Model Trustees of Public Funds Investment Policy + Guidance

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Vermont law provides that money held in trust by a town for any purpose, including cemetery trust funds, shall be under the charge and management of trustees of public funds unless the person giving the funds directs otherwise. 24 V.S.A. § 2431. It also provides that the income derived from investment of the money must be applied by the trustees to the purpose for which the trust is held. 24 V.S.A. § 2432(a).

Given the fiduciary position held by the trustees of public funds, it is important that they adopt a policy to guide their actions and investment decisions. The primary purpose of such a policy should be to strike a balance between risk and return while following a conservative investment approach that provides appropriate income to meet the trust's objectives. The model investment policy for trustees of public funds establishes investment objectives, standards of investing prudence, eligible investments, reporting requirements, and safekeeping and custodial procedures necessary to properly manage and invest trust funds.

When seeking guidance on investment of trust moneys, trustees should look first to the trust document. Frequently, one who places money in trust with a town also places conditions on how and where such trust moneys can be invested. Trustees must also follow Vermont law, which establishes specific investment vehicles appropriate for investment of town trust moneys. These investment requirements are set out at 24 V.S.A. § 2432(b) and in the model policy.

For additional information, see the discussion of the Model Investment Policy. For more information on municipal investment policies, please refer to ***Financial Policies: Design and Implementation***, published by the Government Finance Officers Association. A copy of this document can be purchased at www.gfoa.org.

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