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Trustee of Trust Funds Training Video 3 Filling Out the MS-10

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Now, let's look at the MS-10 and how that is different from the MS-9. While the MS-9 was to report "What are the funds?" and "Who did the money come from?" the MS-10 reports "Where are the funds held? or "How are they invested?"

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Currently, you need only to report common investment funds from the MS-9 report.

The MS-9 will total the amount of funds in each investment type based on how you listed it in the "How invested" dropdown field. Use the tab "Investment Method" on the top of the ledger page of the MS-9 report to find what funds are listed by type. Be sure that the MS-10 equals this amount or is greater.

If all funds are in NH PDIP, no report is needed. However, please submit a \$0 report to roll the report forward to the next year. These reports are tied together, and both need to be processed by CTU for the next year to be available.

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It is very important not to commingle taxpayer funds with privately donated funds. As explained in **RSA 31:19-a IV**, they "shall be invested and accounted for separately from, and not commingled with, amounts appropriated under paragraph shall be invested and accounted for separately from, and not commingled with, amounts appropriated under paragraph II."

The use of the term "Expandable fund" on the MS-9 incorrectly has caused confusion for investment persons when they take over the funds, as it may allow them think that they can merge these funds together, causing them to invest private funds with taxpayer funds.

Taxpayer funds have different prudence rules than do privately donated funds, and the risk tolerance levels are different, causing them to be invested differently than privately donated funds.

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All trustees should adopt and submit an investment policy to our office, even if the policy is simple and the investments conservative, or if held in the NH PDIP.

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A note of how the taxpayer funds are invested vs. how the privately donated funds are invested should be in the policy. This policy should be reviewed annually at a meeting.

For any changes to the policy, a new policy must be submitted to the CTU. If there are no changes, a copy of the minutes noting the decision to make no changes must be submitted. Remember, you cannot commingle taxpayer funds with private; they have different rules for investing.

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For private funds, there are two rules to invest under. Towns can vote to use the “prudent investor” rule, otherwise they would fall under the “prudent man” rule.

The CTU will review the investment policy to note which method the town is investing in, so the policy should indicate this. Then, the CTU will review the portfolio for risk levels, diversification among holdings and sectors, and any unusual investments.

For the Prudent Man rule, we look at each investment individually. For the Prudent Investor rule, we look at the portfolio as a whole.

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Capital Reserve funds have a more prudent investment objective. This does not mean they cannot hold stocks. The risk level should be significantly less, as conservation of principal is more important on these funds.

Each Trustee should understand and feel comfortable with the level of risk in the investments. They each have a duty to question and express their comfort level. They each should take part in the review and/or creation of the investment policy.

It is important for all new trustees to review this and become familiar with it.

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Here is a look at what we can see on a MS-10 report. Notice these are the investments and not the funds. As a reminder, the MS-10 is for “Where is the money?”

It is ok, to list everything to match the MS-9 to the MS-10, even if the funds are not commonly invested. The current requirement is only to list the investments for those funds pooled together in common investment, or where multiple funds are in one account.

It is also ok to list the investments held in the single investment account, but this is not required.

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Remember, “Single Investment” is for a larger fund that is in its own account but in more than one investment.

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Let’s look at Example 3, Cemetery Perpetual Care Funds pooled together for the MS-10 Report. All town cemetery perpetual care funds pooled together and invested in a bank money market account.

“Where is the money?”

Do not put name of fund again, but only the investment name. In this case TD Money Market. For bank accounts, please use the name of the bank or institution. You may put the name of the mutual fund company, but it is not required (e.g., “Fidelity” Growth Performance fund).

For stocks and mutual funds, you may put the number of shares, and then choose the type of investment this is.

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In the **Example 4 Common Trust Funds**, privately donated funds pooled together and invested with an investment professional.

In this example they are entering each investment either on the portal directly or by a csv upload. Note that you can also upload statements now on the portal under the “Brokerage Statement” tab, which we will see next.

If manually entering investments, you must list each investment separately. Be sure to identify the type of investment, i.e., Stock, bond, CD, savings etc.

A money market is a type of mutual fund but because the principal is usually not at risk, please use term “Money market.”

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In Example 5 Common Trust Funds, they choose to upload the statements.

I’ll explain how to upload the statement.

1. Choose the file from your file folder by clicking on the browse button and selecting the file. Please label files to identify what funds it is (e.g., “Capital reserves account” or “Common trust funds account”).

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2. On the lines in the portal, enter the investment company or brokerage name, date (Year End), and it can also include funds (e.g., “Vanguard 12/31/22 Capital Reserve Fund”).
3. If possible, enter the book value or cost basis of the funds so that the MS-9 and MS-10 match. The fair market value may be higher or lower depending on the performance in the market. If you use the market value, please also be sure to use the market value sections on the MS-9 report.

Matching either the cost basis or the market value from the reports is the only way that I know that all the fund’s investments have been reported. The save button will save the file to the ledger, but you still need to submit the ledger itself.

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Going back to manually entering, for the second section of the form, you need to enter the full year activity to the fund for principal and income separately. A market value can be added to the bottom section.

For bank checking, savings, and CDs, as well as money market funds, the market value is the same as the principal value, so you should enter it again there to avoid any red flags when sent to the CTU. There are automated flags generated on these reports that are seen by the CTU only.

Again, anything in the **NH PDIP does not** need to be reported, even if funds are pooled. Remember to **hit the submit** button after entering fund information or uploading statements. Even **if no MS-10 report is needed**, please hit the submit button to roll the report to the next year.