

Town of Swanzey, New Hampshire  
**TRUSTEES OF TRUST FUNDS**  
Meeting Minutes – January 22, 2015

**CALL TO ORDER:** The meeting was called to order by Chairman Ed Morenz at 9:35 a.m. Present were Chair Morenz, Steven Bittel, Richard Scaramelli and Recording Secretary Beverly Bernard.

**OTHERS PRESENT:**

**MINUTES:**

- Minutes of October 30, 2014 were considered. Bittel **moved** to accept the Minutes, seconded by Morenz and all were in favor. **Motion passed.**

**REPORT OF BOOKKEEPER**

Bittel passed out a copy of his Bookkeeper's notes and reviewed them with the other Trustees. The report is attached at the end of the Minutes (see Addendum A). Scaramelli said he appreciated the column added by Bittel for income applicable to the Carpenter Home.

Bittel discussed a problem with the Cemetery Equity Income Fund. Bittel said he would like to invest in a new fund since there is a substantial amount of money in cash in the Money Market fund. Discussion was held regarding the idea of purchasing a Certificate of Deposit (CD) for one year. Other options were considered as well such as adding money to the Dodge & Cox Income Fund. The Trustees considered a trade to sell all of Vanguard short-term investment grade funds in the Cemetery Fund. Purchasing Vanguard Equity Income Fund was considered. Vanguard Wellesley Income Fund was also considered. The Trustees agreed to take the balance in short-term investment grade funds in the Cemetery Equity Income Fund and exchange it for Vanguard Equity Income (approximately \$15,000).

**Motion** was made by Bittel to sell all of Vanguard short-term investment grade funds in the Cemetery Equity Income Fund and exchange the proceeds for Vanguard Equity Income Fund. There was a second by Scaramelli and no further discussion. All were in favor. **Motion passed.**

Due to the fact that the Trustees were locked out by the Vanguard website from completing the purchase of the Equity Income Fund until February 28, 2015, there was a **motion** by Bittel to amend the prior motion and purchase Vanguard Wellington Fund; there was a second by Scaramelli and all are in favor. **Motion passed.**

**Motion** was made by Bittel to sell the remaining shares of Equity Income held in the Cemetery Income Fund (approximately 15 shares), and there was a second by Scaramelli. All were in favor. **Motion passed.**

**OTHER BUSINESS**

**Performance in the Common Fund**

Scaramelli suggested that the Trustees discuss the Common Fund performance. Returns need to be considered against the Trustee benchmarks.

#### **Review Final Reports MA-9 MS-10 Forms for Capital Reserves/Expendable Trusts & Non-restricted Funds.**

Scaramelli said that the State has converted to electronic reporting and some training is available. Bittel said he would contact State of New Hampshire Department of Revenue Administration (DRA) to obtain details on the changes

#### **Consideration of removal of the 1975 Cap Reserve in the MRSD Account**

Bittel said this action requires a Warrant Article.

#### **Co-fiduciary Account Discussion - Vanguard versus Mackenson**

Discussion occurred regarding a choice of investment advisors. Scaramelli said he researched fees and noted that Mackenson fees are the same as Vanguard fees. Morenz said that he had an impression that there was another fee required by Mackenson. Morenz and Bittel both remarked that their initial impression had been that Mackenson fees were high. Scaramelli referred to the Fee Structure from the Mackenson publication. He also noted that this is a New Hampshire firm with accounts with other towns in New Hampshire. Scaramelli said that he thought that Mackenson would give better advice to the Town. The Trustees agreed to have Scaramelli perform due diligence regarding researching recommendations from other towns using Mackenson and to verify the fee schedule with a more updated version than presently held.

#### **CY Pres update**

Scaramelli informed the Trustees that the Assistant Attorney General from the State of New Hampshire has reserved the right to conduct a hearing on the issue. Scaramelli also suggested that the earliest a court hearing would take place would be March 2015.

#### **Transfer of Rail Trail from town treasurer to new Exp. Trust**

There was a brief discussion about the transfer of funds and when they will occur.

#### **Combining MRSD CR/ETs with town CR/ETs (update of internal controls)**

Discussion was held about combining funds which would be especially efficacious if using a co-fiduciary firm. No action was taken.

#### **Possible update on MRSD scholarship consolidation and transfers to TTF**

Scaramelli provided a report from the Business Manager from the Monadnock Regional High School regarding unexpended funds being held by the school district for student activities. Trustees focus was on unexpended student scholarship funds which is about \$2,000.

#### **Review Investments**

Scaramelli provided a report he generated for December 31, 2014. Comment on the document is that the Town is underweight in Consumer sector, Finance, and Technology and overweight in Telecom, Energy, and Industrials. Scaramelli also made recommendations for selling Conoco, Deere, and McDonald's stock and using the funds to purchase a number of other brand name stocks.

Morenz said he has no problem with selling McDonalds. Scaramelli recommended consideration of purchasing Sysco stock. He said it offers stability and steady income. The Trustees agreed to sell McDonald's and purchase \$50,000 of Sysco stock.

**Motion** was made by Scaramelli to sell approximately \$50,000 of McDonald's stock and buy approximately the same dollar amount of Sysco stock. There was a second by Bittel, and all were in favor. **Motion passed.**

The trade was executed by Morenz on the Vanguard website.

Bittel **moved** to adopt the text for Internal Controls for Checking Account (see Addendum B), and there was a second by Morenz. All were in favor. **Motion passed.**

**ADJOURNMENT:** Scaramelli **moved** to adjourn, seconded by Bittel. Adjournment occurred at 11:42 a.m.

Next meetings scheduled for 9:30 a.m. at Swanzev Town Hall:

Respectfully Submitted,

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

Beverly Bernard, Recording Secretary

## **BOOKKEEPER'S NOTES – December 31, 2014**

[Prepared: 01.21.15]

### **MRSD CR/ET:**

- Activity remained muted with only one transaction during the first three quarters.
- The Before/After School Programs Fund late September overdraft was corrected in early October with the delayed \$200K deposit.
- ICS interest for the year was only \$1,038 (~20 bps). Consideration should be given to the co-fiduciary option despite the fact that current market conditions may affect timing. (see NRFs return, below)

### **TOWN CR/ET:**

- Typical Q4 activity with year-end CR & ET disbursements as well as Covered Bridges, Muni Trans Carpenter Home and Revaluation draws totaling nearly \$150K.
- Returns remained modest (~20 bps). Again, consideration should be given to the co-fiduciary option.

### **NON-RESTRICTED FUNDS:**

- Year to date MS-9 Forms for individual fund balances are now displayed.
- Activity was normal compared to last year with the exception of the not handling Old Home Day deposits this year. Top activity was in the Whitcomb Hall, Museum (Hist. Cmte.), Fire Tools and Sciuto accounts. Whitcomb Hall was substantially drawn down during Q3 for on-going repairs.
- The issue with the Stockwell Scholarship account being overdrawn by \$137.28 was resolved through a \$200 preliminary reimbursement from the MRHS's (via MRSD) activities account. The entire \$299 was allocated to Stockwell, but is subject to review upon receiving further information and funds. To that end, Jane Fortson is working through all the high school activities accounts and will report back to the Trustees this spring. The expected reimbursement number is expected to be far greater.
- Returns here are greatly improved during to implementation of Vanguard funds. Investment income and realized capital gains yielded 3.18% – nearly 3.00% greater than CR/ETs returns. If unrealized appreciation was added to the cash yield, the total return was 3.92%.

### **CEMETERY FUNDS:**

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- Although cash is reconciled for the year, I have a minor posting difference that has to be resolved; hence, we will need a February meeting to execute the MS forms.
- The annual transfers to and from the Town occurred in December with \$1,400 received in new Perpetual Care trusts and a \$5,011 annual distribution to offset Town cemetery costs, an \$828 increase from 2013.
- The Q3 and Q4 correcting trades were executed. However, a problem remains in the Equity Income Fund (see attached analysis).
- Investment income are outperformed 2013 by \$1,046, or a 24% increase.
- The money market balance appears high by ~\$10K. We need a suitable new Income Fund investment with great than MMF returns.
- Vanguard's statement indicates a 49.4% equity allocation.

#### **COMMON FUND:**

- As with NRFs, year to date MS-9 Forms for individual fund balances are now displayed.
- Although cash is reconciled for the year, I have a minor posting difference that has to be resolved; hence, we will need a February meeting to execute the MS forms.
  - I continue to carry a \$53.88 difference with Vanguard on DNP's cost, which I will try to resolve at year-end.
  - Resolution and allocation of RDS.A sale may still be an issue. (the December dividend was received in cash)
- Q4 activity was limited to disbursement from Read (Community House), Snow (sidewalks) and Carpenter (Carp. Home).
- Vanguard's statement indicates a 66.7% equity allocation.

#### **GENERAL COMMENTS:**

- None.

### Internal Controls for Checking Account

#### ***Current Text (2011)***

**Checking Account** Trustees shall maintain a checking account in the name of the Trustees of Trust Funds. The checking account is not expected to hold a significant balance, but to serve as a conduit to the PDIP and other investment resources. The checking account shall have a minimum of two trustee signatories. One trustee signature is required on each check, but two signatures are required on checks in excess of \$\_\_\_\_. Physical custody of the checkbook shall be with \_\_\_\_\_. The bookkeeper shall reconcile the checkbook against the monthly statement, and report out transactions and balances at each scheduled meeting of trustees.

#### ***Proposed Replacement (2015)***

**Checking Account(s)** Trustees currently maintain separate checkbooks for three categories of public funds, and one category of privately-raised funds:

1. Town Capital Reserves and Expendable Trusts [FDIC insured sweep account conducted through Mascoma Savings Bank]
  - a. Includes Town Cemetery account
  - b. Includes North Swanzey Water & Fire Precinct account
2. School District Capital Reserves and Expendable Trusts [ditto]
3. Non-Restricted Funds for Town accounts and School scholarships [ditto]
4. A Vanguard checkbook drawing on the prime Money Market account serving the Common Fund investments (private funds)

The checking accounts, serving as conduits to their respective investment accounts, should not hold significant balances. At least two trustees should be signatory to each checkbook. Two Trustee signatures are required on every check in excess of five thousand dollars (\$5,000), although the Vanguard checkbook lacks a dual-signature line. Physical custody of the checkbooks is with the Town Tax Collector, in the fireproof Trustee file drawer. The Bookkeeper shall reconcile the checkbooks against the res respective monthly statements, and report out transactions and balance at each scheduled meeting of Trustees.