

Town of Hampton



TRUSTEES OF THE TRUST FUNDS

OCTOBER 27, 2008 3:00 p.m.

TRUSTEES: Robert (Vic) Lessard, Chairman
Ted Atwood
Warren J. Mackensen, Bookkeeper
David Hamilton, Clerk
Frances Quinn
John O'Dowd, TD Wealth Management, Private Client Services

The meeting was called to order at 3:00 p.m. by Chairman Lessard.

Real Estate Trust Fund Contract:

The five Trustees signed the contract with TD Wealth Management, Private Client Services, which is the successor to TD Banknorth Wealth Management Group. The name change became effective October 1, 2008, which coincided with the beginning of the new investment advisor contract.

Economic Outlook:

Chairman Lessard asked Mr. O'Dowd to provide an update on the Real Estate Trust Fund.

Mr. O'Dowd started by saying that the economic environment is very complex and it affects the entire world. Foreign markets are coupled with those in the United States. Mr. O'Dowd felt that we are a long way through the deleveraging process, but there is still more to go.

The September 3-month LIBOR rate was over 4%, whereas it is usually less than 1%. This shows the overall tightening by banks in general. The LIBOR rate is starting to come down. Outside the U.S., banks are injecting liquidity to free up credit markets so that the economy may move forward.

Home inventories are still high. New England has not seen the tremendous volatility experienced in other parts of the country.

There has been a tremendous reduction in commodity prices. The U. S. dollar is stronger and oil prices have declined.

The Federal Reserve is doing targeted interventions. This long term outlook for equity investors is vastly improved as a result.

Mr. O'Dowd reminded the Trustees that bear markets can run from twelve to twenty-four months, on average, and that we are half way there. The recapitalization of the markets should be complete in the next twelve months. The weak financial institutions have been liquidated.

The Gross Domestic Product for 2008 is expected to be 1.7%, followed by 1% in 2009 and 3.2% in 2010 for the U. S. economy.

Mr. O'Dowd said that the stock market is an economic predictor. It is imperative that the Trustees stay with the current Investment Policy (approved July 30, 2007) during these tumultuous times. When the stock market turns positive, it often does so very rapidly and without much warning.

TD Wealth Management has sold several securities and purchased some corporate bonds to maintain and improve the income distributions to the Town.

Mr. Hamilton asked Mr. O'Dowd what prompts the sale of a security. Mr. O'Dowd responded that there are many factors, but some of them are: equity sector concentration, percent of a security in the sector, fundamentals of the security, valuations of the security, and who in their opinion will not rebound with the overall market.

Mr. Atwood questioned why it takes TD Wealth Management so long to sell a security sometimes. Mr. O'Dowd pointed out that the Real Estate Trust Fund is tracking close to the market, i.e., -6.63% for the portfolio, versus -6.16% for the Income/Growth index.

Mr. Atwood asked Mr. O'Dowd about using TD Banknorth for higher-rate CDs for the non-Real Estate Trust Fund investments. Mr. O'Dowd said he would provide information to the Bookkeeper when he gets back to his office.

Mr. Hamilton made a motion to post the Real Estate Trust Fund quarterly statement on the Trustees' web site. There was no second.

Real Estate Trust Fund Quarterly Review

Mr. O'Dowd provided a quarterly performance report to the Trustees. The Real Estate Trust Fund remains invested in accordance with the Real Estate Trust Fund Investment Policy, viz., approximately 32% in equities and 68% in fixed income and cash. The estimated portfolio yield is 5.2%.

The Trust Fund approximates the performance of the TD Wealth Management "Income/Growth Index," which is pegged against the S&P 500 Index for the equity portion of the portfolio, the Lehman Intermediate Government Index for the fixed income portion of the portfolio, and the Merrill Lynch 3-month T-Bill index for the cash portion of the portfolio.

The Trust Fund total return for the last twelve months, as of September 30, 2008, was -6.63%. The portfolio market value as of October 23, 2008, was \$13,807,885.

Real Estate Trust Fund Quarterly Disbursement:

The Trustees reviewed the accumulated income in the Real Estate Trust Fund to determine the appropriate amount to provide to the Town as an October distribution.

MOVED by Mr. Mackensen to distribute \$180,000 to the Town as a quarterly distribution based on the anticipated total income for the year.

SECOND by Ms. Quinn.

VOTE: 5-0-0

Motion Passed

Mr. O'Dowd left the meeting at 4:27 p.m.

Minutes of the last meeting:

The minutes from the meeting of September 15, 2008, were reviewed.

MOVED by Mr. Mackensen to approve the minutes.

SECOND by Mr. Hamilton.

VOTE: 5-0-0

Motion Passed

Smaller Trust Funds and Capital Reserve Funds:

The Trustees reviewed the September 2008 Summary Statement showing the smaller trust funds and capital reserve funds invested in the NH Public Deposit Investment Pool (NH PDIP). As of October 25, 2008, the annual yield was 1.59%.

The Trustees reviewed a letter dated October 6, 2008, from Peter C. Hildreth, NH Bank Commissioner, assuring trustees that the state banking commission has reviewed the safety of the securities behind the PDIP funds, and that PDIP funds are secure.

The Bookkeeper was asked by the Trustees to consider alternate safe investments, such as TD Banknorth and Citizens Bank municipal banking divisions. The Trustees were reminded that many of these smaller trust funds are capital reserve funds that require securitization so that safety of principal is ensured. Also, since there are many (over 70) smaller trust funds, a replacement investment decision must also give consideration to the complexity and veracity of the institution's sub-accounting capabilities. The Trustees will review this topic at the November meeting.

Department of Public Works Equipment Capital Reserve Fund:

The Bookkeeper reported that a check in the amount of \$170,000 was received from the Town for the initial deposit into the new Department of Public Works Equipment Capital Reserve Fund, per Article 23 of the spring 2008 Town Warrant. An additional sum of \$170,000 will be forthcoming from the Town by December 31, 2008.

The Trustees received a letter from the Board of Selectmen dated October 13, 2008, requesting that the sum of \$21,944 be released to the Selectmen for the purchase of Capital Equipment for the Public Works Department from the capital reserve fund.

MOVED by Mr. Mackensen to release such sum to the Town.

SECOND by Mr. Hamilton.

VOTE: 5-0-0

Motion Passed

Winnacunnet Cooperative School District Special Education Fund:

The Bookkeeper received a check in the amount of \$50,000 for deposit in the Winnacunnet Cooperative School District Special Education Fund, which was so deposited. The sum was based on the School District vote on March 11, 2008.

Real Estate Trust Fund 2007 MS-9 Beginning Balance:

The Bookkeeper will work with TD Wealth Management to resolve the past discrepancies in the principal balances.

Next Meeting:

The next meeting of the Trustees is scheduled for Monday, November 17, 2008, at 3:00 p.m.

MOVED by Ms. Quinn to adjourn.

SECOND by Mr. Hamilton.

VOTE: 5-0-0

The meeting adjourned at 4:50 p.m.

Motion Passed

Respectfully submitted,

Warren J. Mackensen

Warren J. Mackensen, Bookkeeper