

BACKGROUND

The Town of Wellesley is responsible for managing Town funds to meet the liquidity needs of Town operations and to maintain reserves for future uses. The three principles of municipal investment policy, in order of their significance, are safety, liquidity, and yield with safety being the dominant principle.

PURPOSE

The purpose of this Investment Policy is to set general guidelines and investment objectives for the investment of the Town’s available Operating, Reserve, and Trust Funds as follows:

1. Operating Funds:

- a. Preserve capital of the overall portfolio through diversification and prudent selection of investment instruments;
- b. Maintain sufficient liquidity to meet all operating and debt service requirements;
- c. Attain a market average rate of return comparable to portfolios of similar investment mix and maturities through budgetary and economic cycles, taking into account the legal requirements detailed below and the cash flow characteristics of the portfolio.

2. Reserve Funds: Preserve capital and maintain liquidity while attaining a slightly better rate of return than that of Operating Funds by making use of more flexible investment opportunities provided by state law.

3. Trust Funds: Preserve capital while taking advantage of the longer investment horizon for Trust Funds and more flexible investment opportunities provided by state law through the use of fixed income securities and equities.

APPLICABILITY

The Town’s Investment Policy is intended to set forth investment objectives, establish guidelines, and define responsibilities for the investment of the Town Funds. The Town Funds are to be invested in a manner that will meet the daily cash flow demands of the Town, conform to state statutes and Town Bylaws governing the investment of public funds, and provide maximum security of such funds. Investments shall follow the three principles of municipal investment policy: safety, liquidity, and yield. This Investment Policy will be shared with all financial institutions that the Town utilizes for non-retirement banking and investment activities.

The Investment Policy does not apply to the Town’s Retirement and Other Post-Employment Benefit funds, which are the responsibility of the Retirement Board.

STATUTORY AUTHORITY

- 1. Operating Funds:** M.G.L. c. 44, § 55B requires that all funds of the Town “which are not required to be kept liquid for purposes of distribution, shall be invested in such a manner as to require the payment of interest on the money at the highest

possible interest rate reasonably available, taking account of safety liquidity and yield.”

M.G.L. c. 44, § 55 states a town shall not at any one time have on deposit in a bank, trust company, or banking company an amount exceeding 60 percent of the capital and surplus of such entity unless satisfactory security is given for such excess, and sets out allowable investment options as follows:

- a. Term Deposits or Certificates of Deposit (CDs) with a maximum maturity as defined in M.G.L. c. 44, § 55;
- b. Money Market Deposit Accounts with trust companies, national banks, savings banks, banking companies and cooperative banks;
- c. United States Government Securities or securities of United States Government Agencies with a maximum maturity as defined in M.G.L. c. 44, § 55;
- d. Repurchase Agreements with a maturity of less than 90 days;
- e. Money market funds registered with the Securities and Exchange Commission (SEC) under the Investment Company Act of 1940, as amended, operated in accordance with Section 270.2a-7 of Title 17 of the Code of Federal Regulations, that have received the highest possible rating from at least one nationally recognized statistical rating organization and that the purchase price does not include commissions;
- f. Participation Units in a Combined Investment Fund operated under M.G.L. c. 29 § 38A, such as the Massachusetts Municipal Depository Trust.

2. Reserve Funds: The following are the legal requirements for investment of the Reserve Funds:

- a. Stabilization Fund: M.G.L. c. 40, § 5B provides that Stabilization Funds shall be:
 - i. Deposited in a trust company, co-operative bank, or savings bank as defined in M.G.L. c. 40, § 5B;
 - ii. Deposited in a national bank, federal savings bank, or federal savings and loan association, provided that such entity has an office in the Commonwealth;
 - iii. Deposited in a state-chartered or federally-chartered bank provided the institution is insured by the Federal Depository Insurance Corporation (FDIC);
 - iv. Invested in a combined investment fund operated under M.G.L. c. 29, § 38A, such as the Massachusetts Municipal Depository Trust;
 - v. Invested in securities that are legal investments for savings banks.
- b. Unemployment Compensation Fund: M.G.L. c. 40, § 5E provides for investment in such manner as may be legal for other city, town, or district funds under the laws of the Commonwealth including, without limitation, the Massachusetts Municipal Depository Trust.
- c. Workers’ Compensation Fund: M.G.L. c. 40, § 13A provides that the Fund shall be under the management of the “commissioners of trust funds” but there is no statutory investment requirement set forth. See section 1.b.vii., under “Policy.”

- 3. Trust Funds:** M.G.L. c. 44, § 54(b) provides that:
- a. Town Trust Funds are to be invested in accordance with the Massachusetts Prudent Investor Act of Chapter 203C of the General Laws (“the Prudent Investor Rule”);
 - b. The Town shall invest and manage trust assets as a prudent investor would, considering the purposes, terms, and other circumstances of the trust;
 - c. In satisfying the Prudent Investor standard, the trustee shall exercise reasonable care, skill, and caution;
 - d. The Town’s investment and management decisions respecting individual assets shall be considered in the context of the trust portfolio as a part of an overall investment strategy reasonably suited to the trust.

POLICY

- 1. Responsibilities:** Responsibility for executing this policy shall be as follows:
- a. The Select Board shall set the guidelines for investments of Town Funds and establish adequate procedures for issuing reports on investment activities (Town Bylaw Article 19.5.3).
 - b. The Treasurer shall:
 - i. Invest Town Funds in accordance with the guidelines and criteria set by the Select Board (Town Bylaw Article 19.43).
 - ii. Purchase only U.S. Government or Government Agency Securities with a maximum maturity as defined in M.G.L. c. 44, § 55 when investing the Operating Funds.
 - iii. Make all decisions regarding the management of the investment program and diversification of assets in accordance with the use of the funds. If the Treasurer wishes to make a decision that deviates from the terms of this policy, the Treasurer shall obtain prior written approval by a majority vote of the Select Board.
 - iv. Monitor changes to the General Laws governing the type and method of investing Town funds referred to in this Investment Policy, and shall report significant changes in the General Laws to the Select Board.
 - v. Report to the Select Board quarterly to outline compliance with this policy.
 - vi. Ensure that the Treasurer and those responsible to the Treasurer shall be bonded as required by law and insured for their fiduciary responsibilities to limits set by the Finance Director on the advice of the Town’s insurance consultant.
 - vii. Be responsible for the management and administration of the Workers’ Compensation Fund, unless the Town appoints a Commissioner of Trust Funds as referenced under M.G.L. c. 40, § 13A. Management and administration of the Workers’ Compensation Fund shall follow the same statutory guidelines for Stabilization Funds.

- 2. Investment Guidelines:** The Town will diversify its investments by security type and institution by periodically setting an investment strategy with the Treasurer and the Town's Financial Advisors, ideally every three years.

a. Operating Funds

- i. Selection of Banks for Investments: The Treasurer will only select investments that are covered by FDIC protection.
- ii. Investment Size and Collateralization: The relatively large size of the Town's investment portfolio precludes the use of only FDIC insured products. Efforts will be made to maximize FDIC insurance protection and periodic modifications to this policy may be made to take advantage of changing FDIC regulations. Massachusetts has no legal requirement for collateralizing public deposits. Until adoption of collateralization legislation, the Treasurer will provide as much security as possible for the Town's bank investments through the prudent selection process described above.
- iii. Third Party Custody: For administrative ease, custody accounts may be established in the name of the Town in order to receive and hold book entry U.S. Treasury and Government Agency securities purchased by the Town from commercial banks, collateral for any repurchase agreements to which the Town is party, and collateral against any bank investments the Town may require.
- iv. U.S. Treasury and Government Agency Securities: The Town will utilize these securities, with a maturity as defined by M.G.L. c. 44, § 55, for reasons of diversification and security. Treasury securities will be purchased either at auction or through the secondary market. Agency securities will only be purchased through registered dealers.
- v. Repurchase Agreements: Repurchase agreements may be used on a limited basis for durations of 90 days or less. Except in the case of overnight repurchase agreements used for the investment of available float in one of the Town's operating accounts, any agreement entered into by the Town will be on a delivery versus payment basis and in the format of the Public Securities Association Master Repurchase Agreement. Collateral will be in the form of U.S. Treasury or Government Agency securities delivered to the Town's third-party custodian.
- vi. Utilization of State Treasurer's Investment Pools: The Town will continue to utilize the State Treasurer's highly liquid, comparatively safe investment pools as an integral part of its overall investment strategy.

b. Reserve Funds

- i. The Investment Guidelines and options for Operating Funds apply to the investment of Reserve Funds.
- ii. The investment options available for Reserve Funds will include such securities as are legal for the investment of funds of savings banks under the laws of the Commonwealth. However, unlike Trust Funds, Reserve Funds have a much higher liquidity requirement. All securities must maintain active secondary markets, and hence be able to liquidate within five business days.

c. Trust Funds

- i. The Investment Guidelines and options for Reserve Funds apply to the investment of Trust Funds.
- ii. The investment options available for Trust Funds will include those options set forth in M.G.L. c. 44, § 54(b) as amended per Section 26 of Chapter of the Acts of 2023 to authorize the investment of Trust Funds in its custody as a combined investment pool and invest said funds in accordance with the provisions of the Massachusetts Prudent Investor Act of Chapter 203C of the General Laws.

PROCEDURE

- 1. Policy Review:** To comply with Town Bylaw Article 19.5.3, this policy shall be reviewed by the Select Board every three years.
- 2. Reporting by the Treasurer:**
 - a. Cash Analysis: The Treasurer shall prepare a quarterly Cash Analysis for the Finance Director and Executive Director in a form substantially as attached hereto. The Treasurer will also submit a quarterly Cash Analysis to the Select Board for review and confirmation of compliance with the guidelines set by the Select Board in this policy.
 - b. Trust/Reserve Fund Report: The Treasurer shall prepare a quarterly Trust/Reserve Fund Report for the Finance Director and Executive Director in a form substantially as attached hereto. The Treasurer will also submit an annual Trust/Reserve Fund Report to the Select Board for review and for inclusion in the Town's Annual Report.

DEFINITIONS

- 1. Operating Funds:** All funds of the Town and its utilities generated through normal operations and borrowing except for Active Operating Accounts, Reserve Funds, Trust Funds, Retirement Funds, and OPEB Funds.
- 2. Active Operating Accounts:** Payroll Accounts Payable and Lockbox accounts (payments sent to the Town's post office box which are collected by the bank).
- 3. Reserve Funds:** All Town funds held separately in accounts for future uses, such as the General and Special Purposes Stabilization Funds, and any new account established by the appropriate public authority and designated as a Reserve or Stabilization Fund.
- 4. Trust Funds:** Gifts and bequests made to the Town for a specific long-term purpose. The gift or bequest must be accepted by the appropriate public authority pursuant to Town Bylaw Article 5.6 and specifically identified as a Trust Fund.
- 5. Retirement Funds:** Assets of the Wellesley Contributory Retirement System held separately from Town funds and managed under M.G.L. c. 32. Such funds are not subject to this Investment Policy.
- 6. Other Post-Employment Benefits (OPEB) Funds:** Retiree healthcare funds held separately pursuant to Acts of 2004, c. 88, that are invested under the guidance of the Town's Retirement Board. Such funds are not subject to this Investment Policy.

7. **Treasurer:** The person appointed as the Treasurer under Town Bylaw Article 19.43. In case of the Treasurer's absence, the Treasurer or Chief Financial Officer may designate a staff member as the Acting Treasurer/Collector to assume the responsibilities of the Treasurer.
8. **Fixed Income Securities:** Bonds, notes, and certificates of deposit (CDs), with a maturity of greater than one year but not to exceed ten years and are legal for investment by Massachusetts municipalities. These securities can include equity linked certificates of deposit, as long as all CDs carry current applicable Federal Depository Insurance Corporation (FDIC) limits and are represented by an FDIC number. The average maturity for the Fixed Income portfolio at any time shall not exceed five years.
9. **Federal Deposit Insurance Corporation (FDIC):** The Federal Deposit Insurance Corporation (FDIC) is an independent agency created by Congress to maintain stability and public confidence in the nation's financial system. To accomplish this mission, the FDIC insures deposits; examines and supervises financial institutions for safety, soundness, and consumer protection; makes large and complex financial institutions resolvable; and manages receiverships. The current standard insurance amount is \$250,000.00 (two hundred and fifty thousand dollars) per depositor, per insured bank, for each account ownership category. This maximum amount is subject to congressional action (federal legislation).
10. **Massachusetts Municipal Depository Trust (MMDT):** In 1975, the General Court of the Commonwealth enacted legislation permitting the Massachusetts State Treasurer, with the advice of an Investment Advisory Council, to establish one or more investment funds or "pools" and to offer participation in such funds to cities/towns, counties, housing and redevelopment authorities, public retirement systems, regional transit authorities, regional school districts, state and community colleges, and other public entities, thus offering these investors the opportunity to earn higher yields through a professionally managed fund. Investments in these pools are not a deposit in a bank and are neither insured nor guaranteed by the Commonwealth of Massachusetts, the FDIC, or the U.S. Government or any of its agencies. Although the Cash Portfolio is managed to seek to maintain a stable \$1.00 (one dollar) unit price, there is no guarantee it will be able to do so, and a loss of principal is possible with these pools. Assets will be invested only in "tier 1" and "tier 2" credit quality securities as defined by the guidelines in SEC rule 2a7. This degree of safety is recognized by the Government Accounting Standards Board in its qualification of state investment pools in financial statements.
11. **Book Entry:** Registered ownership of stock without the issuance of a corresponding stock certificate, as is the case with dividend reinvestment and direct purchase plans, employee plans, and Direct Registration System issuances. Periodic statements of ownership are issued instead of certificates.
12. **Government Agencies:** Federal Government Agency Bonds and Government-Sponsored Enterprise Bonds are allowable where authorized in this policy. a. Federal Government Agency Bonds are bonds issued by the Federal Housing Administration (FHA), Small Business Administration (SBA), Tennessee Valley Authority (TVA),

and Government National Mortgage Association (GNMA). Like Treasury securities, federal government agency securities are backed by the full faith and credit of the U.S. government, with the exception of securities of TVA. b. Government-Sponsored Enterprise (GSE) Bonds are agency bonds issued by such agencies as Federal National Mortgage Association (Fannie Mae), Federal Home Loan Mortgage (Freddie Mac), Federal Farm Credit Banks Funding Corporation, and the Federal Home Loan Bank. GSE agency bonds are not backed by the same guarantee as federal government agencies and, hence, have credit risk and default risk.

- 13. Unconditionally Guaranteed:** Purchasing an obligation “guaranteed” by a federal agency means making a loan, typically to a private sector party, with a guarantee from the agency to pay all or part of the principal or interest.

REGULATORY / STATUTORYS REFERENCES

This policy is subject to the requirements set forth in M.G.L. c. 29 § 38A; M.G.L. c. 32; M.G.L. c. 40, § 5B; M.G.L. c. 40, § 5E; M.G.L. c. 40, § 13A; M.G.L. c. 44, § 54(b) ; the Massachusetts Prudent Investor Act of Chapter 203C of the General Laws, the so-called “Prudent Investment Act”; M.G.L. c. 44, § 55; M.G.L. c. 44, § 55B; Acts of 2004 c. 88; Investment Company Act of 1940, as amended, operated in accordance with Section 270.2a-7 of Title 17 of the Code of Federal Regulations; Town Bylaw 5.6, 19.5.3, 19.43.

APPROVED BY THE SELECT BOARD

Original date: May 14, 2012

Barbara D. Searle (Chair); Terri Tsagaris (Vice Chair); Ellen F. Gibbs(Secretary); Katherine L. Babson, Jr.; Donald S. McCauley

Revised date: May 21, 2024

Thomas H. Ulfelder (Chair), Colette E. Aufranc (Vice Chair), Elizabeth Sullivan Woods (Secretary), Lise M. Olney, Marjorie R. Freiman

Revised date: November 12, 2024

Colette E. Aufranc (Chair), Marjorie R. Freiman (Vice Chair), Thomas H. Ulfelder (Secretary), Elizabeth Sullivan Woods, Lise M. Olney,

The Select Board reserves the right to amend this policy at will.

TOWN OF WELLESLEY

Maura O'Connor
Treasurer & Collector



Tel (781) 431-1019 Ext. 2266
Fax (781) 237-5037

OFFICE OF THE TREASURER/COLLECTOR
525 Washington Street
Wellesley, MA 02482

To: Select Board

Date: July 31, 2025

From: Maura O'Connor, Treasurer/Collector

RE: Investment Policy Compliance 4th Quarter FY25

Mass. General Law (M.G.L.) provide the guidance for the investment of various types of municipal funds and these laws are referenced and outlined within our Investment Policy Statement. As of June 30th, 2025, I can confirm that the Town funds are invested within the stated parameters, keeping in mind – safety, liquidity and yield.

I have attached a signed copy of our compliance report from Rockland Bank and a copy of my quarterly cash analysis for your review. I think between the two reports you can see that these reports show compliance with the Town of Wellesley's Investment Policy.

The town's approval to allow our Financial Investors to apply the "prudent investor rule" as opposed to the "legal list of investments" has proved to be a good choice. Although it is only applicable to our pooled investments, if we compare the last 5 months: the Pooled Account was 4.44% vs. the Mass Legal List Growth of 1.70%, so, so far so good. Thank you for the support in this decision.

Maura O'Connor, CMMT, CMMC
Town of Wellesley

Administrative
Policy and
Procedure

Select Board
INVESTMENT POLICY
Approved –NOVEMBER 12, 2024

TOWN OF MILLISLEY CASH ANALYSIS AS OF 06/30/2025										
INSTITUTION	OPERATING FUNDS						TRUST FUNDS	RESERVE FUNDS	OTHER	
	ACTIVE OPERATING ACCOUNTS	BANK MONEY MARKET ACCOUNTS	STATE AUTHORIZED POOL	INVESTMENT COMPANY MONEY MARKET ACCOUNTS	TRUST RESERVE CERTIFICATES	TRUST RESERVE INVESTMENTAL FUNDS	TRUST FUNDS	STABILIZATION FUND	UNEMPLOYMENT & LIABILITY RESERVE FUND	OTHER
ROCKLAND TRUST	\$303	\$1,095,811								
TD BANK	\$740,579									\$1,296,144
FAIRFAX BANK	\$86,362	\$168,570								\$740,579
BANK OF AMERICA		\$10,080								\$320,469
MIDCROSS BANK		\$734,713								\$10,080
DEPOSITARY TRUST			\$118,486,889							\$134,713
US	\$109,344	\$194,791								\$118,486,889
ROCKLAND TRUST TRUSTEE				\$85,482	\$15,084,881	\$5,914,545				\$10,080
PETTY CASH	\$1,435						\$2,384,880	\$10,874,879	\$148,240,817	\$103,388,883
TOTALS	\$1,644,848	\$1,605,483	\$118,486,889	\$85,482	\$15,084,881	\$5,914,545	\$2,384,880	\$10,874,879	\$148,240,817	\$384,017,762
RECON BALANCE										\$384,017,762
FUNDS IN RECON										\$0
PERCENT OF GRAND TOTAL	0.43%	0.44%	30.37%	0.02%	3.94%	1.55%	0.61%	2.83%	38.49%	100%
* Negative can occur when month end is at the end of a week when Payroll and AP payments are ran but not yet funded or certain receipts have not been reported to the Treasurer's office in a timely manner.										
+ PERROLL AND AP AMOUNTS ARE POSTED ON A THURSDAY BUT FUNDED ON MONDAYS. FOR MONTHS ENDING FRIDAYS, SATURDAYS OR SUNDAYS, THIS AMOUNT WILL BE NEGATIVE.										
- maturity										
-- maturity										

Administrative Policy and Procedure

Select Board INVESTMENT POLICY Approved –NOVEMBER 12, 2024

Guidelines:
General Fund
Maturity Dates within one year
Trust Funds are invested in accordance with the Prudent Investor Act

Wallopsley Compliance Report - June 30, 2023											
	Operating	Substitution	Trust	Trust	Trust	Substitution	Substitution	Trust	Substitution	Trust	Trust
Fund	General exhibit	Substitution exhibit	Public Accounting exhibit	Unemployment Compensation exhibit	Library Development exhibit	Watershed Conservation exhibit	Water Conservation exhibit	Police & Fire exhibit	SPED Instructional exhibit	SPED exhibit	Watershed Conservation exhibit
Investment Objective	Current Income	Conservative Income	Growth	Conservative Income	Current Income	Conservative Income	Conservative Income	Conservative Income	Conservative Income	Conservative Income	Conservative Income
Balance	\$ 6,103,416.50	\$ 3,888,185.48	\$ 3,384,983.97	\$ 356,231.67	\$ 3,651.89	\$ 3,448,742.63	\$ 793,144.38	\$ 872,468.82	\$ 1,375,863.97	\$ 882,463.97	\$ 817.29
Target Allocation Range											
Cash %	0-30	0-10	0-30	0-20	0-10	0-10	0-10	0-10	0-10	0-10	0-10
Total Income %	70-100	75-100	75-100	75-100	75-100	75-100	75-100	75-100	75-100	75-100	75-100
Equity %	0	0-25	60-85	0-25	0	0-25	0-25	0-25	0-25	0-25	0-25
Current Allocation											
Cash %	1.17	2.17	1.51	8.6	2.42	0.29	2.93	5.8	6.41	1.6	300
Total Income %	98.83	97.83	98.49	91.4	97.58	99.71	97.07	94.2	93.59	98.4	0
Equity %	0	14.49	75.14	11.15	0	15.01	14.84	13.94	14.2	14.49	0
	300	100	100	100	100	100	100	100	100	100	100
Bank of America Co.	0	0.47	0.80	0.44	0	0.38	0.44	0.44	0.40	0.48	0

Notes:
All Accounts:
*Trust Funds are now invested in accordance with the Prudent Investor Act following Special Town Meeting Action in October 2024

As of the date listed above we are stating that Wallopsley Trust is in compliance with the Town of Wallopsley's Investment Policy:

David Schiller, Vice President
10-04-25