

Town of Hampton



TRUSTEES OF THE TRUST FUNDS

APRIL 20, 2009 3:30 p.m.

TRUSTEES: Robert (Vic) Lessard, Chairman
Edward (Sandy) Buck
Warren J. Mackensen, Bookkeeper
David Hamilton, Clerk
Norman Silberdick
John O'Dowd, TD Wealth Management, Private Client Services

The meeting was called to order at 3:30 p.m. by Chairman Lessard.

Real Estate Trust Fund:

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

First Quarter:

Strong performance in the latter part of the first quarter was not enough to lift global equity markets out of negative territory for the three-month period. Financial markets struggled in January and February amid weaker-than-expected earnings and heightened concern the global recession may be deeper and longer than previously thought. Stocks rallied in March on optimistic action by policy makers, which may help revive global credit markets and restore confidence in the financial system.

There was no let-up in first-quarter economic releases. Mounting job losses, falling home prices, and stock market volatility pushed U.S. consumer confidence to all-time lows and dampened consumer spending, which accounts for 70% of economic activity. Corporate earnings continued to disappoint, too, as the final quarter of 2008 is the sixth straight to register falling profits in the U.S., the longest on record.

Market sentiment turned more positive towards the end of the quarter, as equity markets rebounded on some welcome news that raised the prospect that the worst of the economic slowdown might be over.

The biggest catalyst for the rally, however, was a series of policy announcements, especially in the U.S., designed to unlock the credit markets and bolster the economy. The U.S. Federal Reserve implemented a quantitative easing program to purchase longer-term Treasuries in an effort to push down long-term interest rates. At the same time, the U.S. government outlined its plan to remove toxic assets from the balance sheets of the U.S. banks through the Public-Private Investment Program backed by the Federal reserve financing and Federal Deposit Insurance Corp. debt guarantees.

Economy:

As the U.S. economic outlook remains weak, the Fed is holding the federal funds rate at the target range of zero to 0.25% that it set last December. The Fed said the economy is in a severe contraction that could last through 2009, in which case the federal funds rate could stay exceptionally low for some time.

The national unemployment rate jumped to 8.5% in March, the highest since 1983, from 8.1% in February.

U.S. manufacturing continues to contract as the ISM (Institute for Supply Management) Manufacturing Index registered a reading of 36.3 in March. It was the third consecutive monthly increase, however, bringing it closer to the breakeven point of 50.

Town of Hampton Real Estate Trust 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 34% in equities and 66% in fixed income and cash. The estimated portfolio yield is 4.49%.

The portfolio's total return for the 12 month period ending March 31, 2009 was -12.98% versus the performance benchmarks, which returned -13.61% for the same period.

MOVED by Mr. Mackensen to accept the investment advisor's report and include it in these minutes.

SECOND by Mr. Hamilton.
VOTE: 5-0-0

Motion Passed

Real Estate Trust Fund Quarterly Disbursement:

The Trustees reviewed a 2009 Cash Basis Income, Fees & Distributions Summary spreadsheet provided by the Bookkeeper. The Trustees discussed the first quarter income calculation to determine the appropriate amount to distribute to the Town as a 1st quarter distribution.

The total net income for the first quarter, on a cash basis, was \$140,479.

MOVED by Mr. Hamilton to distribute \$125,000 to the Town as a 1st quarter distribution.

SECOND by Mr. Mackensen.

VOTE: 5-0-0

Motion Passed

Real Estate Trust Fund Quarterly Reporting:

The Trustees reviewed a printout of the Real Estate Trust Fund web page on the Trustees web site (www.HamptonTrustFunds.org). The page showed a new table listing both the quarter-end market value and the cash basis income received for the last five quarters. In addition, a statement was added below the table stating that "Further details may be obtained by contacting any of the trustees or the Bookkeeper."

The table and the statement fulfill the Trustees' commitment to better transparency that was discussed at several of the past meetings. The Trustees thanked Mr. Mackensen for his efforts to make this information available to the citizens on a timely basis.

The Trustees also reviewed graphs showing the month-end market values of the Real Estate Trust Fund since late 2005.

Smaller Trust Funds and Capital Reserve Funds

The Trustees reviewed the March 31, 2009, Vanguard Prime Money Market web-based statement showing transaction details for the first three months of 2009. A spreadsheet was provided by the Bookkeeper showing the March dividend allocations among the 12 smaller trust funds and capital reserve funds.

The Bookkeeper also provided portfolio management statements for March 2009 showing how the dividend allocations were posted. The accompanying portfolio statement reported the March month-end balance in each trust fund and capital reserve fund.

NH Public Deposit Investment Pool (NH PDIP):

The Trustees were provided a letter from Peter C. Hildreth, NH Banking Department Commissioner, detailing investment policy changes to the NH PDIP. Essentially, the letter loosens up some of the prior investment restrictions so that the return on the PDIP could be increased. MBIA Asset Management is the current investment manager for the PDIP. These changes do not immediately affect the Town of Hampton trust funds as the Town is no longer invested in the PDIP. Nevertheless, the letter was brought to the attention of the Trustees as the PDIP is always an investment option for the Trustees, and the relationship with the PDIP remains intact, i.e., the Trustees could add money to the accounts at the PDIP without any paperwork.

Minutes of the Last Meeting:

The minutes from the meeting of March 16, 2009, were reviewed.

MOVED by Mr. Mackensen to approve the minutes.

SECOND by Mr. Buck.

VOTE: 5-0-0

Motion Passed

Trust Funds Checkbook:

MOVED by Mr. Silberdick to transfer the Trustees' checkbook to Mr. Hamilton for safekeeping in accordance with the Internal Controls Policy adopted by the Trustees on August 13, 2007.

SECOND by Mr. Buck.

VOTE: 5-0-0

Motion Passed

Chairman Lessard and Trustee Mackensen are the authorized signatories on the account.

Trust Funds Audit:

The Bookkeeper reported that he provided the year-end 2008 documentation to the Town Finance Director, Michael Schwotzer, for the auditors after the Trustees meeting on March 16th.

Trustees Letter to Selectmen Regarding the 2008 Town Report:

Mr. Mackensen reported that the electronic version of the 2008 Town Report on the Town web site has been corrected to reflect the correct Trustees spreadsheet for 2008. See Page 67.

Investment Performance of the Cemetery Burial Trust Fund:

Under old business, the Trustees discussed the investment of the Cemetery Burial Trust Fund, which has over \$356,000 in it. Income is distributed from this trust fund annually, but principal remains intact. The current yield on the Vanguard Prime Money Market Fund where this trust fund's principal is currently invested is about 0.55% (consistent with today's low interest rate environment).

The Trustees requested that the Bookkeeper contact the TD Banknorth Government Banking Division to obtain current rates and then contact each of the Trustees with the information. The Trustees will consider investing \$325,000 in a short-term fully-collateralized certificate of deposit, perhaps earning 2% or more, for this one trust fund to improve the investment return.

Library Trust Funds:

The Trustees received a letter from Ms. Bridgit Valgenti, Chairperson of the Board of Trustees of the Lane Memorial Library. She reported that the Library Trustees reviewed and approved the Investment Policy for the Library at their February 2009 meeting. Further, the Library Trustees approved moving the Library Trust Funds held by the Trustees of the Trust Funds from the current short-term investment vehicle (the Vanguard Prime Money Market Fund) to a new Fidelity Balanced Fund account.

MOVED by Mr. Buck to have the Bookkeeper open a Fidelity Balanced Fund account and move the funds (about \$7,659) to this account.

SECOND by Mr. Silberdick.

VOTE: 3-0-2

Motion Passed

Next Meeting:

The next meeting of the Trustees is scheduled for Monday, May 18, 2009, at 3:00 p.m.

MOVED by Mr. Hamilton to adjourn.

SECOND by Mr. Silberdick.

VOTE: 5-0-0

The meeting adjourned at 4:32 p.m.

Motion Passed

Respectfully submitted,

Warren J. Mackensen

Warren J. Mackensen, Bookkeeper