE EXPECT EQUITIES TO PROVIDE GREATER RETURNS OVER THE LONG TERM, THAN BONDS OR CASH.** We say this knowing that both economies and markets suffer periodic (but normally brief) declines and knowing that there have been and will continue to be some periods when cash and bonds outperform stocks.

- **WE EXPECT THE AMERICAN ECONOMY TO GROW, IN REAL (INFLATION-ADJUSTED) TERMS.** We expect the economy to show modest real growth over full business cycles, even after allowance for occasional recessions. We expect stock prices to grow somewhat in line with the economy, although the naturally volatile nature of stock prices makes such growth invisible except when observed over long periods. We expect dividends from stocks to grow more or less in line with the economy, and to fluctuate (in a real sense) much less than stock prices to.

- **WE EXPECT CONTINUED INFLATION.** We believe some inflation is a natural by-product of our present economic system. Its timing and severity we cannot predict, but we believe it will be of sufficient magnitude that to ignore it would damage our ability to meet our long-term objectives.

OBJECTIVES

- To maintain the real market value of the assets, after inflation, while recognizing that security price gyrations may keep market values over or underpriced for several years at a time.

- To achieve a balance between providing as much real spendable income as possible for current and future expenditures, without compromising all of the long-term growth potential of the portfolio needed to offset the effects of inflation.

- To provide sufficient liquidity in the portfolio to meet the planned annual withdrawals set by the Investment Committee.

- To avoid taking excessive risks with the portfolio.

STRATEGY

- The Investment Committee's aim is to set guidelines regarding the management of the Fund's assets that will allow the Investment Manager to meet the objectives of the Fund. (Real inflation adjusted returns without taking excessive investment risk to achieve it.) These guidelines include asset allocation parameters and diversification requirements.

- The Investment Manager has the latitude and discretion to make tactical asset allocation changes between equities, fixed income, and cash equivalents, as the Investment Manager deems appropriate and prudent, based on changing conditions in the capital markets, providing the Manager stays within the guidelines set by the Investment Committee as outlined in the Investment Policy.

- The equity portion of the portfolio will be to provide a dividend stream that grows at least as fast as the inflation rate.

- The bond portion of the portfolio will be, first, to provide a higher income stream to supplement the modest current income from stocks, and second, to dampen overall portfolio price volatility.

RESTRICTIONS

While realizing that all investments involve both uncertainty and risk, and that some (but not all) kinds of risk bear long term rewards, the Board of Selectmen does not wish to take unnecessary risks with the portfolio. Asset allocation will therefore be bound by the following limits:

Cash and Cash Equivalents	0% to 20% of portfolio
Debt Securities	30% to 70% of portfolio
Equity Securities	30% to 70% of portfolio

- Purchases of fixed income securities should be investment grade (S & P or Moody's "A" rated or better) with downgraded fixed income securities considered for sale.

- No single equity will comprise more that 10% of the total value of the portfolio. In an attempt to diversify equities across a variety of domestic sectors and industries, the domestic portfolio's sector exposure will be restricted to a variance of 50% to 200% of the S & P 500 sector breakdown, with the exception of those sectors representing only 5% or less of the S & P 500.

- The equity portfolio may be diversified across capitalization's and internationally as follows:

Small Capitalization Equities	0% - 20% of portfolio
Diversified International Equities	0% - 20% of portfolio

SPENDING POLICY

- The Investment Committee, under the direction of the Board of Selectmen, will determine on an annual basis how much income will be spent and how much will be reinvested. Since the assets are to be managed on a total return basis, payouts may come form earned income, realized capital gains, or a combination of the two. Any return above the payout is to remain invested to grow for future needs.

PERFORMANCE MEASUREMENT AND EVALUATION

- Ultimately the success of this account will be measured against its stated objectives. The performance will be the result partly of the constraints and guidelines established in this Statement, and partly the results of the investment manager's action.

- Our inflation measure will be the Consumer Price Index for Urban Consumers.

- The investment manager's total account performance will be compared to a baseline portfolio of the Shearson/Lehman Intermediate Government Bond Index and the Standard & Poor's 500. Each asset class within the portfolio, including cash dedicated to that asset class, will be compared to the indices described above.

- We require account performance to be measured in accordance with the Association for Investment Management and Research (AIMR) Performance Presentation Standards.

SUPERVISION

- The Investment Committee will periodically report to the full Board of Selectmen on the administration of these funds.

- The Investment Manager, in recognition of its role as a fiduciary of the Funds, must assume responsibilities related to the following areas:

Investment Program –

1. Investing assets in accordance with the objectives as defined in the document.
2. Exercising full discretionary authority as to all buy, hold, and sell decisions for each security under management.

Communication –

Monthly – Statements will be provided to the Investment Committee, indicating:

1. All principal cash transactions, including all buys and sells in sufficient descriptive detail, and including commissions paid. Statements should also indicate all income cash transactions, including the sources and nature of all interest and dividends.
2. Portfolio Composition showing asset structure for each major asset class security.
3. Positions, by individual security, showing both cost and market value. In cases of commingled assets, the unit position cost and market value will be used.

Semi-Annually – The investment Manager will report either on a semiannual basis or at the request of the Investment Committee, the investment performance of the fund.

At least once each year the Committee will review this Policy Statement to ensure that it remains appropriate and is complete.

The Investment Committee requests prompt notice of any change in the Investment Manager's (1) fundamental investment strategy, (2) personnel, or (3) firm ownership. We also request prompt notice of any deviations from the restrictions outlined in this policy.

SPENDING POLICY

Addendum

Spending policies for the Town of Thomaston funds will vary from fund to fund and will be subject to periodic changes at the direction on the Investment Committee, under the direction of the Board of Selectmen.

At present, the spending policies for the 4 current funds, which include the Public Library Fund, The Book Fund, the Cemetery Fund, and the Charitable Fund will be distributed as follows:

Public Library Fund:
4% of the Market Value annually, measured at the beginning of each fiscal year, will be targeted for distribution. (Effective 02/22/21- Changed to 4.5%)

The Book Fund:
3.5% of the Market Value annually, measured at the beginning of each fiscal year, will be targeted for distribution. (Effective 02/22/21- Changed to 4.5%)

The Cemetery Fund:
4.5% of the Market Value annually, measured at the beginning of each fiscal year, will be targeted for distribution.

The Charitable Fund:
No planned distributions at present. The Investment Committee will review periodically and revise accordingly.

ARTICLE VII
Section 107 - Public Library

107.1 - Preamble.

The Thomaston Public Library was established on March 28, 1898, by an ordinance entitled "An Ordinance for the Establishing and Maintaining a Public Library", passed at an Annual Town Meeting on that date. The purpose of this ordinance is the revision and modification of the 1898 ordinance, in order to reflect contemporary considerations, including the adoption of a modified town manager form of government by the Town of Thomaston, consistent with the Home Rule Authority of the town.

107.2 - Authority.

This ordinance is enacted pursuant to the Home Rule Authority granted to the Town in accordance with the provisions of Title 30-A MRSA §3001.

107.3 - Establishment.

There shall be a public library of the Town, known as the "Thomaston Public Library". The purpose of the public library shall be to provide the inhabitants of the Town of Thomaston, and the inhabitants of surrounding towns and communities - as those towns, communities and their inhabitants may contract with the Town of Thomaston from time to time - with public library services and facilities.

107.4 - Governing Body.

The governing body of the Thomaston Public Library shall be the Board of Trustees.

107.5 - Appointment of the Board of Trustees.

107.5.1 - The initial Board of Trustees, following the enactment of this ordinance, shall be appointed by a majority vote of the Board of Trustees of the Library which is in office as of the date of the Town Meeting at which this ordinance is enacted, subject to confirmation of the appointment of each member of that initial Board by the Select Board of the Town of Thomaston. The Select Board shall act on the confirmation of the initial Board of Trustees within thirty (30) days of enactment of this ordinance. The initial Board of Trustees, and all subsequent boards shall consist of nine (9) members with staggered terms as follows: Three (3) members shall serve a 3-year term, commencing with the date of enactment of this ordinance and expiring on the date of the Annual Town Meeting in the year that is 3 years from confirmation of this ordinance; three (3) members shall serve a 2-year term, commencing with the date of enactment of this ordinance and expiring on the Annual Town Meeting in the year 2 years afterwards; and three (3) members shall serve a 1-year term, commencing with the date of the enactment of this ordinance and expiring on the date of the Annual Town Meeting in 1 year from that time.

107.5.2 - Following the establishment of the initial Board of Trustees, vacancies in the Board of Trustees, by expiration of the term of office or otherwise, shall be filled by appointment by the Board of Trustees of a person to fill each such vacancy, as the vacancy occurs, subject to confirmation by the President of the Board of Trustees to the Select Board within ten (10) days of the date of the appointment. The Select Board shall act on confirmation of the appointment within thirty (30) days of its receipt of that report.

107.5.3 - Each new appointee shall assume office, and that appointee's term of office shall commence, upon confirmation of that appointee by the Select Board.

107.6 - Officers of the Board of Trustees:

107.6.1 - The Board of Trustees, at its first organizational meeting following the Annual Town Meeting, shall elect a President, a Vice President, and a Secretary from among the members of the Board. The foregoing officials shall be the officers of the Board of Trustees and shall serve in the capacity for a term of one (1) year, or until his/her successor shall be elected by a subsequent Board of Trustees.

107.6.2 - In the event that a vacancy occurs in any of the foregoing offices, then the Board of Trustees shall elect a successor from among the existing members of the Board to fill the unexpired term of that officer. The Board of Trustees is further authorized to elect such other officers of the Board as the Board deems necessary for the management and maintenance of the Public Library, including the appointment of committees of the Board of Trustees to perform functions and duties of the Public Library on behalf of the Board of Trustees.

107.7 - Meeting of the Board of Trustees:

Meetings of the Board of Trustees shall be held at such times as the board may, from time to time, determine. Special meetings of the Board of Trustees may be called by the President or, in the case of the disability or absence of the President, by the Vice President, upon notice to each Board member of each such special meeting, no less than three (3) days prior to each such special meeting.

107.8 - Powers, Authority and Duties of the Board of Trustees:

The Board of Trustees shall have the power, authority, and duty to manage and to control the Public Library, and all things connected with the Library, including the authority to:

107.8.1 - Oversee the hiring and supervision of all employees of the library.

107.8.2 - Accept gifts to the Library on behalf of the town.

107.8.3 - Purchase and arrange for the purchase of all books, materials, and supplies for the Library.

107.8.4 - Appoint a head librarian, subject to confirmation by the Select Board.

107.8.5 - Remove the head librarian from office, for cause, after notice and a hearing, or without cause during probationary period set forth in the Personnel Policies of the Town.

107.8.6 - Direct the expenditure and investment of Library funds.

107.8.7 - Establish rules and regulations for the operation and management of the Library and Reading Room, and for the use of those facilities by the inhabitants of the Town and by inhabitants of other towns and communities; and

107.8.8 - Engage in all functions and perform all duties required for the operations of the Library.

107.9 - Appointment of Head Librarian:

107.9.1 - The day-to-day management of the Thomaston Public Library shall be conducted by a Head Librarian who shall be appointed by the Board of Trustees, subject to confirmation by the Select Board. The term of office of the Head Librarian shall be one (1) year, reappointed annually. Upon confirmation of the appointment by the Select Board, the Head Librarian shall be an employee of the Town during that term of office.

107.9.2 - Subject to the completion of a probationary period as set forth in the Personnel Policies of the Town of Thomaston, the Head Librarian may be removed, for cause, by the Board of Trustees, after notice and a hearing by the Board of Trustees in accordance with law. A vacancy in the position of Head Librarian shall be filled through appointment by the Board of Trustees, subject to confirmation by the Select Board.

107.9.3 - The Head Librarian shall be the chief administrative officer of the Thomaston Public Library, and shall be responsible to the Board of Trustees for the proper administration of all library affairs, in accordance with the instructions and direction of the Board of Trustees.

107.10 - Powers and Duties of Head Librarian

The powers and duties of the Head Librarian shall be as follows:

107.10.1 - To employ library employees to assist in the operations of the Library, subject to confirmation by the Board of Trustees.

107.10.2 - To remove employees of the Library from office in accordance with the procedures authorized by 107.11.

107.10.3 - To prepare, in conjunction with the Board of Trustees, a budget for the Thomaston Public Library and to submit that budget to the Town Manager.

107.10.4 - To prepare and submit, as of the end of each year, a complete report of the finances and administrative activities of the Library for the preceding year, to be included in the Annual Report of the Town.

107.10.5 - To attend meetings of the Board of Trustees, except when excused by that board.

107.10.6 - To act as a purchasing agent for the Library, subject to the supervision of the Board of Trustees and subject to the applicable rules and regulations of the Town.

107.10.7 - To provide for the maintenance of all Library equipment.

107.10.8 - To provide training for Library personnel; and

107.10.9 - To perform such other duties as may be delegated to the Head Librarian by the Board of Trustees, when such duties are not inconsistent with this ordinance.

107.11 - Assistants to Head Librarian.

To assist the Head Librarian in carrying out the duties of that office, additional Library personnel may be appointed by the Head Librarian, subject to confirmation by the Board of Trustees. Library personnel shall be appointed for a term of one (1) year, unless removed from office for cause after notice and hearing, or by resignation or retirement, or without cause for any probationary employee.

107.12 - Library Budget.

The Board of Trustees shall be responsible for the preparation of an annual budget, with the assistance of the Head Librarian and the Treasurer of the Board of Trustees, and for the submission of that budget to the Select Board. The Board of Trustees shall submit a statement of the annual Library budget to the Select Board no later than sixty (60) days prior to the date of each Annual Town Meeting. The Select Board shall consider each such budget and approve that budget. The annual budget for the Library shall show the investment of all funds, the expenditures anticipated for the operations of the Library for the budgetary year, and the town financial assistance, if any, for said year.

107.13 - Expenditures.

The Board of Trustees shall consider and approve all expenditures for the library. All such expenditures shall also be approved by the Select Board. The Head Librarian and the Treasurer of the Board of Trustees shall be responsible monthly for the preparation of a request for expenditures, together with vouchers, for presentation to the Board of Trustees and to the Select Board in connection with each warrant for the authorization of expenditures for the Library. Each such statement shall be submitted to the Town Manager for presentation to the Select Board, a reasonable period of time in advance of a Select Board's meeting, in order to permit the selectmen to review and to act upon each such request for expenditures.

107.14 - Donations and Library Funds.

All funds that have been donated to the Town of Thomaston or to the Library Board of Trustees for the use of the Thomaston Public Library shall be held in the name of the Town as funds designated for the Town's Public Library. The Board of Trustees shall be responsible for the investment and management of all such Library funds of the Town, or funds resulting from donations to the Town for Library purposes. All funds for the Library, all income thereon, and all Library expenditures shall be separately identified as the Library Department of the Town.

107.15 - Applicability of Personnel Policies.

Except as otherwise stated in this ordinance, all Library employees, including Head Librarian, shall be subject to the Personnel Policies of the Town of Thomaston.

107.16 – Enactment.

This ordinance shall take full force and effect on the date of enactment of this ordinance at Town Meeting of the Town of Thomaston.

107.16.1 - Upon enactment of this ordinance, this ordinance shall supersede "An Ordinance for the Establishing and Maintaining a Public Library" which was enacted on March 28, 1898, and that 1898 ordinance is hereby repealed. All Library facilities, including equipment and Library supplies and materials, shall be transferred to the Thomaston Public Library, and the Board of Trustees thereof, as established by this ordinance.

AMENDED: JUNE 15, 2022