

Town of Swanzey, New Hampshire  
**TRUSTEES OF TRUST FUNDS**  
Meeting Minutes – July 10, 2014

*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 Ed Morenz at 9:40 a.m. Present were Chair Morenz, Steven Bittel, Richard Scaramelli and Recording Secretary Beverly Bernard.

**OTHERS PRESENT:**

**MINUTES:**

- Minutes of April 24, 2014 were considered. Scaramelli **moved** to accept the Minutes, seconded by Morenz, and all were in favor. **Motion passed.**
- Minutes of May 29, 2014 were considered. Scaramelli **moved** to accept the Minutes, seconded by Morenz, with abstention from Bittel, and all were in favor. **Motion passed.**
- Minutes of June 10, 2014 were considered. Scaramelli **moved** to accept the Minutes, seconded by Morenz, with abstention from Bittel, and all were in favor. **Motion passed.**
- Minutes of June 16, 2014 were considered. Scaramelli **moved** to accept the minutes, seconded by Morenz, with abstention from Bittel and all were in favor. **Motion passed.**

**REPORT OF BOOKKEEPER**

**Transactions and Balances, Q2 Review – March 31- June 30, 2014**

**a. Capital Reserve and Expendable Trusts** were discussed. **Town Capital Reserves** had routine transactions with large withdrawals for Whitcomb Hall project. There was also a large transaction for fire trucks. **School District** had minimal interest income and no transactions.

**b. Non-Restricted Funds** were discussed. Most Old Home Day funds are now being recorded as Town General Funds; only donations will come to the Trustees. Cash receipts and disbursements were routine. It was noted that scholarship recipient Scofield has not cashed a scholarship check. Vanguard investments – did well with the Equity Fund. Bittel asked the Trustees for any changes recommended for allocations and there were none.

**c. Cemetery Trust Fund** was discussed. No transactions reported. The Trustees focused on investment allocations to review for any modifications. Currently the fund is at about 43% in bonds based on market value. Morenz said he was comfortable with as much as 70% in bonds but suggested maintaining the status quo until the mid-term elections. He said that a defensive position might be useful in the near future.

After review, it was noted that Chubb pays a decent dividend. Discussion was held regarding the possibility of taking \$10,000 out of Vanguard Dividend Growth Fund, leaving only \$5,000 there.

Decision was made to rebalance to increase bond weighting in light of macro-economic conditions:

**Motion** was made by Bittel to exchange all of Vanguard Dividend Growth Fund, approximately \$20,000, for Vanguard Wellesley Fund, a balanced income fund having a two-thirds bond allocation. A second to the motion was made by Scaramelli, and all were in favor. ***Motion passed.***

**d. Common Fund** was next discussed. Bittel said there was one Q2 trade – IBM for Qualcomm. There was significant Lucy Carpenter Trust dedicated timber income, close to \$60,000, for the first half. It was discussed that the forester may have certain claw-backs owing to timber quality. The Trustees will monitor events.

However, Bittel noted the fund needs two correcting trades:

1. To correct a timber deposit made to the Principal Fund as opposed to the Income Fund.

**Motion** by Bittel to sell \$616.12 short-term bond index and buy prime money market fund, second by Scaramelli and all were in favor.  
***Motion passed.***

2. To reallocate surplus of cash from the April 29, 2014 trade selling IBM and buying Qualcomm that rests in the Income as opposed to the Principal Fund

**Motion** was made by Bittel to sell prime money market fund and buy short-term index fund in the amount of \$136.87. All were in favor and ***motion passed.***

The Trustees considered the time it took Bittel to prepare the Q2 statements for the purpose of future planning, especially using Lynn Rust, CPA, to take over some of the accounts. Bittel will discuss these time with Rust and report back to the Trustees. The following times were noted:

- School District Capital Reserves– 15 minutes
- Town Capital Reserves – 1 ½ hours
- Unrestricted Funds – 2 hours
- Common Fund – 10 hours, but Bittel encountered special issues this quarter that should not recur.
- Cemetery Fund – 45 minutes

Bittel noted a continuing difference in DNP's cost basis of \$52.88 in Vanguard

statements versus Bookkeeper's records was noted by Bittel. He will try to resolve it during Q3.

**Motion** by Morenz to approve and adopt the Bookkeeper's Report with a copy of the Bookkeeper's report to be appended to these minutes, second by Scaramelli, and all were in favor. **Motion passed.**

## **OLD BUSINESS**

### **Review of Investments – Common Fund**

A discussion then occurred regarding the current allocation of bonds to equities which are approximately 31% bonds and 69% equities. Bittel recommended that the Trustees take \$100,000 out of the Investment Fund's Prime Money Market Fund and purchase Short Term Investment Grade Fund. The Trustees agreed.

**Motion** by Bittel to exchange \$100,000 from the Prime Money Market Fund for Vanguard Short-term Investment Grade Bond Fund, second by Scaramelli, and all were in favor. **Motion passed.**

A discussion then occurred regarding the current allocation of bonds to equities which are approximately 31% bonds and 69% equities. The Trustees agreed that the bond allocation should be targeted for 35% to 40%. Discussion occurred regarding which equities to sell in order to purchase bonds. The Trustees considered Deere, Caterpillar, as well as Boeing. Discussion occurred regarding duration risk vs. bond yield.

Scaramelli **moved** to sell Boeing stock valued currently at approximately \$38,169.00. The motion failed for lack of a second.

A discussion was redirected to the amount needed to achieve the desired increase in bond allocation. It was noted that \$35,000 would achieve approximately 1% since the total market value is \$3.5 million currently. Bittel suggested selling Abbott and AbbVie in addition to Scaramelli's early motion to achieve approximately \$99,000 and add all or part of Caterpillar and all or part of Deere. Based upon realizing the solid gain achieved this year, recommendation was to sell all of Caterpillar for approximately \$63,500. Selling these equities would provide approximately \$162,000 to invest in bonds to get closer to 35% allocated to bonds. After further discussion on duration risk, the Trustees decided the proceeds would be invested in Vanguard Wellesley Income Fund.

**Motion** was made by Bittel to sell all of Abbott, AbbVie, Boeing and Caterpillar stock and invest all the estimated proceeds in the Vanguard Wellesley Income Fund for the purpose of reallocation to rebalance assets in the Common Fund. There was a second by Scaramelli and all were in favor. **Motion passed.**

### **Carlton Cy Pres**

Scaramelli suggested that the Trustees contact Town Counsel Sam Bradley regarding doing a "cy pres" petition in probate court to repurpose the Charles Carlton Swanzey

Community House Library Fund since the library at the Swanzey Community House no longer exists. The Trustees agreed. Scaramelli volunteered to write a letter to Town Counsel Bradley regarding achieving the *cy pres* petition and copy Fred Peters who is President of Swanzey Community House.

## **NEW BUSINESS**

### **New Legislation permitting cemetery sales to go to the Town rather than Trustees**

Discussion occurred regarding the time and difficulty of allocation accounting over 2,000 accounts (plots) for very small dollar amounts (less than \$1,000/year) for cemetery sales. It was noted that the Town Administrator recommends creating an Expendable Trust for Cemetery Maintenance for easy of accounting purposes. Cemetery sales would be removed from the existing Cemetery Fund.

Scaramelli made a **motion** to create a dedicated Expendable Trust Fund for Cemetery Maintenance and direct all cemetery lot sales proceeds to be deposited in the Expendable Trust Fund for Cemetery Maintenance and to authorize the Town Administrator to write a warrant article for that purpose, second by Bittel. All were in favor. **Motion passed.**

### **New legislation permitting alternate members on TTF**

Scaramelli informed the Trustees that New Hampshire State Bill (SB) SB-216 allows for Alternate members for the Trustees of Trust Funds. The Trustees may recommend to the appointing authority (the Selectmen) to appoint an Alternate. Scaramelli read from the legislation stating that the Selectmen may appoint no more than two Alternates for 1 year terms. Rationale is that a three member Board is very small and it is prudent given the ages of the trustees to have additional members available. It also would provide a training ground for new trustees. Moreover, due to employer restrictions, currently only two people have check signing authority and some checks require dual signatures.

**Motion** was made by Scaramelli to recommend to the Town of Swanzey Board of Selectmen to appoint at least one alternate, and possibly two, for not more than 1 year terms. The motion was seconded by Bittel and all were in favor. Motion passed.

### **Funded but un-awarded scholarships**

Scholarships are triggered each year by request from the Guidance Counselor at the Monadnock Regional High School to fund the various scholarships available. Guidance Director Watkins-Barth from the High school provided a list of scholarship recipients to the Trustees. In 2012 and 2014 certain individual awards had no recipients. The Trustees agreed that it is their fiduciary duty to research the settlement of un-awarded scholarship money. Money that is unexpended needs to be returned to the Trustees.

Discussion occurred as to how to proceed and follow through with Jane Fortson in the business office at the Monadnock Regional School District (MRSD). The Trustees agreed to have Scaramelli contact Jane Fortson to begin inquiries.

### **Vanguard Institutional Service**

Discussion was held regarding using Vanguard Institutional Service which would take on a fiduciary role for the Town. Morenz said that the Vanguard folks would probably recommend their index funds, not the sub-managed funds which perform better. A discussion was held regarding whether the Town's funds would be better off using this service. Bittel suggested that the Trustees should take a very conservative approach with this service. Scaramelli said he is comfortable with using index funds as core holdings. Morenz said he is fine with bond index funds. Bittel said that the Vanguard folks would set up an investment policy with the Trustees, but Morenz said that it is how it is managed is the key issue.

Bittel and Scaramelli said that if they do decide to go with the service, it should be implemented slowly. Mission is to protect principal from loss, including the loss of purchasing power. This is the policy the Trustees follow. Prudent Man Rule – is traditional standard which makes preservation of principal of highest order.

Morenz said he would like to see how Vanguard Institutional Service performed with similar funds last year.

**ADJOURNMENT:** Scaramelli **moved** to adjourn, seconded by Bittel. Adjournment occurred at 11:34 a.m.

Next meetings scheduled for 9:30 a.m. at Swanzey Town Hall:  
Q3 Review in October 23, 2014

Respectfully Submitted,

A handwritten signature in cursive script, appearing to read "Beverly Bernard".

Beverly Bernard, Recording Secretary