

Town of Hampton



TRUSTEES OF THE TRUST FUNDS

April 18, 2011 1:00 p.m.

Selectmen's Meeting Room

TRUSTEES: Norman Silberdick, Chairman
Edward R. Buck, Vice Chair
William A. Hartley, Bookkeeper
Stephen A. Falzone, Secretary/Clerk
David W. Hamilton

ADMIN ASSISTANT: Ms. Joan Rice

PUBLIC: Richard Nichols, Chairman, Board of Selectmen
Patrick Cronin, Hampton Union
Arthur Moody

The meeting was called to order at 1:00 p.m. by Chairman Silberdick.

Minutes of the Last Meeting

The minutes from the meeting of April 11, 2011, were reviewed.

MOVED by Mr. Hamilton to approve the minutes.

SECONDED by Mr. Falzone.

VOTE: 5-0-0

Motion Passed

Investment Advisor Interviews

The Trustees interviewed the following bidders.

DHK Financial – Tim Dempsey

Mr. Dempsey said DHK has been in Portsmouth for 18 years. They work with institutional clients structuring investment portfolios. Mr. Dempsey said DHK would structure a portfolio which would include custody costs, etc. The total fee would be approximately \$56,000. Mr. Dempsey questioned the split between equities and fixed income and would try some tweaking and rebalancing.

Mr. Dempsey said he would work through Schwab. Mr. Hartley asked what Schwab's fee would be. Mr. Dempsey said it would be five basis points. Mr. Hamilton asked if DHK would proactively tell the Trustees to make moves. Mr. Dempsey said they would look at ways to do that. Mr. Hamilton asked if the Trustees' income expectation of \$600,000 for 2011 is realistic. Mr. Dempsey said it was, but at a cost to future residents of the Town.

Mr. Hamilton said the primary goal is the preservation of principal. Mr. Falzone asked what the duration on the fixed income side DHK would be looking at. Mr. Dempsey said it would be three to four years. Chairman Silberdick asked if Mr. Dempsey would recommend reallocation of fixed and equities be done. Mr. Dempsey said yes and 60% equities is a good place to be.

Key Private Bank – Jane Harmon, Bill Becker, Brett Miller

Mr. Becker gave an overview of Key Private Bank. Mr. Becker said they use a team based approach in overseeing these portfolios. Mr. Miller said Key builds customized portfolios and has a good strategy team that does forecasts. There is also a compliance program which conducts an annual audit. They also offer sub-accounting for no additional fee. Mr. Hartley asked if the fee of \$68,000 would include custody. Mr. Miller said it would. Chairman Silberdick asked, given the fact that the Trustees are income driven, if the allocation is correct. Mr. Miller said he felt the Trustees were a little low on equities.

Morgan Stanley Smith Barney – Steve Boyle, Paul Kinnaly

Mr. Boyle said Morgan Stanley is a large firm with access to much information. Mr. Kinnaly highlighted the key points of their process : 1) Assessment of the client, 2) Understanding specific needs, 3) Doing the allocation work, 4) Manager search and selection, 5) Monitoring, and 6) Ability to review in a concise way.

Mr. Boyle said he would recommend a shorter duration on the fixed income side. Mr. Buck asked if they had experience with New Hampshire municipal governments. Mr. Boyle said they are familiar with them although at this time they are not working with any.

Mr. Boyle said he would like to see a larger equity piece in the portfolio. Mr. Hartley asked if the \$108,000 fee included custody. Mr. Boyle said it did. Mr. Hamilton asked about the income expectation of \$600,000. Mr. Boyle said that

would be challenging. Mr. Hamilton asked if there could be any reduction to their proposed fee. Mr. Kinnaly said he would look into it.

Cambridge Trust Company of NH – Jim Spencer, Rick Simpson, Maureen Kelleher, Todd Mayo

Mr. Spencer gave an overview of Cambridge and said they are an independent trust company. Ms. Kelleher said they were experienced in town funds. Mr. Spencer said Ms. Kelleher would be the actual portfolio manager so there will be personal access for the Trustees.

Mr. Hamilton asked if they would waive the fee on the cash portion. Mr. Spencer said they would check.

TD Wealth Management Group – Bob Magan

Mr. Magan gave an overview of TD Wealth Management. TD focuses on customized portfolios. TD Asset Management is their partner and the process would be done there. They are located in Boston. TD would make sure the risk levels are where they need to be. There would be continuous monitoring. The portfolio would be rebalanced quarterly or as needed. TD uses segregated investment strategies. Mr. Magan explained the equities and fixed income processes. As TD was formally the Investment Advisor, Mr. Hamilton asked if there were any other strategic differences on how TD would view the funds at this time. Mr. Magan said it is asset allocation driven so it probably would not change much.

State Street Global Investors – John Gulino, Stacey Marino, Noel Henry

Mr. Henry gave an overview of State Street. He said this would be a customized portfolio. Ms. Marino said they focus on building portfolios for entities like the Trustees. Their goal will be to add value. High on priority is protecting principal, guarding against inflation and generating income.

Mr. Falzone asked if investments run as a pool of many or are they individually handled. Ms. Marino said the Trustees' portfolio would be individually handled. Mr. Hartley asked if the fee of \$80,000 included custody. Mr. Henry said it did.

Mackensen & Company, Inc. – Warren Mackensen, David Mayes, David Batchelder

Mr. Mackensen said he has been in business for 20 years and has much experience with the Hampton Trust Funds. Mr. Mackensen said he has also been handling the bookkeeping for the Trust Funds. Mr. Mackensen said he felt the portfolio was global and diversified.

Mr. Mackensen discussed new software he has created. It can be used for rebalancing and quarterly review. It will also produce the MS9 and MS10 state

reports. Mr. Mackensen said, if selected, his firm would continue to provide the bookkeeping and electronic record keeping. He would also continue to maintain the website for notices and minutes.

Mr. Mackensen said he would suggest that the Trustees go to an Advisors Custody service and this would eliminate the National Advisor Trust Company fees currently being charged for the Agent for Trustee service. Mr. Mackensen said this change would reduce the Town's costs by \$10,900 from what is currently being paid to National Advisors Trust. Mr. Hamilton asked when the Mackensen & Company fee might be increased. Mr. Mackensen said there are no plans to increase it. Mr. Falzone asked Mr. Mackensen if he would rebalance the portfolio. Mr. Mackensen said it would be rebalanced quarterly. Chairman Silberdick asked if the allocation could be reconsidered. Mr. Mackensen said it isn't good to change that much too frequently. Forty percent equities and sixty percent fixed income is an appropriate mix for a trust fund like the Real Estate Trust Fund.

Charter Oak Capital Management – Karen Zaramba, Jeff Troiano

Mr. Troiano said Charter believes that asset allocation is the primary driver for performance. Mr. Hartley asked if 2.71 was the yield for their proposal. Mr. Troiano said it is 2.84, but the real challenge is trying to get \$600,000 in earned income. They are aware that their proposal falls short of that amount.

Mr. Hartley asked about the fee. Mr. Troiano said the fee would be \$24,000 but did not include custody. Mr. Buck asked how much experience Charter has with New Hampshire municipal governments. Mr. Troiano said this would be their first experience. Mr. Hamilton asked if they had any other clients in excess of \$16 million. Mr. Troiano said they did not. Mr. Falzone asked if each portfolio was managed individually or if moves were made in large groups. Mr. Troiano said it would be handled individually. Chairman Silberdick asked about the Trustees' allocation between equities and fixed income. Mr. Troiano said he felt it was fine.

Selection of New Investment Advisor

The Trustees discussed the bidders' presentations. After stating their preferences, the field was narrowed to Cambridge Trust Company of NH and Mackensen & Company, Inc.

MOVED by Mr. Hamilton to appoint Cambridge Trust Company of NH as the Real Estate Trust Fund Investment Advisor to the Hampton Trustees of the Trust Fund.

SECONDED by Mr. Falzone.

VOTE: 2-3 (Buck, Hartley, Silberdick).

Motion failed.

MOVED by Mr. Hartley to appoint Mackensen & Company, Inc. as the Real Estate Trust Fund Investment Advisor to the Hampton Trustees of the Trust Fund.

SECONDED by Mr. Silberdick.

VOTE: 3-2 (Falzone, Hamilton).

Motion passed.

Next Meeting

The next meeting of the Trustees is scheduled for Monday, May 2, 2011, at 3:00 p.m. in the Selectmen's Meeting Room, at which time the Trustees will meet with Warren Mackensen, the new Real Estate Trust Fund Investment Advisor.

The meeting was adjourned at 5:20 p.m.

Respectfully submitted,

Joan Rice
Administrative Assistant

