

Town of Swanzey, New Hampshire  
SWANZEY TRUSTEES OF TRUST FUNDS  
Meeting Minutes – January 31, 2013

*Note: Minutes are not final until reviewed and approved by the Committee. Review and approval of minutes generally takes place on the next regularly scheduled meeting of the Committee.*

**CALL TO ORDER:** The meeting was called to order by Chairman Richard Scaramelli at 10:05 a.m. Present were Trustees Steven Bittel, Ed Morenz and Recording Secretary Beverly Bernard.

**MINUTES:** Minutes of Meeting of January 22, 2013 (*available at Town website*): Bittel **moved** to accept the Minutes of January 22, 2013, seconded by Morenz, all were in favor. **Motion passed.**

**REPORTS AND UPDATES:**

**Alex Mason - Cemetery Trust Fund and Capital Reserves/Expendable Trusts** – As previously agreed, Scaramelli reported that he has made an appointment with Town counsel, Homer “Sam” Bradley of Bradley & Faulkner for Friday, February 15, 2013 at 3:00 p.m. to discuss the Alex Mason Trust issues. He mentioned that all Trustees are welcome to attend. In addition to the Mason matter, Scaramelli will also discuss with Attorney Bradley the Town’s Capital Reserves and Expendable Trusts, specifically the authority for disbursements from older Capital Reserves in which spending agency is not specified. Scaramelli commented on his review to date of the files for the Capital Reserve and Expendable Trust accounts that are maintained by the Town Administrator and the need for further research and documentation.

**Change of Trusts Custodian, BofA to Vanguard** – Now that all accounts are reconciled, Bittel discussed the process, noting that it may take a couple of months to work out best practices and procedures, but a full report will be available by the 1<sup>st</sup> quarter review meeting. It was agreed, based upon previous resolutions, that Bittel shall express mail the required executed transfer forms after the meeting.

Bittel proposed a change for handling dividends and capital gains distributions upon switching over to Vanguard. **Motion** by Bittel for the Trustees adopt a policy that Vanguard be directed to automatically reinvest all capital gains distributions in the respective Vanguard funds held as Principal Fund investments, and all income dividends shall be directed to be paid to the Income Fund’s Prime Money Market Fund, seconded by Scaramelli, all in favor, **motion passed.**

Bittel stated the need to designate a Principal Fund trading account. Vanguard Short Term Investment Grade Bond Fund (VFSTX) has unrestricted trading and is appropriate for the purpose, at least until the 1<sup>st</sup> quarter review of investments. Both the Common Fund and the Cemetery Fund hold VFSTX in their portfolios. Bittel moved to designate VFSTX as the trading fund for each of the Principal Funds of the Common and Cemetery Trusts. Scaramelli seconded the motion and all were in favor. **Motion passed.**

Scaramelli will release the previously approved letter notifying Bank of America of the change.

**Attorney General position re: mutual fund vs. "concentration"** – At issue was whether a balanced highly diversified registered investment company, itself, satisfies the 10% diversification requirement. An earlier request for clarification from the State has yet to receive a response. Morenz pointed out that the funds of the Town are as diversified as they can get. Scaramelli will renew efforts.

## **NEW BUSINESS**

**Investing Non-Restricted Fund assets in balanced funds for enhanced returns** – A discussion was held regarding whether or not some of the Non-Restricted Funds should be invested for better returns in selected conservative Vanguard funds as was done successfully last year for the Cemetery Trusts.

Sciuto Scholarship and Swanzey Historical Museum Accounts are major stake-holders. Scaramelli said he has emailed Leonard Sciuto, but, although Sciuto is usually responsive, he has not responded as yet. Bittel said he spoke to Mary Faulkner about the museum and reported that she is in favor of the move to Vanguard. Morenz mentioned that anticipated current year expenditures should be held in a fund where there is no volatility.

After discussion it was agreed to use an initial transfer placeholder amount of \$200,000, leaving approximately \$135,000 in the Connecticut River ICS Account for purposes of liquidity. Bittel suggested the Town reinvest all capital gain distributions as approved for the Common and Cemetery Funds, but transfer income dividends to the Connecticut River Account, which would act as the transaction account. Scaramelli pointed out the scholarship awards were about \$11,000 in 2012, but Sciuto plans to increase awards. Consensus of the group at this time was to move ahead. Bittel **moved** that the Trustees resolve to establish an account, which was seconded by Morenz, and all were in favor. **Motion passed.** Bittel will draw up the paperwork to open up a Vanguard Non-Restricted Fund investment account and present it at the next meeting, when there should be confirmation from the major stake-holders.

**Common Fund December posting error by BofA** – Bittel reported that the Custodian had acknowledged the error reported last meeting and will make a correcting entry charging the Income Fund and crediting the Principal Fund.

**Annual Review of Investment Policy** – The Trustees reviewed copies of the Investment Policy. The following changes were made:

- Morenz suggested that the Trustees raise the Equity accounts from 60% to 65%, mentioning that currently high grade, large cap equities are often providing greater price stability than bonds while typically offering greater current dividend yields. Morenz **moved** to increase the equity ceiling from 60% to 65%, Bittel seconded, and all were in favor. **Motion passed.**
- Duration of Registered Investment Companies fixed income portfolios – discussion was held on an increase in corporate bonds portfolio duration from five (5) to eight (8) years and federal or State of New Hampshire government bonds from to eight (8) to twelve (12) years. After reaffirming that the short-term policy is to prefer relatively shorter dated investment, it was

resolved to amend the policy as restated to be flexible in the future. **Motion** by Morenz to adopt the increased duration and average maturity policy. **Agreed by roll call.**

- Duration of individual issuer fixed income securities – After discussion, **Motion** by Bittel that the Trustees increase to eight (8) years on duration and twelve (12) years on maturity, seconded by Morenz, all in favor. **Motion passed.**

Chair Scaramelli agreed to incorporate the changes into the policy for final review at the next meeting.

**Review of Investments:** Noting that a full portfolio review will occur at the next meeting, the Trustees briefly discussed recent market events and potential future portfolio changes. Scaramelli pointed out the unrealized loss in Exelon, and suggested a reconsideration of whether the generous dividend still offsets the diminution in value occasioned by the upsurge in natural gas production.

**Next date for meeting:** February 21st, at 10 a.m. at the Swanzev Police Station

**ADJOURNMENT-** Bittel **moved** to adjourn, Morenz seconded, all were in favor. **Motion passed.**  
Adjournment at 12:15 p.m.

Respectfully Submitted,



Beverly Bernard, Recording Secretary