

## **Report of the Trustees of Trust Funds**

During 2015, the Trustees of Trust Funds met six times. The Trustees congratulated Trustees Norman Silberdick and John Sovich on their re-election as trustees in March.

### **Real Estate Trust Fund**

The largest trust fund in Hampton is the Real Estate Trust Fund, whose main purpose is to provide income to reduce the tax rate in Hampton. The investment policy of the Fund has a target asset allocation of 40% equities (stocks) and 60% fixed income (bonds and cash). The purpose of this balanced asset allocation is to provide both income and an opportunity for the principal of the Real Estate Trust Fund to grow to offset the eroding effects of inflation.

Each month, the Trustees distributed income to the Town from the Real Estate Trust Fund to reduce the tax rate. The total distributable net income (after investment management fees) was \$642,240, which represented an annual yield of approximately 3.5%.

The Real Estate Trust Fund remains invested in a broadly-diversified portfolio of low-cost mutual funds, exchange-traded funds and individual bonds. The custodian is National Advisors Trust Company of Overland Park, Kansas. The book value of the principal of the Real Estate Trust Fund increased from \$17,110,065 to \$17,713,119 during the year, including a deposit to the fund of \$160,000 received in December from the sale of leased land at Hampton Beach. The market value of the fund's principal declined from 18,813,109 to 17,799,802 a decrease of \$1,013,307, or 5.4%, largely due to declines in the fund's dividend-oriented equity holdings, particularly those with international market exposure. The time-weighted total return (income and capital appreciation) net after fees was -1.9%. Over the past three years, the fund's total return has averaged 4.9% annually and it has distributed more than \$1.9 million in income to the town to offset the property tax rate. Over the past five years, the fund has achieved an average annual return, net of fees, of 5.85% and distributed more than \$3.2 million in income to the town's general fund.

At year end, the Real Estate Trust Fund allocation to equities was approximately 39%, which was within the allowable range of 25% to 45% specified by the Investment Policy. The allocation to fixed income was 57%, which was within the allowable range of 35% to 70%. The fund's cash allocation was approximately 4%.

### **Common Trust Fund**

The Trustees manage a number of smaller non-expendable trust funds: the Cemetery Burial Trust Fund, the Cemetery Perpetual Care Trust Funds (71 individual trust funds), the Lane Memorial Library Trust Funds (four trust funds), the Campbell Sports Scholarship Trust Fund, and the Poor Trust Funds (three individual trust funds).

The smaller trust funds are invested in a common trust fund account at National Advisors Trust Company. Sub-accounting for each of the trust funds was maintained by the investment advisor and reported to the Trustees at each meeting. The market value of the common trust fund at year end was \$563,204, and the total return, net after management fees, was -0.71%. The fund's income yield was approximately 2.6%

The Cemetery Burial Trust Fund earned income of \$13,521 which can be distributed to the Town for cemetery maintenance. The Town added \$10,650 to this fund from 2014 cemetery revenue to the Cemetery Burial Trust Fund (Warrant Article #28). An additional \$4,261 was added to the fund from cemetery lot sales in 2015. Warrant Article #26 authorized a withdrawal of \$50,000 from this fund to cover expenses related to the removal of dying trees in Pine Grove Cemetery. This work was not completed as planned. Warrant Article #44 authorized a withdrawal of up to \$40,000 to enable the Cemetery Trustees to purchase a new ¾ ton pickup for cemetery maintenance. Per this Warrant Article, a withdrawal of \$38,996 was made from the fund in December.

Half of the income from the Campbell Sports Scholarship Trust Fund (\$82) was added to the principal of the Fund, per the provisions of the trust document. The other half (\$82) was distributed to the Recreation and Parks Department.

The four library trusts received income of \$283.

### **Common Capital Reserve Fund**

The Trustees manage a number of capital reserve funds and expendable trust funds. These funds are invested in a common capital reserve fund account at National Advisors Trust Company. Sub-accounting for each of the capital reserve funds and non-expendable trusts was maintained by the investment advisor and reported to the Trustees at each meeting.

The common capital reserve funds and expendable trust funds are conservatively invested in US government securities, US government-backed agency bonds, investment grade bonds and up to 15% in high quality equities.

The market value of the common capital reserve fund at year end was \$1,509,684. The fund's total return for 2015 was 0.78%.

The Hampton School District did not add any funds to the Special Education Expendable Trust Fund in 2015. The principal and income balance in the Hampton Special Ed Fund at the end of 2015 was \$217,211.

The Selectmen did not add any funds to the Compensated Leave Trust Fund during 2015. The principal and income balance at the end of 2015 was \$292,592. There were no disbursements from this fund during the year.

The Town Roads Capital Reserve Fund received a deposit of \$300,000 (Warrant Article #18). There were no disbursements during 2015. The ending principal & income balance was \$933,232.

There were no deposits into, or disbursements from, the DPW Equipment Capital Reserve Fund in 2015, leaving an ending principal & income balance of \$3,259.

### **Winnacunnet School District Common Capital Reserve Fund**

The Winnacunnet School District did not add any funds to its Building Maintenance, Special Education or Technology Fund expendable trusts. No disbursements were made from these funds in 2015. The ending principal and income balance for the Special Education Expendable Trust Fund was \$315,515.

The total ending principal & income balance for the three Winnacunnet School District CRFs was \$566,020.

### **Investment Advisor**

Mackensen & Company, Inc. of Hampton served as the investment advisor for the Trustees. The total fee paid for investment advisory and bookkeeping services was \$26,807, which was paid prorata from the income of the trust and capital reserve funds. In September the Trustees were advised that Mackensen and Company had been the subject of an investigation by the Securities and Exchange Commission regarding misleading advertising materials, which were used to solicit prospective accounts between 2010 and 2012. Mackensen and Company were fined \$100,000 without admitting or denying the findings of the order. Subsequent to the disclosure the Trustees had their own investigation and reaffirmed retaining the firm as investment advisor. This in turn led to a significant confrontation with the Hampton Board of Selectmen who requested that the Trustees review their decision. In January 2016 the Trustees met in closed session and again reaffirmed their decision to retain Mackensen and Company by a vote of 4-1. It further requested that Mackensen and Company provide the Trustees with a compliance report at each future meeting and finally a sub-committee of the Trustees was formed to review whether the Trustees should seek requests for proposals. All correspondence between the Town of Hampton Board of Selectmen, and its Town Manager and the Trustees is posted on the Trustees web site for public review. [www.HamptonTrustFunds.org](http://www.HamptonTrustFunds.org).

### **Trustees of Trust Funds Website**

The Trustees of the Trust Funds maintain a website to keep the citizens of Hampton informed about the trust funds and the capital reserve funds, and to provide disclosure under RSA 91-A (the Right-to-Know Law). The Trustees' website address is [www.HamptonTrustFunds.org](http://www.HamptonTrustFunds.org). The website features a page for each trust fund and capital reserve fund. The website also lists the next meeting date and the agenda for the next meeting. Copies of past meeting minutes may be downloaded from the website. Applicable state laws (RSAs) are listed on the website for easy reference. Besides the Trustees' website, Trustee meeting notices are posted at the Lane Memorial Library and the Town Office Building.

### **Trustees of Trust Funds**

Norman Silberdick, Chairman  
William A. Hartley, Vice Chairman  
Stephen A. Falzone, Secretary  
John P. Troiano, Bookkeeper  
John Sovich, Trustee