
March 21, 2016 - Minutes

Trustees of the Trust Funds

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Board Members Helene Matesky, Linda Terry, and Chris McAleer were in attendance. Martha Benesh, a former Trustee, was a member of the audience

The meeting was called to order by Linda at 10:32am. It was noted that the minutes of the previous meeting of March 2nd had already been approved.

There was a brief discussion by Linda involving a minor clarification to the Trustees Investment Policy document involving sections 4-7 and specifically section 5 regarding the adoption of the 'Prudent Investor' policy. This 'Prudent Investor' policy adoption only applies to trust funds derived from private sources. All other funds would be managed under the 'Prudent Man' rule. These are the monies under the Trustees that involve publicly derived funds from taxpayers.

Helene handed out a copy of the 2015 MS-9 she recently filed with the state that lists all the Trust funds individually with a combined value as of March 1st of \$1,972,164.97. Not included in this valuation were funds appropriated at the March 2016 Town meeting.

Out of this total amount Helene determined that approximately \$619 thousand from various Trusts would constitute funds that were from private sources and therefore could be invested under the "Prudent Investor" guidelines. A further clarification to identify the exact trust funds that are covered as well as specific individual trust requirements pointed out some of the complexity that is involved here.

For additional understanding of the responsibilities of the Trustees Martha pointed out that training classes in these matters have been available through Terry Knowles of the NH Attorney General's office. Generally, these basic training classes are conducted in Concord and in Gorham but there has been talk of an advanced training session taking place in Gorham this year.

Martha brought up a lawsuit in Massachusetts involving a John Quincy Adams Trust that was designated for the education of girls. Helene mentioned that the Trustees had rented out a building owned by the Trust at below market rates and therefore did not meet their fiduciary responsibilities. Helene further pointed out that we follow NH state rules carefully such that a similar situation is highly unlikely.

Furthermore, in applying the 'Prudent Investor' rule we can always go to the State to see if a strategy we are contemplating meets intended guidelines.

Additional discussion on the proposal by Chris Eddy of Northway Bank to put the entire portfolio in brokered CD's was briefly mentioned and I promised to follow up with him.

At 11:30 am we welcomed Charles Mathews and Frank Anderson of the Wealth Management arm of the Bank of New Hampshire. We had invited them to meet with us as potential Investment Advisors of the trust funds.

Charles is a Chartered Financial Analyst and Senior Vice President and Investment Officer at the Bank with more than 23 years of investment management experience. Previously he was with Citizen's Bank for many years.

Frank Anderson is also a Senior Vice President at the bank and a Private Banking Officer. He has 25 years of experience in the banking and financial services and was also previously at Citizens.

Both Charles and Frank have worked with Municipalities and Town Trust funds and seemed very familiar with the subject. Charles is on the investment side and Frank on the relationship side. There are 6 people involved on the investment side and 5 on the relationship side.

In response to questions Charles gave an overview of the Bank of New Hampshire. The bank is independently owned, a mutual bank and has no plans to be acquired.

Even though Charles and Frank have been with the bank less than a year the bank itself has been involved in Private Wealth Management for both towns and individuals for a considerable period. The bank does the required state filings for Municipal Trust funds or forms MS9 and MS10.

Fees for the Capital Reserve Funds are .3% or 30 basis points and .9 or 90 basis points on all other funds up to \$1 million and .8 or 80 basis points above \$1 million. These are annual fees charged on a monthly basis. The fees are guaranteed for 3 years but we can cancel our investment at any time

Charles gave an overview of both their fixed income investing and stock picking processes. On the fixed income side they favor high grade corporate bonds over treasuries because of higher yield. Based on current rates they would expect returns of 1.25% to 1.40% net of fees.

On the equity side they take into account current economic trends and drill down on companies with a history of profitability and earnings growth. They try to create portfolios that are diverse across industries but will weight a sector that they judge to be in favor. They look more favorably on return on invested capital as opposed to a more standard return on equity. A

portfolio will consist of between 40 to 50 stocks but they follow considerably more. Turnover is expected at 20% to 25% per year. The funds they manage are held with Bank of New York. Trading fees for stocks are 6 cents per share.

For each town and each trust the situation is different and Charles says they take this into account but there is consistency across all accounts when objectives (liquidity, time frame) are similar. The risk management and process remains the same regardless.

Charles in his hand out showed us (equity) returns of the Bank versus various benchmarks and the Bank has had favorable results. As he explained, however, it is much more difficult to extrapolate potential results for us as the equity markets are unpredictable and our comfort level on equity participation does not necessarily match what he showed us with these composite returns.

In response to a Helene question Frank said they can show us actual returns on various accounts they have managed that have different levels of equity participation. Names of localities blanked out.

Helene asked if she could go into any of the accounts to move money as she currently does with NHPDIP. The answer was no but with a voice mail and e-mail confirmation they can mail a check or do an electronic transfer to us or to a specific payee.

Finally, Frank suggested that they have a high degree of tech capability including access to Bloomberg resources.

The consensus was that they made a strong presentation.

Submitted by Chris McAleer March 24, 2016