

Town of Swanzey, New Hampshire  
**TRUSTEES OF TRUST FUNDS**  
Meeting Minutes – February 21, 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 in the Swanzey Police Department conference room was called to order by Chairman Richard Scaramelli at 10:15 a.m. Present were Steven Bittel, Ed Morenz and Recording Secretary Beverly Bernard.

**MINUTES:** Minutes of Meetings

- a. January 31, 2013 – the minutes were reviewed and a **motion** made by Bittel to accept the minutes as presented, seconded by Morenz, all in favor. **Motion passed.**
- b. February 15, 2013 at Attorney Bradley Law Office - Morenz **moved** to accept the minutes as presented, seconded by Bittel, and Scaramelli abstained due to absence from meeting. **Motion passed.**

**OLD BUSINESS**

**Execution & Submittal of MS-9s and MS-10s**

The documents were signed by all three members of the Trustees. It was noted that the documents should be published for public review. They may be appended to the Minutes and posted to the Town's website. Scaramelli said it would be preferable to have documents posted independently of the Minutes if at all possible so that they are more transparent and easily found by visitors to the Town website. Bittel will scan the signed documents and discuss with Town Planner Sara Carbonneau as to how they may be posted on the Town's website.

Documents included:

1. Capital Reserves & Expendable Trusts – Town
2. Capital Reserves & Expendable Trusts – MRSD
3. Non-Restricted Funds
4. Common Fund
5. Cemetery Trusts

**Execution of Investment Policy, as revised 2013**

Scaramelli assured the group that the changes adopted on Jan. 31 have been incorporated into the Investment Policy. Morenz **moved** to adopt the Investment Policy with changes as noted in the Minutes of January 31, 2013 and to append the Policy to these minutes. Bittel seconded, and all were in favor. **Motion passed.**

Bittel reminded Scaramelli that the Policy form needs to be signed as well, which the Trustees will do at their convenience at Town Hall. Bittel will scan and mail along with the MS forms.

### **Proposal to add yield sensitive equity exposure to Non-Restricted Funds**

Scaramelli raised the issue of courtesy discussions of the proposed policy change with major stakeholders, specifically the Swanzy Historical Museum and Sciuto Scholarship Accounts. He reported that Bittel received positive feedback from Mary Faulkner of the Museum, but he has been unable to reach the Sciuto contact after having made a number of attempts to do so.

## **NEW BUSINESS**

### **REPORTS AND UPDATES**

#### **Alex L. Mason Cemetery Trust**

A discussion was held regarding the Alex Mason Cemetery Trust fund subsequent to meeting with Attorney Homer Bradley, as disclosed in approved minutes thereto. Scaramelli noted that the Cemetery Sexton shows Alex L. Mason to be interred in the same lot as that containing the two Alex C. Mason graves.

Bittel pointed out that Alex L. Mason had a long standing common Income Fund account and it was his opinion that the Alex L. Mason Principal Fund shares of Chubb Corp. common stock (CB) should be transferred into the cemetery common fund on a current market value basis. CB then should be evaluated under regular common fund investment criteria. Morenz agreed. Bittel said that the critical issue was the concentration of CB in one fund and suggested that the most practical near term approach, subject to outcome of Atty. Bradley's current research, would be to seek a written opinion from Bradley that (a) the Trustees may merge the Alex L. Mason principal fund into the common fund where concentration would not be an issue and (b) that the CB position may be sold. Scaramelli said he agreed and that the Trustees need the documentation.

Once merged, the Trustees could consider further actions regarding the Alex L. Mason account such as merging with either or both of the Alex C. Mason accounts, or whatever other remedy Bradley may advise as appropriate.

#### **Custodial Transfer, BofA to Vanguard**

Bittel reported that this transfer is moving forward. He has requested transaction documents from Bank of America, but that it may be until the Q1 report on March 31, 2013, before he can fully reconcile the account transfers. He also reported that the cash balances in the Cemetery transfers are lower than expected. Scaramelli asked whether or not Paul Foster mentioned fees to Bittel. Bittel said that the transaction register should answer that question. Bittel also reported that all individual stock positions are transferred, but not all the mutual funds. Bank of America will sell fund fractional shares rather than transfer them.

#### **Research on Cap Reserve account histories**

Scaramelli is working with O'Keefe on the records for the Capital Reserve accounts. They are working through 50 years of records and will eventually be able to document spending agency wherever stipulated.

## **Internal Controls Policy**

**Motion** by Bittel that trust fund disbursement Requisition forms add a requirement to document authorization to act as spending agent by replication of Warrant Article including vote thereon (as recommended by Bradley). The motion was seconded by Morenz with all in favor. ***Motion passed.***

The Trustees agreed to defer further review of the Internal Control Policy pending completion of the annual audit.

## **OTHER MATTERS**

### **Individual stock considerations**

- Royal Dutch Shell (RDS-A) Dividend – Discussion took place over Scaramelli's memorandum concerning the Royal Dutch dividend, the choices being to take it in cash, subject to a 15% withholding tax to the Netherlands, or in additional dividend shares (not subject to tax). Scaramelli took the dividend in additional shares, which decision is now the default option. Morenz suggested developing a policy to cover all such international investments. The policy would cover what to do when taxes are going to be applied under foreign tax law on investment income. Morenz asked if it would be more transparent if the dividend shares were liquidated immediately at arrival rather than doing so at a later date. Scaramelli suggested that the Trustees could select a date to purge such shares once a year. If Trustees could get Vanguard to recognize the non-profit status of the our accounts, the Town would not be subject to such taxes. Bittel said Vanguard recognizes the Trustee Funds as instrumentalities of the State, which should make our accounts exempt from most, if not all, taxes. In New Hampshire the Trustee authority comes from public law, not by charter. Morenz asked if a foreign entity can tax a town in the USA. A discussion was held on the tax status of Towns and Morenz volunteered to research the back office accounting of municipalities regarding taxation. Morenz agreed that it would be simpler to bring in the shares and sell them at some point, rather than pay a tax on a dividend.
- Abbott Laboratories, Inc. (ABT)- Scaramelli requested Morenz do a review of the spinoff of AbbVie, Inc. (ABBV) from ABT, since we now hold 525 shares of each. He agreed to do so and provide an opinion once he has completed his analysis.
- The acquisition of H.J. Heinz Co. (HNZ) by Berkshire Hathaway will realize a gain of approximately \$50,000 in the Common Fund when finalized.
- Exelon Corp. (EXC) - Scaramelli suggested either selling this stock at capital loss now or average down through acquisition of additional shares. The stock was purchased at \$40.00 and now is \$29.00 per share. Dividend yields are substantial (7%+), but the dividend may be cut back to 5%

or so. Morenz said he would research.

- Cash - Bittel noted that the Trustees have been accumulating cash and should consider other investments. Morenz discussed equity income stocks with low dividends but where potential for growth is good. Merck (MRK), Pfizer (PFE) and 3M (MMM) might be considered.
- Apple (AAPL) – Bittel mentioned AAPL. Scaramelli, after noting that he owned the stock, mentioned its low PE ratio, large cash position, respectable dividend, and continued favorable prospects. The Common Fund has positions in Intel and IBM, but is still under-represented in Technology, even in Information Technology (3.7% vs. 19% of the S&P 500 universe). AAPL's current trading range is \$410 to \$485. Scaramelli said he would regard AAPL as an appropriate purchase for the Common Fund under current policy. Members agreed \$450 was an appropriate purchase level, and Morenz suggested \$20,000 as first buy at \$450.00 or less. Morenz will research AAPL's trading ranges, and Scaramelli will make the trade absent contradictory findings. **Motion** by Morenz to purchase \$20,000 of AAPL at \$450 per share or less, seconded by Bittel, all in favor, and ***motion passed***.

The conversation turned to trading procedures at Vanguard. Bittel will forward contact information of the trustees' Vanguard representative, Adam Montgomery, to Scaramelli and Morenz, both of whom, Bittel noted, are authorized to trade.

#### **Adjournment**

Morenz moved to adjourn, seconded by Bittel. Adjournment at 11:48 a.m.

Next Scheduled Meeting: March 14, 2013

Q1 Review Meeting: Thursday, April 18, 2013 at 10:00 a.m.

Respectfully Submitted,

Beverly Bernard, Recording Secretary