



TRUSTEES OF TRUST FUNDS

April 18, 2022 4:00 p.m.

Quarterly Meeting

DRAFT B

TRUSTEES: James Dearden
Christopher Koutalidis (absent)
Warren Mackensen
Christopher Nevins
Joyce Skaperdas (excused absence)

PUBLIC: None

ADVISOR: David T. Mayes, Three Bearings Fiduciary Advisors
Zachary Zwick, Three Bearings Fiduciary Advisors

The meeting was called to order at 4:00 p.m. by Chairman Mackensen.

The Pledge of Allegiance was recited.

Re-elected Trustee Oath of Office

Town Clerk, Shirley Doheny, administered the oath of office for re-elected trustee Mackensen at the Selectmen Meeting on March 14, 2022.

Quorum Determination

Chairman Mackensen noted that all five trustees were present. There was a quorum.

Election of Officers

The following officers were elected:

Warren Mackensen	Chairman	(3-0-0)
Joyce Skaperdas	Vice-Chairman	(3-0-0)
James Dearden	Bookkeeper	(3-0-0)

Approval of Minutes

MOVED by Mr. Dearden to approve the Minutes of January 18, 2022.

SECONDED by Mr. Nevins.

VOTE: 3-0-0

Motion Passed

1st Quarter 2022

Mr. Mayes provided the Market Trends as of March 31, 2022.

- Strong sell off across the board in Q1:
 - S&P 500 -4.60%
 - Russell 2000 -7.54%
 - MSCI EAFE Index -6.46%
 - Real Estate (Vanguard REIT ETF) -6.07%
 - S&P High-Yield Corporate Bond Index -4.83%
 - S&P Investment Grade Corporate Bond Index -7.19%
- Value stocks turned to outperform Growth
 - iShares S&P Growth (IUSG) -8.46%
 - iShares S&P Value (IUSV) -0.13%
- Due to Fed hikes, rates rose dramatically for all US Treasury securities:
 - 30-year Treasury: Increased from 2.01% to 2.44%
 - 10-year: Increased from 1.63% to 2.32%
 - 5-year: Increased from 1.37% to 2.42%
 - 2-year: Increased from 0.78% to 2.28%

Mr. Mayes provided the Sector Trends as of March 31, 2022.

Energy XLE 39.00%	Utilities XLU 4.71%	Consumer Staples XLP -1.14%	Financial Services XLF -1.49%
Materials XLB -2.35%	Industrial XLI -2.35%	Health Care XLV -2.46%	Real Estate XLRE -6.20%
Technology XLK -8.42%	Consumer Discretionary XLY -9.37%	Communication Services XLC -11.23%	

Real Estate Trust Fund

Mr. Mayes said this fund lost 3% during the first quarter. He provided the Month-end Market Values bar graph, which showed that the December 2021 value was the highest ever. The line graph showed similar results.

The Fund ended the quarter with a total market value of \$23,370,797.

The Fidelity Account Custody Statement, Quarterly Performance Report, the Morningstar Portfolio X-Ray and TrustTrak Fund Snapshot Report were reviewed.

The allocation in this fund is 3.0% Cash, 30.0% US Stocks, 10.2% Non-US Stocks, 50.3% Bonds, and 6.5% Other.

Common Trust Fund

Mr. Mayes said the fund lost 4% during the first quarter. He said this fund ended the quarter with a total market value of \$702,720.

The Fidelity Account Custody Statement, Quarterly Performance Report Package, and Morningstar Portfolio X-Ray were reviewed.

The allocation in this fund is 3.8% Cash, 23.3% US Stocks, 5.6% Non-US Stocks, 58.6% Bonds, and 8.7% Other.

Common Capital Reserve Fund

Mr. Mayes said the fund lost 3.7% during the first quarter. Mr. Mayes said this fund ended the quarter with a total market value of \$3,474,525.

The Fidelity Account Custody Statement, Quarterly Performance Report Package, and the Morningstar Portfolio X-Ray were reviewed.

The allocation in this fund is 1.1% Cash, 13.6% US Stocks, 0.1% Non-US Stocks, 83.8% Bonds, and 1.4% Other.

Winnacunnet School District Common Capital Reserve Fund

Mr. Mayes said the fund lost 3.7% during the first quarter. Mr. Mayes said this fund ended the quarter with a total market value of \$878,377. He said this fund is similar to the Common Capital Reserve Fund.

The Fidelity Account Custody Statement, Quarterly Performance Report Package, and the Morningstar Portfolio X-Ray were reviewed.

The allocation in this fund is 1% Cash, 16.5% US Stocks, 0.2% Non-US Stocks, 81.1% Bonds, and 1.2% Other.

MS-9 Report

The TrustTrak MS-9 Report for the first quarter was reviewed.

Combined Transactions Listing

The TrustTrak Combined Transactions Listing was reviewed.

Trustees Documents Archiving

The Investment Advisor was reminded of the statutory requirement in NH RSA 33-A:3-a to transcribe all 2021 trustee records onto a CD and deliver the CD to the Town Clerk for safekeeping in the Town Vault. Mr. Mayes indicated that he will see that this is done after the end of tax season.

Trustees Audit

The trustees' records are audited as part of the Town audit by Plodzik & Sanderson. Mr. Mayes will provide the records to the auditors, as required.

Mr. Mackensen answered the audit questions in March and replied to the auditors.

Trustee Training

Trustees were advised of Trustee of Trust Funds training sponsored by the NH Municipal Association on June 9, 2022. The Town will reimburse the \$70 workshop fee as an incidental charge to the Town (RSA 31:24). Trustees should use their personal credit card to sign up. It was agreed that Mr. Mackensen will attend virtually and report back to the rest of the Trustees.

Review of 2022 Town Warrant Ballot Results

The trustees reviewed the four articles affecting capital reserve funds that passed:

- Hampton Article 23 – Add \$300,000 to Road Improvement CRF
- Hampton Article 30 – Withdraw \$50,000 from Cemetery Maintenance TF
- Hampton Article 31 – Establish new Pedestrian and Traffic Safety CRF with initial deposit of \$40,000
- Hampton Article 32 – Add \$27,500 to Firefighters Turn Out Gear/Personal Protective Equipment CRF

Review of Winnacunnet Warrant Results

- Winnacunnet Article 5 – Add \$50,000 to the Health Care Expendable Trust Fund.

Capital Cash Flow Journals

Chairman Mackensen provided a handout that introduced two spreadsheets to improve tracking of capital receipts and capital disbursements. The Trustees reviewed the journal formats and deemed them to be useful going forward. The journals are capital transaction planning documents and not accounting documents. The journals will not track income and do not replace the MS-9 reports. The journals will be shared with the Town Finance Director and the Investment Advisor on a regular basis to keep the Town, the Investment Advisor and the Trustees in sync with capital flows.

Cemetery Maintenance Trust Fund Distributions

MOVED by Chairman Mackensen to approve a disbursement of \$1,404 from the Cemetery Maintenance Trust to reimburse the Town for a refund of four graves purchased in 2004 by the Marie Jones family. Documentation of the reimbursement was provided by the Town.

SECONDED by Mr. Dearden.

VOTE: 3-0-0

Motion Passed

MOVED by Chairman Mackensen to pre-approve disbursements not to exceed \$50,000 from the Cemetery Maintenance Trust to reimburse the Town for maintenance expenditures during 2022 on various Town cemeteries. The 2022 Town Warrant, Article 30, was approved by voters on March 8, 2022. Documentation must be provided to the Trustees before reimbursements are made.

SECONDED by Mr. Nevins.

VOTE: 3-0-0

Motion Passed

Winnacunnet High School Expendable Trust Fund Distribution

MOVED by Chairman Mackensen to approve a disbursement of \$5,300 from the Winnacunnet High School Technology Expendable Trust Fund to reimburse the school for the purchase of a 48-port network switch. A voucher with documentation has been submitted to the Trustees.

SECONDED by Mr. Dearden.

VOTE: 3-0-0

Motion Passed

High Street Road Improvements

The Town voted to disburse \$500,000 from the Road Improvement Capital Reserve Fund for the High Street road repairs during 2022. The 2022 Town Warrant, Article 9, refers.

The Town Finance Director reported that the project will not go out to bid until November 2022. Further, she will request the \$500,000 at the end of the project after the \$6.5 million bond money is received. Accordingly, there is no need to raise cash for the project at this time.

Cemetery Maintenance Expendable Trust Fund

The Cemetery Maintenance Expendable Trust Fund is currently invested as part of the Common Trust Fund. The Common Trust Fund asset allocation is 25% equities and 75% bonds & cash.

The Town has legally withdrawn two \$50,000 principal distributions during the last three years. It has become apparent that growing the Cemetery Maintenance Expendable Trust Fund principal is more important than generating income.

The MS-9 Report on Page 6 shows five “custodian accounts.” There are four actual Fidelity accounts – the Cemetery Maintenance Trust Fund is embedded in the Common Trust Fund account.

MOVED by Chairman Mackensen to establish a fifth Fidelity account to hold the Cemetery Maintenance Expendable Trust Fund as a single purpose account.

SECONDED by Mr. Nevins.

VOTE: 3-0-0

Motion Passed

The Trustees then reviewed a revised Investment Policy for the smaller trust funds and capital reserve funds, with new language for the Cemetery Maintenance Expendable Trust Fund, as follows:

- Establish the Prudent Man Rule under RSA 31:25-b as the governing law for the Cemetery Maintenance Expendable Trust Fund.
- Under the Prudent Man Rule, each investment is considered and judged on its individual merits and must be of the highest investment quality with little or no risk to the preservation of principal. A balanced objective will be applied.
- The portfolio investment objective is to provide a total return (income plus capital appreciation) that exceeds the long-term rate of inflation plus 3% over any five-year period.
- Establish the MS-9 “How Invested” investment policy for the Cemetery Maintenance Trust Fund as “Balanced” (55% equities / 45% bond and cash).

MOVED by Chairman Mackensen to adopt the revised Investment Policy for the smaller trust funds and capital reserve funds, with the new language for the Cemetery Maintenance Expendable Trust Fund.

SECONDED by Mr. Nevins.

VOTE: 3-0-0

Motion Passed

The Trustees signed the revised Investment Policy.

The initial investment(s) will be selected by the Investment Advisor.

The transition will occur in early May when the April 30, 2022, MS-9 balance for the Cemetery Maintenance Trust Fund will be journaled to the new Fidelity Cemetery Maintenance Expendable Trust Fund account.

Trustees Website (<http://www.HamptonTrustFunds.org>)

Mr. Mackensen reported that the Hampton Trustees website was approved by the Trustees and launched in 2007 for the purpose of keeping the citizens of Hampton informed of trust fund and capital reserve fund matters. There are no financial transactions or e-commerce on the site.

The Internet has matured since the Trustees website was initially created. Website addresses today should be “secure,” i.e., the website address should start with “https://.” Search engines and firewalls reject sites that are not secure.

The Trustees discussed upgrading the website to a secure website by adding a secure sockets layer, which means the uniform resource locator (URL or website address) would change to <https://HamptonTrustFunds.org>. The Town and the Lane Library will be informed of the address change since their sites reference the Trustees' website.

MOVED by Chairman Mackensen to have the Investment Advisor upgrade the security of the Trustees website and submit the costs as an incidental town charge under RSA 31:24.

SECONDED by Mr. Nevins.

VOTE: 3-0-0

Motion Passed

MS-10 Revisions Update

Mr. Mackensen reported that the Charitable Trusts Unit conducted a virtual meeting with stakeholders throughout the state on March 4, 2022. The stakeholders unanimously approved replacing the current cumbersome MS-10 process. In the future, there will be a signature page for Trustees, coupled with uploading year-end brokerage statements to the Axiomatic online portal. Implementation is expected by December 31, 2022. Portfolio account numbers will be redacted.

Public Comment

No public were present.

Next Meeting

The next meeting will be Monday, July 18, 2022, at 4:00 p.m. in the Selectmen's Meeting Room.

Adjournment

The meeting adjourned without objection at 5:09 p.m.

Respectfully submitted,

Warren Mackensen, Chairman