

Town of Swanzey, New Hampshire  
**TRUSTEES OF TRUST FUNDS**  
Meeting Minutes – April 23, 2015

*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 9:36 a.m. Present were Chair Morenz, Steven Bittel, Richard Scaramelli and Recording Secretary Beverly Bernard.

**OTHERS PRESENT:** Town Administrator Shane O’Keefe was present from 11:06 a.m. to 11:09 a.m.

**MINUTES:**

- Minutes of January 22, 2015 were considered. Bittel **moved** to accept the Minutes of January 22, 2015, seconded by Scaramelli and all were in favor. ***Motion passed.***

**AGENDA ITEMS:**

**Rail Trail Expendable Trust**

Scaramelli announced that there was a new expendable Rail Trail Expendable Trust initiated by the Selectmen in March 6, 2015 with a transfer of funds from the Town budget to the new trust fund of \$18,602.70.

**Carlton Trust**

Scaramelli informed the Trustees that a decree has been issued by the court to the effect that the Carlton Library Trust for benefit of East Swanzey Community House has been transferred to the benefit Mt. Caesar Union Library. The principal remains with the Trustees of Trust Funds; the income fund is targeted for the Mt. Caesar Union Library. The accumulated income balance was estimated to be \$3,700 by Scaramelli.

**Warrant article re: Investment Advisor Remuneration**

Scaramelli noted the March 2015 Warrant Article, which enabled funding for a potential investment advisor to be paid out of earnings, was passed by the voters of the Town.

**Report re: Due Diligence-Mackensen & Co.**

Discussion was held about bookkeeping work that an investment advisor might take over. Bittel said that if we were talking the Common Fund, he would be ready to have them take over immediately. Bittel then suggested speaking to Certified Public Accountant (CPA) Lynn Rust about taking over the Common Fund bookkeeping. Bittel said he hoped to train Town Tax Collector Lori Belletete to manage the bookkeeping for some of the other funds, which he said are easier to maintain.

Discussion was held about the market and Scaramelli spoke about having the Common Fund investment portfolio come under the prudent investment policy rather than prudent man policy as it is now. Morenz raised the question of how much it would cost the Town for Mackensen services. Bittel suggested requesting a specific proposal from Mackensen but he also referred to Vanguard being willing to work with the Trustees in a cooperative management of the funds. Morenz asked about liabilities should the public raise questions about management of funds. Scaramelli said that the Trustees have a policy and the policy is reviewed annually, and therefore the Trustees would not be in breach of their

responsibilities. Bittel noted that the funds are mostly large cap funds. It was noted that the State of New Hampshire has been notified as to the Trustees of Trust Funds policy and is comfortable with it.

Bittel said he is concerned about the current market, being quite volatile. Bittel is fearful of a significant bear pull-back. Bittel said that he has noted that international strife is a factor. He also said that the recovery is fragile and the country could slip back into a recession. Morenz said normally a bear market is caused by an unforeseen event, and they are cyclical (4-6 years). Morenz said we are 7 years into a bull market which has been driven by liquidity. Non-professionals have an impact on the market. He said the mentality of investors is that the market is high, and therefore it has to come down sooner or later. Morenz also said to look at investor emotions.

Scaramelli said he did due diligence regarding Mackensen by researching client statements from satisfied clients. The statements were passed them out to the Trustees for their review. Bittel said the first concern is the safety of the portfolio and bookkeeping is secondary. Primary focus is preservation of capital. He said he would be more comfortable with a larger organization with broad based internal controls.

Discussion continued regarding duration of funds and defining short-term funds. If the price is attractive, Morenz said he would be in favor. Bittel said he was not in favor of hiring Mackensen since one person is managing the portfolio. Therefore Bittel has a problem with lack of internal controls or auditing oversight. The point is that we don't know who has access to the funds in a small organization without checks and balances.

Scaramelli suggested talking to Mackensen about controls. Bittel said he is comfortable going with Charter Trust or Vanguard because of the internal controls in place within larger organizations. And he noted that Vanguard will work with the Trustees in cooperative decision making. Discussion was held regarding compensation for mistakes made where there is a significant loss.

The Trustees also discussed the advantage of using Mackensen and determined that one advantage is that Mackensen has knowledge of New Hampshire laws regarding the management of money for the towns within the State of New Hampshire. Despite that, Bittel stated that he is uncomfortable with Mackensen; there is neither an investment committee nor apparent internal controls. It was noted that National Advisors Trust is the organization that Mackensen operates under with liability insurance.

Bittel pointed out that since they were not talking about the Common Fund, the bookkeeping for funds is easier. Meeting with Mackensen at the Trustee Meeting on June 22, 2015 was suggested. Further discussion was tabled at this time.

#### **Reorganization & Elections of Officers for 2015-2016**

Bittel **moved** to continue the policy of making the 3<sup>rd</sup> year Trustee the Chair and therefore nominated Richard Scaramelli. Discussion: Scaramelli pointed out that Bittel has not served as Chair. Bittel said he would defer to Scaramelli. Bittel also said he would pursue transferring bookkeeping to someone other than himself and serve to oversee that person. Possible fees were discussed for outside bookkeeping services. The motion was seconded by Morenz. Scaramelli said he would be willing to do it once more. All were in favor. **Motion passed.**

#### **Alternate Trustee(s)**

The Trustees discussed potential candidates for the role as Alternate Trustee. One candidate is an actuary and Morenz said he would follow up on that individual to see if would be interested.

### **Review of Investments**

Scaramelli noted that Royal Dutch is buying British Gas, which expands their portfolio beyond oil. Morenz said that Edward Jones is maintaining the stock as a “buy”. Bittel said that the northern UK is ripe for fracking for gas with large reserves. Principal British utility is National Grid and it has done well. Yield has been 4%+ over many years.

Bittel said he reviewed the portfolio recently and he could not find a lot to trade.

Scaramelli spoke about the energy stocks. Bittel noted that Verizon has held up well. Scaramelli noted Qualcomm is going through struggles right now. But Intel has been positive. Morenz said that Edward Jones went to a “sell” with Intel on April 15, 2015 because of worsening Personal Computer (PC) business and inability to grow its business with tablets. The Trustees agreed to retain Intel.

Bittel mentioned Proctor & Gamble as a possibility despite their strong US Dollar issues. Scaramelli said he is not positive on Proctor & Gamble because of shift to beauty products rather than focus on staples. Bittel suggested waiting to see if the stock goes down in value and might be interesting to buy at a lower price. Scaramelli suggested Colgate Palmolive, since it is more oriented toward staples.

Bittel asked about banks. Scaramelli said he is happy with results with Wells Fargo and JP Morgan stock. There was a discussion about possible bank stock to consider. Money Managers were discussed. Visa was discussed, as was MasterCard and Discover.

Utilities were discussed. Edward Jones has a “sell” on Southern Company, “sell” on Wisconsin Energy, “hold” on Duke Power; American Electric Power was also considered and has a “hold”. National Grid – PE ration of 14, yield of 5.21%.

### **The Trustees agreed to review allocations at their next meeting.**

### **Trust Fund Documentation**

Town Administrator Shane O’Keefe provided a 3-ring binder with documentation for the Capital Reserves and Expendable Trust and Non-Reserved Expendable Trust Funds which included an entry for the new Rail Trail Trust Fund.

### **Old Business –**

The Trustees noted again that acquiring an Alternate Trustee needs to be addressed.

**ADJOURNMENT:** Scaramelli **moved** to adjourn, seconded by Morenz. Adjournment occurred at 11:13 a.m.

Next meetings scheduled for 9:30 a.m. at Swanzey Town Hall: July 16, 2015

Respectfully Submitted,



Beverly Bernard, Recording Secretary