
March 30, 2016 - Minutes

Trustees of the Trust Funds March 30, 2016 Meeting Minutes

Attending: Linda Terry, Helene Matesky and Chris McAleer, Trustees

Guests: Martha Benesh, Bryan Sanford and Diane Mullin

Chairperson Linda Terry opened the meeting at 10 am.

The minutes of the March 21, 2016 Trustees meeting were approved.

There was a brief clarification on some points made by the Bank of New Hampshire representatives at our previous March 21, 2016 meeting. We had met with them regarding B of NH providing us with investment services. Specifically, at our request, they provided us with actual investment results on Trust funds they managed for an unnamed New Hampshire town. Helene also wanted a copy of a report (monthly) that they would generate for the Trustees and also what would be on a screen at their web site should we wish to go online to look at our accounts. Both these requests were subsequently made to Charles Mathews at B of NH. It was also noted that although we could access the accounts no transfers, payments or any other actions could be made online. Direct contact is needed with B of NH for them to process any transactions.

Also, Chris advised that he met with Chris Eddy of Infinex/Northway the previous day, March 29th, 2016 to follow up on his proposal to manage the Capital Reserve Funds and Trusts.

Helene then gave to the board copies of a letter from the Selectmen requesting withdrawals of funds from various Trusts but this discussion was put on hold as our guests from Charter Trust Co. arrived. Charter was here to make a presentation to the Trustees regarding their investment services they could offer to the Trustees.

Bryan Sanford an investment advisor and Diane Mullin part of the wealth advisory team at Charter joined us.

As background on Charter they informed us that a number of New Hampshire banks back in 1984 formed Charter as a Wealth Management and Investment Advisor Firm that would handle that end of the business for the bank consortium. The firm is now wholly owned by Lake Sunapee Bank which initially owned the largest share of Charter.

Charter is based in Concord but they also have six other locations in New Hampshire including Meredith and Rochester. They currently work with 96 towns and institutions in a similar capacity with what we are looking to do and have \$1.6 billion under management.

They currently utilize both internal and external (third party) auditing processes. They attend Trustee seminars conducted by Terry Knowles and the state Attorney General's office. They also conduct their own training for Trustees with the biggest issue involving the 'right to know laws' which essentially involve accurate and timely minutes as well as access to Trustee's meetings. They provide MS9 and MS10 forms at year end at a cost of \$1000 for both. Their management fees are .40% or 40 basis points on Capital Reserve Funds assets and .75% or 75 basis points on all other Funds. 1/12th of the fees are taken on the 15th of the month based on the prior month's value. They also do either monthly or quarterly statements. There is also online access to accounts but no transactions allowed other than printing statements.

Linda asked about bonding for Trustees and Charter said that is our issue as they are not involved with that aspect.

They said they would meet with us during the year multiple times as necessary to review results as well as review our Investment Policy Statement which needs to be affirmed at least annually. Linda said that we do have an IPS and Byron said if we wanted he could draft a IPS for us to review as well.

As a Trust Department all Charter employees are on a salary so no commissions are involved. Bryan had multiple handouts. The first showed assets for a Capital Reserve Fund for an unspecified New Hampshire town. The majority of assets were in US treasuries with various maturity dates and interest rates. Other investments were in some city and state muni bonds. There were no equities nor any corporate bonds in the portfolio. The return on the portfolio was .97% or 97 basis points which would net out to .57% or 57 basis points after fees in this example.

They then showed us details and holdings of a Trust Fund account for the same unidentified NH town.

This portfolio had a 32% equity position mostly in individual US stocks across a number of industries such as consumer stocks, financials, energy, information technology etc. The preference here leaned toward larger companies but some exposure to small and mid-sized companies as well. A small amount of the portfolio had international exposure through various low cost index funds.

62% of the portfolio was in fixed income including a mix of corporates, some preferred stocks, taxable and non-taxable muni's. Some 20%, the largest amount of the portfolio was in 3 different Vanguard bond funds.

The total return over the unspecified time frame for this Trust portfolio was 2.84% or net return after fees of 2.09%.

Bryan also showed us returns of a portfolio over various time frames including 1, 3, 5, and 10 year periods. The returns were .16%, 8.89%, 8.16% and 6.25% respectively for those time frames inclusive of additions and withdrawals.

Bryan emphasized a conservative approach that had Charter looking for value in equities, exercising a low portfolio turnover rate and allocation over various asset classes. There are 10 members on the investment team headed by Chief Investment Officer and Senior Partner Douglas Tengdin CFA. It was also noted that Mr. Tengdin does a daily blog and with President and CEO Steven Albrecht a daily radio show as well.

In response to a question about fees Diane said fees are not guaranteed for a specific timeframe but have changed only rarely and it has been Charter's practice to 'grandfather' fees on already existing accounts. Linda asked for a copy of Charter's investment agreement and this along with a sample investment policy statement and a sample of what we might see on an online screen will be forwarded to us.

Helene mentioned that the school budget's fiscal year is July 1st to June 30th which is different from the calendar year of all the other funds. They said they could do reports reflecting different time frames.

We got back to the requests for withdrawals after their departure.

In a letter dated March 24th 2016 from the Selectmen there were three requests for withdrawals.

The first was for \$1,367.50 from the Town Office Equipment Maintenance Expendable Trust Fund 0047. This was for computer equipment for the Fire Department. An invoice from Newegg for \$975.52 for the computer and components, a copy of a receipt from Walmart for 3 routers and a servicing plan totaling \$307 and a copy of a Staples receipt for \$84.98 for additional components were all in order and the withdrawal was approved.

The second withdrawal was requested from the Highway Truck Capital Reserve Fund 0048 for a highway truck for \$70,039. Attached were two invoices one from Crest Motors for \$47,379 for the truck and a second one from MHQ Truck Equipment of Shrewsbury, MA for \$22,660 for parts to set the truck up to the Highway Departments specifications. This was approved as well.

The third request was for \$2,340.93 drawn from the Police Cruiser Capital Reserve Fund 0027. This was for emergency lights and an electronic controller to operate the lights to be installed in the new Police Cruiser. An invoice was included and this request was approved as well.

School Bus Withdrawal Discussion

Linda discussed research she did in response to an inquiry from Becky Jefferson, Finance Director of SAU9, about last year's withdrawal of funds from the School Bus Trust 0001.

In October 2015, the School Board purchased a bus for \$83,493. In November, the School Board requested withdrawal of \$40,000 from the trust, which when added to the \$57,000 raised from taxes, was \$13,507 more than the cost of the bus.

The Trustees voted to release only the amount needed to buy the bus and did not approve releasing \$13,507 to be used by the School Board for other purposes.

Linda referred to RSA 35.15 V that states – *In all cases, expenditures from a capital reserve fund shall be made only for or in connection with the purposes for which said fund was established or as amended as provided in RSA 35:16.*

Helene also pointed out that this is a capital reserve, not an expendable trust and that the School Board does not have discretionary authority as agents for these funds. All expenditures must be made according to the wishes of the voters at the School District Annual Meeting.

2015 School District Warrant Article 4 states:

To see if the School District will vote to raise and appropriate the sum of ninety-seven thousand (\$97,000) to purchase a school bus, and authorize the withdrawal of forty thousand dollars (\$40,000) from the Capital Reserve Fund (School Buses) previously established for this purchase. The balance (\$57,000) to come from general taxation.

Trustee procedures require a detailed invoice for the total purchase price and do not permit withdrawal of more funds than the cost of an item. The Board of Selectmen follow these procedures even though, as agents for most accounts, they have been given more discretionary authority by town voters than the School Board has been given.

Consistent with established procedures, the RSAs and the language of the 2015 School District Warrant Article 4, the Trustees feel we would not be fulfilling our fiduciary responsibility if we withdrew funds that the School Board would use for other purposes.

Because the bus was bought and totally paid for last

year, the Trustees cannot release \$13,507 from the School Bus Trust for anything other than the purchase of a bus in the future.

The meeting was adjourned at 12:05pm.

Chris McAleer