

Town of Swanzey, New Hampshire
TRUSTEES OF TRUST FUNDS
Meeting Minutes – January 21, 2016

CALL TO ORDER: The meeting was called to order by Chairman Richard Scaramelli at 9:32 a.m. Present were Chair Scaramelli, Steven Bittel, Ed Morenz and Recording Secretary Beverly Bernard.

OTHERS PRESENT: None

MINUTES:

Minutes of November 12, 2015 were considered. Bittel **moved** to accept the Minutes of November 12, 2015. There was a second by Morenz and all were in favor. ***Motion passed.***

AGENDA ITEMS:

MS-9-10 Reports

There was a discussion regarding the MS-9-10 reports and whether or not these were ready for submission.

Report of the Bookkeeper – Q4 2015

- **Capital Reserves & Expendable Trusts** – PDIP was discussed, which has a bank credit for the Town. Bittel suggested that one of the Trustees should contact them to discuss options for investment. Scaramelli said he could have that discussion.
 - **Town Capital Reserves** – there was a lot of year-end transactions. Bittel noted a deposit in the Fire/Rescue Tools/Equip fund. There were a lot of withdrawals.
 - **Monadnock Regional School District** – Bittel recommended encouraging Business Manager Jane Fortson to eliminate the MRSD Capital Reserve 1975 Fund.
 - Allocations between Principal Fund and the Income Fund were discussed.

- **Non-Restricted Funds** – Bittel noted these were hyperactive. Bittel said despite the market downturn, the funds ended up with a total return of 0.79% and cash return of 3.63%. The Income Equity Fund has done well. There was a discussion about the allocation of funds within the Equity Income Fund. 42% of the Portfolio is in the Vanguard Equity Income Fund. Scaramelli mentioned a possible different allocation, but he said he was comfortable with the allocation for now.

- **Cemeteries** – there was a discussion about the Cemetery Trusts. Bittel compared the Vanguard Wellesley Income Fund and Wellington Funds. He said that Wellesley is 60/40 bonds and Wellington is 40/60. He said spoke about two transactions occurring during the year. There was a discussion about whether or not to keep the Chubb Corporation shares. There was a discussion about bringing Alexander Mason's bequest in line with the Town's investment policy, which is held in the Chubb fund. Morenz suggested selling now and allocating the proceeds into the other investment funds. There was discussion about mutual funds and the influence of the market on mutual funds. Morenz said the issue is spreading the allocation more widely to take a defensive position. Scaramelli said that the new Chubb may be more aggressive than the previous managers. Chubb investment numbers were examined, PE Ratio, Highs and Lows, the range between the two being relatively small.

Bittel said if the managers decided to sell, he suggested putting the funds in bond funds. It was agreed that the Federal Reserve would not be raising rates any time soon. Scaramelli said to keep a toe in Chubb which would provide some stability among the stocks owned. The Trustees agreed to make no changes now because the fundamentals are strong and it is defensive position against the broad market. The issue with Chubb is inappropriate concentration and the Trustees will follow up at a later date.

- **Carpenter Home Common Fund**- Bittel confirmed that the date 12/31/13 on the report provided is correct. The Carlton Community House Library fund is now the Charles Carlton Mt. Caesar Union Library Fund – changed by Probate approval of Cy Pres petition in 2015. There was a discussion regarding the column for Purchases (Sales) which needed to be resolved to balance. There was a discussion regarding the Income Fund balances in support of the Carpenter Home (Lucy Carpenter Fund, Edna C. Whitcomb Fund, and George Whitcomb Jr.) Scaramelli referred to the Charles Carlton Fund for Aged & Infirmed which has been used to assist a resident with special care. Investments were discussed. Cash flows were discussed. It was noted that there was a large withdrawal for sidewalks and the Carpenter Home. There was a discussion about Chemours stock sold and how to represent the \$32.65 gain from the sale. It was a spin-off from Du Pont. Bittel said he has sent some files to local CPA Lynn Rust to review from an accounting point of view. The idea is the possibility of getting the accounts into QuickBooks format which should save some time for bookkeeping.

Motion was made by Morenz to approve and accept the report of the Bookkeeper, there was a second to the motion by Scaramelli. All were in favor. ***Motion passed.***

OLD BUSINESS

Update on Bookkeeper – CPA Lynn Rust has agreed to take over bookkeeping for the Common Fund as of the next quarter and Bittel said the cost of his service is covered in the Town budget. He said that the next item to be passed to Rust would be the Cemetery Fund, should the Trustees decide to do so.

Review of Markets including Watch-List items:

- Qualcomm
- Conoco
- Deere
- 2015 Summary (12/31/15 closing numbers)
 - DJIA closed at 17,425 (02.2%) Oil at 37.04
 - S& P 500 closed at 2,044 (-0.7%) 10-yr T-bill @ 2.273%
 - Nasdaq closed at 5,007 (+5.7%) Euro @ \$1.086

Scaramelli passed out his summary of year-end 2015 allocations. Included were industry allocation averages and individual performances.

- **Energy Segment** - There was a discussion about Energy segment and whether or not dividends would continue to be paid by the companies. The discussion continued regarding large companies ability to pay the dividends and consensus that the major players can do so. Scaramelli said that scheduling a meeting in February will be necessary to watch how the market goes for Energy. Scaramelli noted that the investment policy for the Town is to preserve capital. Morenz said that he didn't see any issue with dividends continuing with the major companies. Scaramelli said Conoco ran a deficit last year. Morenz agreed that company would be the greatest concern. Scaramelli suggested

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considering a course of action if one of the companies cuts their dividend. Morenz said it would depend on how much of a cut was involved. He suggested reviewing the situation at the next meeting. Scaramelli pointed out the reduced portfolio in Energy is at 11% which is in line with S&P 500 proportion. The investment is for dividend income, and trustees decided to hold for now.

- **Consumer Segment**

Scaramelli spoke about Consumer segment, noting that McDonalds was the strongest performer in the portfolio. Also, General Mills also provided good performance.

- **Health and Technology Segments**

Scaramelli reviewed the Health segment and Technology. Scaramelli said that Qualcomm has bottomed out. He also said that Intel might be a better buy. Qualcomm PE is 16 and Apple is at 11. The Trustees agreed to hold onto Qualcomm for now. Scaramelli noted the current portfolio is at 12.8% versus 19% for the S&P 500.

- **Industrials Segment**

Industrials segment was discussed. United Technology was discussed. Morenz said that Sikorsky was a liability to the company and was sold off. He noted the stock price has ranged from \$85 to \$124 and it closed yesterday at \$83. Bittel suggested paring position with United Technology based on the possibility of an over concentration (our portfolio at 15.97% versus S&P 500 at 10%). It was noted that the total value of the investments is \$124,400. He also suggested selling some United Technology and investing in Qualcomm or Intel.

- **Finance Segment**

Finance was discussed. There was a discussion about the possibility of adding to the position with a Visa or MasterCard investment to get beyond the banks.

- **Telecom Segment**

Telecom was discussed. Verizon was discussed. That segment is heavily over-weighted in the Town's portfolio as compared to S&P 500 allocation, but that is because of dividends.

NEW BUSINESS:

Investment Policy Annual Review – Scaramelli said that the Trustees need to reaffirm the Investment Policy. Morenz referred to “no more than 60% of holdings in Equities” in the Policy to be discussed. Morenz said he is using 30% or 40% for bonds as a defensive position for his clients. Bittel said that given shorter term, bonds may not be a bad bet. Scaramelli mentioned the Large Cap companies giving the portfolio a good position.

Town Annual Report

Bittel referred to the next deadline that the Trustees need to attend to is the submission for the Town Annual Report regarding the Town's funds, which is due before the MS 9-10's. There was a discussion about second pair of eyes to review the numbers. And it was noted that the Treasurer of the Town and the Bookkeeper review the report as well as the Trustees.

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

Next meeting: February for MS 9-10s

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Beverly Bernard". The signature is written in a cursive style with a large initial "B" and a long, sweeping underline.

Beverly Bernard, Recording Secretary