

Town of Hampton



TRUSTEES OF THE TRUST FUNDS

JANUARY 20, 2009 2:00 p.m.

TRUSTEES: Robert (Vic) Lessard, Chairman
Ted Atwood
Warren J. Mackensen, Bookkeeper
David Hamilton, Clerk
Frances A. Quinn
John O'Dowd, TD Wealth Management, Private Client Services
David Murphy, Regional Manager, TD Wealth Management
Fred Welch, Town Manager (brief attendance at the meeting)

PRESS: Patrick Cronin, Hampton Union

The meeting was called to order at 2:06 p.m. by Chairman Lessard.

Real Estate Trust Fund:

The Trustees reviewed the year-end written Market & Economic Review provided by TD Wealth Management.

Fourth Quarter:

The U. S. economy shrank by 0.5% in the third quarter of 2008 and in all likelihood, by more in the 4th Quarter. Global equity markets continued to struggle in the 4th Quarter of 2008 as the global financial crisis, triggered by the downturn in the U.S. housing market, deepened and started to seriously dampen both economic and earnings growth.

Although rallies towards the end of the quarter helped equity markets recoup some of their losses in 2008, major world indices still posted sharp drops for the quarter and the year.

The U.S. economy shed 524,000 jobs in December, the 12th consecutive drop, after losing 584,000 in November. That brings the total loss to 2.6 million in 2008.

The Federal Reserve Open Market Committee reduced the federal funds rate another 175 basis points during the three months to a range of zero to 0.25%, indicated weak economic conditions would likely keep it low for some time.

2009 Outlook:

The U.S. economy will very likely face a continued period of contraction in the first half of 2009. By mid-year, we will have endured a year of recession.

Projected U.S. Real Domestic Product for 2009 at -2.0% has been revised downward by -0.4% and 2010 at 2.7% revised downward by -.6% from our third quarter view.

Employment will continue to remain weak through much of 2009. It is important to note that, as a lagging economic indicator, unemployment may continue to rise, even when an economic recovery is underway.

On a more positive note, early signs of the effects of government intervention have led to intra-bank lending rates approaching more normal historical trends. Long-term fixed mortgage rates have dropped to an area of around 5% and corporate bond spreads have tightened. All of which are very early indications of a credit thaw, from the very tight credit conditions of the fourth quarter last year.

Portfolio Review:

The Real Estate Trust Fund remains invested in accordance with the Real Estate Trust Fund Investment Policy. The portfolio's asset allocation is approximately 31% in equities and 69% in fixed income and cash. The estimated portfolio yield is 4.91%.

TD Wealth Management uses an "Income/Growth Index" benchmark, 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 portfolio's total return performance for calendar year 2008 was -8.68%, as opposed to the performance benchmarks which returned -11.62% during the same period. The portfolio market value as of December 31, 2008, was \$14,161,615.

MOVED by Mr. Hamilton to accept the investment advisor's report and attach it to these minutes.

SECOND by Ms. Quinn.

VOTE: 5-0-0

Motion Passed

Real Estate Trust Fund Quarterly Disbursement:

The Trustees reviewed the 2008 income calculation for the Real Estate Trust Fund to determine the appropriate amount to distribute to the Town as a 4th quarter distribution. TD Wealth Management apprised the Trustees that on April 28, 2008, the first quarter distribution of \$150,000 to the Town was inadvertently paid from principal rather than income. As a result, the income projections reported to the Trustees for the rest of the year were too high. The error was identified and corrected in January 2009 by journaling \$150,000 from income back to principal.

Mr. Mackensen asked Mr. O'Dowd if a root cause analysis was conducted to determine how the posting error occurred in April. Mr. O'Dowd said that the error was investigated and that better procedures and training have been put into place to ensure that this type of error does not happen again.

The total net income for the year was \$675,817.90. The three prior quarterly distributions totaled \$555,000. The 4th quarter distribution will be \$120,817.90.

MOVED by Ms. Quinn to distribute \$120,817.90 to the Town as a 4th quarter distribution.

SECOND by Mr. Hamilton.

VOTE: 5-0-0

Motion Passed

Real Estate Trust Fund Investment Policy:

The Trustees reviewed the Investment Policy for the Real Estate Trust Fund that was previously adopted by the Trustees on July 30, 2007. The investment objectives were discussed and the asset allocation was reviewed.

MOVED by Mr. Hamilton to change the Asset Allocation section of the Investment Policy. He proposed to change the Equities Category Acceptable Range to 20% - 45% from 20% - 50% to assure that the equity portion of the Trust Fund would never go above 45%.

SECOND by Mr. Atwood.

Mr. Mackensen pointed out that the equities acceptable range has to have a minimum of at least 25% if the other two categories are at the maximum of their range, i.e., Cash Category is at 10% and the Fixed Income portion is at 65%.

MOVED by Mr. Mackensen to amend Mr. Hamilton's motion to change the Equities Category Acceptable Range to 25% - 45%.

SECOND by Mr. Hamilton.

VOTE: 3-1-1

Motion Passed

Trustees Meeting with Selectmen:

Chairman Lessard recognized Mr. Fred Welch, Town Manager. Mr. Welch invited the Trustees to meet with the Selectmen on February 9, 2009.

MOVED by Mr. Atwood to have one or more of the Trustees meet with the Selectmen at their regularly scheduled meeting on Monday, February 9, 2009, at 7:00 p.m. in the Selectmen's Meeting Room.

SECOND by Mr. Hamilton.

VOTE: 5-0-0

Motion Passed

Mr. O'Dowd and Mr. Murphy left the meeting at 3:23 p.m.

Smaller Trust Funds and Capital Reserve Funds:

The Trustees reviewed the December 2008 NH Public Deposit Investment Pool (PDIP) statement. There was a total of \$1,181,547 belonging to the Town of Hampton in the trust funds and capital reserve funds at the end of 2008. It was noted that, at the end of the year, all of the funds from the PDIP had been temporarily transferred to the Trustees' checking account as part of the year-end transfer process to Vanguard.

The Bookkeeper provided a reconciliation spreadsheet showing the details of the transfer of trust funds and capital reserve funds from the NH Public Deposit Investment Pool to the Vanguard Prime Money Market Fund.

Non-Real-Estate Trust Fund & Capital Reserves Investment Policy:

The Trustees reviewed the Investment Policy for the Non-Real-Estate Trust Funds and Capital Reserves Funds that was previously adopted on November 17, 2008.

MOVED by Mr. Mackensen to re-approve the Investment Policy for the Non-Real-Estate Trust Funds and Capital Reserves Funds as recently adopted.

SECOND by Mr. Atwood.

VOTE: 5-0-0

Motion Passed

2008 Income Distributions:

The Trustees reviewed the income for four of the trust funds for calendar year 2008. The trust funds were:

Poor Trust Funds \$12.98: (Town of Hampton)

Library Trust Funds \$188.58: (Lane Memorial Library Trustees)

Cemetery Perpetual Care Trust Fund: \$507.96 (Town of Hampton)

Cemetery Burial Trust Fund: \$9,280.09 (Town of Hampton)

MOVED by Mr. Mackensen to approve the above distributions to the Town and the Library.

SECOND by Mr. Hamilton.

VOTE: 5-0-0

Motion Passed

Meeting Schedule:

In response to a request from the Town Manager's Administrative Assistant, the Trustees reviewed a proposed meeting schedule for 2009. The next meeting will be held on February 9, at 4:00 p.m.

MOVED by Mr. Mackensen to approve the meeting schedule, noting that minor changes may be made as the year progresses. The meetings will continue to be duly posted at two physical locations and on the Trustees' web site.

SECOND by Ms. Quinn.

VOTE: 5-0-0

Motion Passed

Town Audit Risk Assessment:

The Trustees reviewed the Plodzik & Sanderson Risk Assessment as prepared by the Bookkeeper.

MOVED by Mr. Atwood to approve the Risk Assessment as written.

SECOND by Mr. Mackensen.

VOTE: 5-0-0

Motion Passed

Chairman Lessard signed the Risk Assessment on behalf of the Trustees. The Bookkeeper will forward the signed Risk Assessment to Plodzik & Sanderson.

Town Report:

The trustees reviewed the narrative and the spreadsheet for the Town report.

MOVED by Ms. Quinn to approve the narrative and the spreadsheet for the Town Report, as corrected with the latest TD Wealth Management figures.

SECOND by Mr. Hamilton.

VOTE: 5-0-0

Motion Passed

Minutes of the last meeting:

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

MOVED by Mr. Mackensen to approve the minutes.

SECOND by Mr. Hamilton.

VOTE: 5-0-0

Motion Passed

Posting of Meeting Notices:

Currently, the Bookkeeper posts notices of upcoming Trustee Meetings in two physical locations: the Town Office Building Bulletin Board and the Lane Library Bulletin Board. RSA 91-A:2 now allows the organization's web site to be one of the two required posting locations for meetings. This allowance would eliminate the need to post the meeting notice in one of the two physical locations.

The Trustees discussed this change and felt that, in the interest of transparency and responsiveness to the citizens of Hampton, the Trustees will continue to post meeting notices in both physical locations, in addition to the Trustees' web site. The Town web site has a link to the Trustees' web site. However, in the interest of utilizing the Right-to-Know Law provisions, the Trustees were in favor of allowing the Trustees' web site to be considered one of the two posting locations, especially in view of past problems where Trustee meeting notices have been removed from public bulletin boards before the meeting occurred.

MOVED by Mr. Mackensen to approve the posting of the Trustee Meeting Notices on the Trustees' web site as one of the approved meeting notice locations under RSA 91-A:2.

SECOND by Ms. Quinn.

VOTE: 5-0-0

Motion Passed

Archiving of 2007 Records:

The Bookkeeper reported that he turned in a compact disk (CD) to the Town Clerk containing the 2007 Trustees' records. The Town Clerk will store the CD in the town vault in the bin marked for the Trustees. The Town Clerk confirmed that the CD was readable on her computer. The Bookkeeper maintains a duplicate copy of the same CD for Trustee reference in the future.

The records comprise Microsoft Word documents, Microsoft Excel spreadsheets, and portable document format (PDF) copies of vouchers, meetings notices, meeting minutes, investment reports, investment policies, letters and other documents relating to the Trustees in 2007.

The 2007 CD also contained PDF copies of all of the records on file at the Charitable Trusts Unit in Concord, some dating back to 1870. These records include copies of the wills and other source documents that provide a rich historical background on the various Hampton trust funds.

MS-9 and MS-10 Reports

The Trustees reviewed the draft MS-9 and MS-10 reports. The changes made at the meeting due to the revised figures from TD Wealth Management were noted.

MOVED by Mr. Mackensen to approve the MS-9 and MS-10 reports for the State of New Hampshire.

SECOND by Ms. Quinn.

VOTE: 5-0-0

Motion Passed

The Trustees signed the MS-9 Report of Trust and Capital Reserve Funds and the MS-10 Report of Common Trust Fund Investments. The Bookkeeper will forward these reports to the Charitable Trusts Unit in Concord, along with approved copies of the three Investment Policies (Real Estate Trust Fund, Non-RETF trusts and capital reserve funds, and the Library trusts). The reports are due on February 28, 2009.

Investment Performance of the Cemetery Burial Trust Fund:

The Bookkeeper apprised the Trustees that the Cemetery Burial Trust Fund has over \$350,000 in it, representing the bulk of the smaller trust funds. Income is distributed from this trust fund annually, but principal remains intact. The prospective investment return of the Vanguard Prime Money Market Fund where this trust fund's principal is currently invested for 2009 is 2.4% or less (given the low interest rate environment).

The Bookkeeper recommended that the Trustees consider a long-term certificate of deposit, perhaps earning 5% or more, for this one trust fund to improve the investment return. The Trustees concurred and asked the Bookkeeper to shop for appropriate long-term (5-year) fully collateralized CDs and report the availability of such instruments to the Trustees at the next meeting.

Public Session:

Mr. Patrick Cronin of the Hampton Union attended the entire meeting. During the public session, Mr. Cronin asked the Trustees several clarifying questions about the matters that were discussed. The Trustees answered Mr. Cronin's questions.

Next Meeting:

The next meeting of the Trustees is scheduled for Monday, February 9, 2009, at 4:00 p.m.

MOVED by Ms. Quinn to adjourn.

SECOND by Mr. Hamilton.

VOTE: 5-0-0

Motion Passed

The meeting adjourned at 4:34 p.m.

Respectfully submitted,

Warren J. Mackensen

Warren J. Mackensen, Bookkeeper