

Town of Hampton



TRUSTEES OF THE TRUST FUNDS

February 14, 2011 3:00 p.m.

TRUSTEES: David W. Hamilton, Chairman
Edward R. Buck, Vice Chair
Warren J. Mackensen, Bookkeeper
Norman Silberdick
William A. Hartley

PUBLIC: Selectman Richard Nichols
Patrick Cronin, Hampton Union
Stephen A. Falzone
Seth McNally, Wells Fargo
J. P. Pontbriand, Salem Five
Barbara Bermingham
Other citizens

The meeting was called to order at 3:04 p.m. by Chairman Hamilton, followed by the Pledge of Allegiance.

Minutes of the Last Meeting

The minutes from the meeting of January 31, 2011, Draft B, were reviewed and amended.

MOVED by Mr. Mackensen to approve the minutes, as amended.

SECONDED by Mr. Buck.

VOTE: 5-0-0

Motion Passed

Smaller Trust Funds and Capital Reserve Funds

Mr. Mackensen provided a 2/11/2011 Vanguard printout from the web.

Mr. Mackensen proposed that dividends and capital gains be posted to the respective trust funds and capital reserve funds every six months in order to reduce the monthly workload for the bookkeeper. Since there is very little activity month-to-month, the monthly posting effort is largely unnecessary. After some discussion, it was agreed to post the dividends and capital gains a minimum of quarterly, or more often if there are mid-quarter cash flows.

MOVED by Mr. Hamilton.

SECONDED by Mr. Silberdick.

VOTE: 5-0-0

Motion Passed

Real Estate Trust Fund

Bookkeeper Mackensen handed out the January 2011 statement for the Real Estate Trust Fund.

Mr. Hamilton stated that the Real Estate Trust Fund market value as of February 11, 2011, was \$15,986,640.65.

Mr. Silberdick indicated his concern about two of the PIMCO long-term bond funds in the portfolio.

Mr. Hartley countered that changes to the funds would upset the asset allocation that was originally agreed upon. Maintaining the asset allocation ensures portfolio benefits over the long term. He felt that the trustees would be acting too quickly.

Mr. Mackensen pointed out that the portfolio has been in existence for only two months and that changes at this time are premature. He reminded Trustees that the chart attached to the November 22, 2010, minutes showed that in 2008, long-term bonds were the best asset class to be in (up 24%), followed by 2009 where the long-term bond asset class was the worst asset class to be in (-12.9%), followed by the 2nd quarter of 2010 where long-term bonds were once again the best asset class to be in (13.2%).

It was generally agreed that the current equity percentage of the portfolio of 31% is low, considering that the acceptable range is 25% to 45%. The target equity percentage is 40%.

MOVED by Mr. Silberdick to liquidate 75% of each of the two PIMCO long-term bond funds and allocate the proceeds (approximately \$900,000) among the equity funds in the portfolio.

SECONDED by Mr. Buck.

VOTE: 5-0-0

Motion Passed

Real Estate Trust Fund Income Distribution

Bookkeeper Mackensen stated that the net distributable income from the Real Estate Trust Fund in January 2011 was \$38,256.98.

MOVED by Mr. Mackensen to transfer the sum to the Town.

SECONDED by Mr. Hamilton.

VOTE: 5-0-0

Motion Passed

Real Estate Trust Fund Request for Proposals

Bookkeeper Mackensen provided a Morningstar Profile for the Real Estate Trust Fund as of 12/31/2010. The January month-end data was not available as yet.

Mr. Mackensen pointed out the total returns for the portfolio if the portfolio had been held for the last ten years, the portfolio performance relative to the benchmark over the same period, the modern portfolio theory characteristics for the portfolio, and the credit quality of the bonds.

Chairman Hamilton initiated the discussion relative to the Request For Proposals to be issued soon. The various RFP documents and the bidder list were reviewed. Bidders who contacted various trustees were added to the bidders list.

The minimum portfolio income target was set at \$600,000. The requirement for a principal and income monthly accounting statement was added. References were updated.

The RFP bidders will receive a copy of the current Investment Policy, as well as the Real Estate Trust Fund Morningstar Profile.

MOVED by Mr. Hamilton to issue the RFP, as discussed, by February 22, with a bid due date of March 25, 2011, at 4:00 p.m.

SECONDED by Mr. Silberdick.

VOTE: 4-0-1

Motion Passed

Trustee Positions

Chairman Hamilton said that the Trustee positions would be voted on after the March election results are in.

Public Comment Period

Seth McNally from Wells Fargo took issue with the back testing of the portfolio. He also stated that fees are very important, but that fees should not be the deciding factor.

Next Meeting

The next meeting of the Trustees is scheduled for Monday, March 28, 2011, at 3:00 p.m., in the Selectmen's Meeting Room, at which time the bids for the Real Estate Trust Fund will be opened.

MOVED by Mr. Hartley to adjourn.

SECONDED by Mr. Buck.

VOTE: 5-0-0

Motion Passed

The meeting adjourned at approximately 5:10 p.m.

Respectfully submitted,

Warren J. Mackensen

Warren J. Mackensen, Trustee & Bookkeeper