

Town of Swanzey, New Hampshire
TRUSTEES OF TRUST FUNDS
Meeting Minutes – December 10, 2013

Note: Draft Minutes are subject to review, correction and approval by the Trustees. Review and approval of Minutes generally takes place at the next regularly scheduled meeting of the Trustees.

CALL TO ORDER: The meeting was called to order by Chairman Richard Scaramelli at 9:33 a.m. Present were Chair Scaramelli, Steven Bittel, Ed Morenz and Recording Secretary Beverly Bernard.

MINUTES:

- Minutes of October 17, 2013 were considered. Bittel **moved** to accept the Minutes, seconded by Morenz, and all were in favor. **Motion passed.**

REPORT OF BOOKKEEPER

a. Transactions and Balances, November and YTD

Bittel distributed copies of the Vanguard statements to Morenz and Scaramelli. He noted that transactions were routine except for heavy activity in the Non-Restricted funds. Bittel said he thought the accounts were good shape for year end. The Cemetery Fund now has nearly \$25,000 in appreciation. He also reported that Cemetery income this year is up, with approximately \$4,000 expected by end of the year. Bittel said he is recalculating the values of three groups as of January 1, 2013 to revise fund allocations for the annual distribution to the Town.

b. Update re PDIP accounts

Balances come out to \$1,000 for Town and MRSD as of October 31, 2013. Earnings are nil, at 2 bps.

NEW BUSINESS

a. Review of Investments

a. Common Fund –

A review of the Vanguard statement for the Common Fund showed the fund was up \$30,000, which is a 13% gain in a few months. During the discussion it was noted that IBM, Phillip Morris and Exelon are down, while the rest are up. Scaramelli said that Exelon is looking weak. Seeing that IBM stock is down to \$35 from \$37 per share earlier, Scaramelli suggested adding more IBM stock to the modest position held currently. Yield is 2.9% or 2.8%, and it is an opportunity to add to the position since it is down at the moment.

The Trustees discussed other possible investment opportunities. They discussed refiners for investing. specifically Valero (yield is 1.99%). It was noted that Exelon was purchased on the premise that energy would become more and more expensive and that low-cost producers, such as nuclear generators, would do well. However, the surge in natural gas supplies, created by fracking, has undermined that premise, rendering nuclear a higher-risk, lesser-reward proposition. Scaramelli felt

there was market risk in keeping Exelon. Morenz agreed that nuclear is a declining industry. Scaramelli said he felt that there is market risk in keeping Exelon. Morenz agreed that nuclear is a declining industry

Scaramelli **moved** to sell Exelon at market value, and the motion was seconded by Morenz and all were in favor. **Motion passed.**

Bittel spoke about the GNMA bond fund held by the Town. It's yielding 2.65% according to the Vanguard statement. Morenz asked about the percentage of bonds the Town holds today. Bittel responded that it is about 26% and this may be lower than required by investment policy established by the Trustees. Bittel said there is about \$180,000 in bonds right now in the portfolio with a very low yield.

Scaramelli reported that under the Trustee investment policy, fixed income assets were not to exceed 55%, and equities not to exceed 65%. The funds are at 70% equities. Bittel suggested perhaps holding cash until such time as there is a definite investment that the Trustees want to make. Morenz suggested that the Trustees analyze their goals regarding bonds versus stocks. Morenz said there is way too much GNMA for the return that it is yielding. He suggested the Trustees shorten up the duration for bonds, to reduce interest-rate risk when the Fed begins tightening.

Scaramelli suggested adding to the DNP Select Income Fund (preferred stock and bonds in utilities) currently in the Town's portfolio. The other non-Vanguard fund that is being held is Dodge and Cox Income Fund with \$164,000 in it, with yield of 2.96%. DNP has only \$35,000 in it currently and could be bumped to \$100,000. The Trustees reviewed the statistics for the Fund including the Fund asset types. After review of the statistics, Morenz said he liked the idea of putting the money into the DNP Select Income Fund.

Motion by Scaramelli to acquire additional DNP Select Income Fund stock to raise the balance to \$75,000 (\$40,000 new money). There was a second by Bittel, and all were in favor. **Motion passed.**

Further discussion on GNMA bonds ensued. Cemetery fund has a minor loss for the year. Bittel suggested that if GNMA bonds are sold, a capital gain distribution might be lost, but also pointed out that net asset value would also go down. Discussion regarding floating rate funds: Bittel said he thought there was more risk than one would think in a floating rate fund. A discussion occurred regarding the level of bond holdings in the Cemetery Fund and the Common Fund and the Non-Restricted Fund. Scaramelli said he is comfortable postponing any action in the Cemetery Fund as the risk concentration is slight. The issue is with the Common and Non-Restricted Funds and what should be done to trim the holdings in bonds. Scaramelli said that bonds should be generating income. Morenz said if the Trustees decide to sell, it should sell at least half of the bond holdings and shorten the duration.

Motion by Scaramelli to exchange \$90,000 of holdings with Vanguard of GNMA (VFIJX) in the Common Fund for VBIRX Short-term Bond Index Fund Admiral shares, second by Morenz, and all were in favor. **Motion passed.**

A discussion ensued regarding the Non-Restricted Fund account. Fifty percent of the GNMA money equals \$37,500 in that account.

Motion is to exchange \$35,000 of holdings with Vanguard of GNMA (VFIJX) in the Non-Restricted Fund account for VEIRX Equity Income Fund Admiral shares, second by Morenz, and all were in favor. **Motion passed.**

b. Request to Amend Charles Carlton Trust (petition from East Swanzey Community House) – refer to counsel?

A discussion was held regarding a request from the Swanzey Community House Association to be able to access the funds designated in support of the library formerly at the Community House (but closed for many years) The association is asking for legal assistance in seeking what is possible under the Trust Funds from the Charles Carlton East Swanzey Library Trust Account. The Trustees discussed what the next steps might be.

Scaramelli suggested consulting first with Terry Knowles, Director of the Charitable Trust Unit in the NH Dept. of Justice, and secondly with Town Counsel Homer S. Bradley, Esq. The Trustees agreed. Scaramelli acknowledged that, as an officer/trustee of the Mt. Caesar Union Library, he stands ready to recuse himself should consultations indicate that the funds be redirected anywhere other than to the Community House.

c. Other –

a. Housekeeping matters *filing, drawer, attic, etc.)

The Trustees discussed the files being stored at Town Hall and the need to go through them. Scaramelli suggested that this review be held off until the close of this fiscal year (three weeks).

OLD BUSINESS

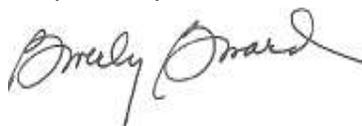
a. Bookkeeper Update –

Lori Belletete as agreed to help with the routine bookkeeping and Lynn Rust wants an estimate of hours before agreeing to handle the more comprehensive bookkeeping.

ADJOURNMENT: Bittel **moved** to adjourn, seconded by Scaramelli. Adjournment at 11:20 a.m.

Next meetings scheduled for 9:30 a.m. at Swanzey Town Hall:
Q4 Review, Year/End Review and Investment Policy approval – January 23, 2014

Respectfully Submitted,



Beverly Bernard, Recording Secretary