

TRUSTEES OF TRUST FUNDS MEETING
February 15, 2012

The meeting at the Mt. Caesar Union Library was called to order by Chairman Peters at 1:00 P M. Present were trustees Fred Peters, Richard Scaramelli and Steven Bittel and bookkeeper Mary Faulkner.

Owing to a full meeting agenda, Scaramelli MOVED to postpone consideration of the minutes of the last meeting until the next meeting. SECONDED and CARRIED.

The trustees reviewed and executed the 2012 Investment Policy Statement and authorized its transmittal to the Division of Charitable Trust under the cover letter prepared by Bittel. A copy of the Investment Policy is to be appended to these minutes.

Scaramelli reported that the yield advertised at Hampshire First was available only to attorney trust funds, not public trust funds, and accordingly no money was transferred. Bittel reported that he found the same situation at Citizens and hence no funds were transferred.

Bittel presented the Trustees 2011 Statements for inclusion in the Town's Annual Report. After reviewing the reports, the trustees accepted the statements for inclusion therein and directed Bittel to coordinate publishing with Town personnel. The Statements will be attached to these minutes as an exhibit.

Bittel presented interim Connecticut River Bank ICS statements, reporting that the sweep account is now open. The current market yield is approximated 60 bp as opposed to the original estimate of 80 bp; however, this was noted as a significant increase over the current PDIP yield of 5 bp while changing to a greatly reduced risk profile with a 100% ICS FDIC guaranty.

Peters noted that he will provide the trustees with the procedures to transact purchases and sales for the brokerage account with Bank of America/Merrill Lynch prior to his departure from the Board. Faulkner will change the address on the Bank of America statements she is receiving at her home to "Bookkeeper, TTF at Town Hall and also contact Paul Foster once again regarding Bittel's copy of the reports.

Bittel reminded the Board that the trustees were in receipt of \$100.00 advance money from the Town and \$100.00 from the Monadnock Regional School District used to open their respective accounts at Connecticut River Bank. MOTION made by Scaramelli that trustees issue checks for \$100.00 from the respective Connecticut River Bank accounts to each the Monadnock Regional School District and the Town of Swanzey as refunds of their deposits. SECONDED and CARRIED.

Faulkner stated there was one account still in the Expendable Trust Funds that needed to be transferred to the Non-Restricted Funds. It represents excess funds raised by a bicentennial committee that was gifted to the town for the purpose of "Beautification of Covered Bridges." MOTION made by Scaramelli that such funds comprising contributions, but no public money, be transferred to the Non-Restricted Funds. SECONDED and CARRIED.

Bittel and Peters both suggested that the Trustees invest a portion of the \$150,000.00 originally withdrawn from Principal of the Cemetery Fund to purchase a local Certificate of Deposit in various Vanguard Funds. Peters favored the Wellesley Fund as did Bittel. Bittel reminded that investments, despite the diversified nature of a balanced fund registered investment company, must stay within the 10% maximum concentration set by the State. After discussion, it was decided to invest equal amounts of \$15,000.00 in seven specified Vanguard funds.

MOTION by Peters that the \$150,000.00 check be returned to Bank of America for the purpose of investing in Vanguard Funds, with the remainder going to Bank of America's Money Market Fund.

MOTION by Peters that \$15,000.00 be invested in each of the following funds:

- Vanguard Total Bond Market Index,
- Vanguard Inflation Protection Securities Bond,
- Vanguard Wellesley,
- Vanguard Wellington,
- Vanguard Short Term Investment Grade Bond,
- Vanguard Short Term Federal Bond, and
- Vanguard Dividend Growth.

SECONDED by Bittel and CARRIED. Peters will execute the trades once the returned funds have cleared.

The trustees then took up the Internal Control Policy with respect to the two signatures threshold requirement. After discussion, Scaramelli MOVED any amount \$20,000.00 or greater would require two signatures instead of over \$10,000.00. Bittel SECONDED and motion CARRIED.

Bittel then discussed the results of his study of Common Fund allocations for the year ended December 31, 2011, specifically relating to the MS 9 and 10 Forms. He presented schedules that calculated and compared the restated and current methods of allocating investment income (dividend and interest) from the restricted Principal Fund to the disburseable Income Fund as well as within the Income Fund, itself.

Based upon his understanding of the regulations, investment income transferred from the Principal Fund should be allocated to the various accounts according to "Partner Capital," which is calculated based upon *pari passu* market values at the dates of an account's entry into or addition to the Common Trust. Investment income from the Income Fund should be allocated based upon relative current balances at or near the date of a transaction.

Owing to misunderstandings between the trustees and the Division of Charitable Trusts at the original 2004 formation, this was not done. Rather, Investment Income was allocated based upon the combined tax cost and other historic bases of the combined Principal and Income Funds. Bittel's analysis indicated that the differential spread for the year between of his allocation and Faulkner's was not large, but of concern. He extrapolated the time value of the 2011 deviation over the entire Common Fund eight year term of its operation and found the amount larger, but still within reasonable tolerance for release of the 2011 statements. More critically, the extrapolated test indicated a very low likelihood that any funds were wrongly expended from an overstated Income Fund balance.

Bittel further suggested that some restatement would be required. However, to accurately derive the restated number, the entire period from January 1, 2004 will have to be recalculated; something that may take a couple of months.

Based upon the analysis, the trustees agreed to proceed forward with the timely filing of the MS 9 and MS 10 Common Trust forms as constructed by the bookkeeper and restate when the full 2004-forward analysis was complete. MOVED that Bittel and Faulkner continue with the analysis and report back to the trustees when results of the eight year study are available. SECONDED and motion CARRIED.

Ending business: Faulkner is to contact Paul Foster at Bank of America to (a) ascertain exact procedures to return the check and (b) have her copy of the statements mailed directly to Town Hall. MOVE to adjourn by Bittel; SECONDED and CARRIED.

Submitted by Mary Faulkner, bookkeeper; revised by Steven Bittel, trustee