

Town of Swanzey, New Hampshire  
**TRUSTEES OF TRUST FUNDS**  
Meeting Minutes – March 7, 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 10:00 a.m. Also present were Steven Bittel, Ed Morenz and Recording Secretary Beverly Bernard.

**MINUTES:** The February 21, 2013 meeting minutes were reviewed and a **motion** made by Bittel to accept the minutes as presented, seconded by Morenz, all in favor. ***Motion passed.***

**OLD BUSINESS**

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

A discussion was held regarding the revision of the Investment Policy to allow for a higher concentration in diversified Registered Investment Companies. Scaramelli reported that Terry Knowles from the Charitable Trust Unit of the NH Department of Justice (NHDOJ) has agreed in writing that such investments do not have to be held to the 10% rule since they are, in fact, diversified. Bittel had drafted a paragraph amending Investment Policy to allow investment of up to 25% of total portfolio market value in diversified Register Investment Companies. Morenz said there could be a problem with 25% if you have a fund with a single money manager. The Trustees agreed to change the percentage to 20%. Scaramelli will also add a single paragraph to the policy regarding governmental language requirements, and Bittel will add the change in the percentage. Trustees will individually execute the revised document next week and Scaramelli will mail to NHDOJ with cover letter.

**Motion** by Morenz to re-adopt the investment policy of 2012 as amended, seconded by Bittel, with all in favor. ***Motion passed.***

**b) Proposal to add equity exposure to Non-Restricted Funds**

Scaramelli has again attempted to reach the person who initiated the school scholarship fund in order to get a response as to whether or not the Trustees can consider adding equity exposure to the fund. He is still unable to get a response.

**c) Vanguard Non-Restricted Funds update and application**

Bittel reviewed the Vanguard Funds account for non-restricted funds that were discussed and approved at prior meetings. The Connecticut River ICS and DDA accounts will be retained both as an investment vehicle and as the receipts/disbursements point. Funds to and from Vanguard, purely an investment vehicle, will be electronically transferred back and forth from CRB. Bittel said the initial transfer of \$100,000 to a Vanguard money market fund is only a placeholder; no funds need to be transferred to open the account. The Trustees will discuss particular investments and transfer of funds at the next meeting. The documents were signed by the Trustees for the

non-restricted funds at Vanguard.

**d) Alex L. Mason Cemetery Trust update**

Scaramelli reported that he has not heard further from Attorney Bradley. He noted that this trust has been doing well. Chubb is at new highs, and the dividend increased. Scaramelli will follow up with Bradley.

**e) Research on Capital Reserves/Expendable Trusts update**

Scaramelli reviewed his efforts with Town Administrator Shane O'Keefe to clarify the documentation for the capital reserve and expendable trust accounts for the Town. They are making photocopies of each warrant article creating each account, the designated spending agent, and other pertinent data regarding the accounts. They are combining the documentation into one binder for reference, which should be completed shortly. Scaramelli is compiling a spreadsheet which will serve as an index to the binder.

**NEW BUSINESS**

**a) Policy re: Gifts to Town**

A discussion was held regarding donations to Town institutions and how they are accounted for. Scaramelli said that it has been the Town practice to take those funds under authorization RSA 31:95-b which is the statute that allows a Town's Board of Selectmen to accept and expend donated funds. The Town recently received a gift of \$1,500 and needs to be documented in a transparent and accountable manner. Scaramelli distributed to Morenz and Bittel for their review a sample of a policy for Gifts to Town from the Town of Goffstown which based their policy on an article by Terry Knowles in the journal "New Hampshire Town and City". Scaramelli asked Town Administrator Shane O'Keefe to join the meeting for further discussion.

O'Keefe joined the Trustees at 10:37 a.m. He noted that the \$1,500 was accepted last evening (March 5, 2013) by the Board of Selectmen. The Town has established non-restricted funds to manage donated money in the past, but O'Keefe said it was not clear which specific RSA enables the Town to do so. O'Keefe wants standardized language that the Board of Selectmen can adopt. Scaramelli said that the Trustees would contact both NHDOJ and NH Department of Revenue Administration (DRA) for further information.

O'Keefe then reviewed a draft resolution he drafted from Goffstown document. Each donation would have an individual statement describing the donor's implied or stated intent, with the policy's language serving as a template for each. Bittel asked O'Keefe to send copies to the Trustees for review.

It was noted that the Board of Selectmen would need to adopt the policy statement in general, apply a statement of donor intent and then deliver funds to the Trustees. A brief discussion was held regarding the possibility that a donor might place a time restriction on a donation but it was agreed that the Trustees could accommodate that restriction through a separate account, especially if the donation was substantial. Scaramelli agreed to submit the policy template to

Terry Knowles for her review and response. O'Keefe then left the meeting.

**b) Short-term funds at Vanguard – Bittel proposal of 3-02-12**

Bittel reviewed with the Trustees two transactions with Vanguard. He posed the question as to whether or not the Town needs a separate cash account for principal funds. It was noted that the Trustees cannot touch the principal so he questioned having a cash account. He also asked about taking some of the money out and moving it elsewhere. Morenz said it could move into a growth and income type mutual fund. Bittel noted that both Cemetery and Common Funds are spread out in ten funds currently. He asked, now that the Trustees can invest up to 20%, that they consider consolidating positions at the next meeting. Specifically in the Cemetery Fund Bittel suggested the following: Sell \$30,000 Short-Term Federal Fund and buy \$15,000 each in Wellesley and Wellington Funds. Bittel also suggested a pure large cap fund. He said that the easiest trade is \$15,000 in each which would leave us with an \$18,000 balance. Bittel said the Trustees need to familiarize themselves with Vanguard offerings. Morenz offered that there is more danger in missing the market than riding it out.

**Motion** by Bittel to authorize Scaramelli to SELL Cemetery Fund via exchange \$30,000 Short-Term Federal Fund (VSGDX) and BUY Cemetery Fund via exchange: (1) \$15,000 Wellesley Income Fund (VWINX), and (2) \$15,000 Vanguard Wellington Fund (VWELX), seconded by Morenz, with all in favor. **Motion passed.**

**c) Review of Bank of America to Vanguard transfer status**

Bittel mentioned that Vanguard will use the Average Cost basis for the Cemetery and Common Funds and all agreed.

Bittel reported that all Cemetery Fund transfers are complete and reconciled, However, Bank of America still holds some Common Fund cash, and so final transfer of funds to Vanguard and reconciliation of cash remain open. All the shares of stock have been transferred to Vanguard and reconciled. Yet to be done is the allocation of principal cash versus income cash. A review of the Vanguard statements ensued. It was noted that some Common Fund housekeeping needs to be done to move accounts around after transfers and reconciliations are complete.

**d) Capital Gains within Income Fund investments – credit to Income or Principal**

A discussion was held on what to do with capital gains realized by Income Fund investments. Scaramelli noted that according to the Attorney General of the State of New Hampshire in 1966, under New Hampshire law all capital gains are properly applied to principal. To treat them as income is to make the Trustees liable. Bittel will look into specific Vanguard payment and reinvestment policies.

**e) Exelon, AbbVie & Abbott....etc**

Morenz reported on that his research on Exelon (EXC) shows that low cost natural gas is having an increasing impact on utilities, especially nuclear energy providers. He also mentioned possible further reductions in dividends, EXC's PE ratio but steady EBITDA and current market value. A discussion followed on the nature of the aging nuclear industry Morenz said he would not

recommend adding additional shares, but was comfortable with holding the position in the near term. It was agreed to hold the stock and monitor closely. Morenz said he would place the stock symbol on his office computer screen so he may better monitor the stock.

Abbott (ABT) and its recent spin-off AbbVie (ABBV) were discussed next. Morenz said that after his research, he has an affirmative view of ABT, but he noted that the dividend stream will come from ABBV, whose long term cash flow is uncertain as patents on at least one key drug will expire over time. Morenz noted that his firm has placed a Buy on ABT and Hold on ABBV. All agreed to hold, but monitor.

TD Bank - 15% Canadian tax. Bittel suggested the Trustees investigate if the Town could be exempted from the tax as with Royal Dutch Shell. The trustees agreed to look into the matter.

#### **REPORT of BOOKKEEPER**

Scaramelli distributed a cash report to Bittel and Morenz for the period of Feb. 1 and Feb. 28, 2013.

- Feb. 26, 2013 purchase of Apple, Inc.: 45 shares @ \$443.46 = \$19,962.70.
- Museum Non-Restricted Account receipts and disbursement.
- Disbursement "Revaluation & Update" Expendable Trust.

#### **ADJOURNMENT**

Bittel moved to adjourn, seconded by Morenz. Adjournment at 11:52 a.m.

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

Respectfully Submitted,



Beverly Bernard, Recording Secretary