

Town of Hampton



TRUSTEES OF THE TRUST FUNDS

January 19, 2021 4:00 p.m.

Selectmen's Conference Room

TRUSTEES: Nancy Andrew
James Dearden
Christopher Nevins
Joyce Skaperdas (Alternate Trustee)
Warren Mackensen

Excused: John Bletzer

ADVISOR: David 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.

Review of Minutes

MOVED by Mr. Nevins to approve the Minutes of October 19, 2020.

SECONDED by Ms. Skaperdas.

VOTE: 5-0-0

Motion passed

4th Quarter 2020 Market Trends as of 12/31/2020

Mr. Mayes was given the floor to present the economic environment

- All categories of risk assets saw significant increases in Q4:
 - S&P 500 11.10%
 - Russell 2000 28.97%
 - MSCI EAFE Index 11.53%
 - Real Estate (Vanguard REIT ETF) 7.08%
 - S&P High-Yield Corporate Bond Index 5.41%
 - S&P Investment Grade Corporate Bond Index 2.47%
- Value stocks have finally outperformed Growth
 - iShares S&P Growth (IUSG) 10.18%
 - iShares S&P Value (IUSV) 15.31%
- Interest rates were mixed for US Treasury securities:
 - 30-year Treasury: Increased from 1.45% to 1.65%
 - 10-year: Increased from 0.68% to 0.93%
 - 5-year: Increased from 0.27% to 0.36%
 - 2-year: decreased from 0.14% to 0.13%

Real Estate Trust Fund

The Month-End Market Value graphs were reviewed.

The market value of this fund dropped back slightly during ten of the twelve months in 2020. It ended the quarter with a total market value of \$22,823,202. The portfolio's time-weighted rate of return was 9.2% for the quarter. The time-weighted rate of return for 2020 was 3.7%.

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 4.4% Cash, 29.2% US Stocks, 12.1% Non-US Stocks, 49.4% Bonds, and 4.9% Other.

Common Trust Fund

Mr. Mayes said there were good returns for this common fund in 2020. He said this fund ended the quarter with a total market value of \$699,775. The portfolio's time-weighted rate of return was 6.9% for the quarter. The time-weighted rate of return for 2020 was 6.3%.

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

The allocation in this common fund is 4.1% Cash, 24.5% US Stocks, 6% Non-US Stocks, 56.9% Bonds, and 8.5% Other.

Town Common Capital Reserve Fund

Mr. Mayes said this common fund ended the quarter with a total market value of \$3,556,545. The portfolio's time-weighted rate of return was 2% for the quarter. The time-weighted rate of return for 2020 was 5.8%.

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

The allocation in this fund is 0.6% Cash, 15.3% US Stocks, 0.14% Non-US Stocks, 83.1% Bonds, and 0.9% Other.

Winnacunnet School District Common Capital Reserve Fund

Mr. Mayes said this common fund ended the quarter with a total market value of \$936,975. He said this fund is very similar to the Town's Common Capital Reserve Fund. The portfolio's time-weighted rate of return was 1.9% for the quarter. The time-weighted rate of return for 2020 was 5.3%.

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

The allocation in this fund is 4.1% Cash, 15.2% US Stocks, 0.14% Non-US Stocks, 79.5% Bonds, and 1.1% Other.

MS-9 Report

The MS-9 Report for the calendar year 2020 was reviewed.

MOVED by Mr. Dearden to approve the MS-9 Report.

SECONDED by Mr. Nevins.

VOTE: 5-0-0

Motion passed

The MS-9 will be submitted to the Charitable Trusts Unit (CTU) and the Department of Revenue Administration (DRA) on paper. Paper filings will persist until the CTU achieves sufficient resources to hire Axiomatic to adjust the algorithms so that unrealized capital gains are no longer combined into an “End of Year Fair Value.”

Further, “Cash Capital Gains” should be renamed as “Capital Gain Distributions,” which is the standard financial services industry term. Capital gain distributions are often recorded as re-invested shares.

Combined Transactions Listing

The Combined Transactions Listing for all of the funds was reviewed.

Town Report Narrative and Spreadsheet

The 2020 Town Report narrative and spreadsheet were reviewed.

MOVED by Ms. Skaperdas to approve the 2020 Town Report and the associated spreadsheet.

SECONDED by Ms. Andrew.

VOTE: 5-0-0

Motion passed

Hampton Real Estate Trust Fund Investment Policy

Chairman Mackensen opened the floor for discussion on the Real Estate Trust Fund Investment Policy.

Notably, the largest portfolio, the Real Estate Trust Fund, had the lowest total return in 2020 of the four Hampton portfolios.

Ms. Skaperdas made the case to give up some portfolio income and invest in “Core” or “Blend” securities to increase the growth of portfolio. She felt the RETF portfolio is too heavily tilted toward income securities.

After significant discussion, it was:

MOVED by Chairman Mackensen to accept and reaffirm the Real Estate Trust Fund Investment Policy as is.

SECONDED by Mr. Dearden.

VOTE: 4-1-0

Motion passed

Small Common Trust Funds and Common Capital Reserves Investment Policy

MOVED by Chairman Mackensen to accept and reaffirm the Investment Policy for the Common Trust Fund, the Town Common Capital Reserve Fund, and the Town Winnacunnet School District Common Capital Reserve Fund.

SECONDED by Ms. Skaperdas.

VOTE: 5-0-0

Motion passed

Internal Controls Policy

The Internal Controls Policy was revised to include a paragraph authorizing the Trustees to delegate ministerial bookkeeping tasks to the investment advisor. The investment advisor has performed the ministerial functions for many years, but the Internal Controls Policy did not specifically discuss the assignment of the bookkeeping tasks to the investment advisor.

The signature page was updated to reflect the current Trustees.

MOVED by Chairman Mackensen to accept the Internal Controls Policy, as amended.

SECONDED by Mr. Dearden.

VOTE: 5-0-0

Motion passed

Certificate of Compliance

Reference: HRETF Investment Policy, Page 16, Item 9

The Trustees received a Certificate of Compliance signed by David T. Mayes, principal at Three Bearings Fiduciary Advisors.

Investment Advisor Evaluation

Reference: HRETF Investment Policy, Page 16

Trustees were asked if there were any comments about the performance of the investment advisor.

MOVED by Mr. Nevins to retain the services of Three Bearings Fiduciary Advisors of Hampton.

SECONDED by Ms. Andrew.

VOTE: 5-0-0

Motion passed

Income Distribution from Trust Funds

MOVED by Chairman Mackensen to approve the following Distribution of Funds:

Poor Funds: \$21.97 (Town of Hampton)

Perpetual Care Trust Funds: \$849.81 (Town of Hampton)

Cemetery Maintenance Trust Fund: \$18,212.71 (Town of Hampton)

SECONDED by Ms. Andrew.

VOTE: 5-0-0

Motion passed

Income Distribution from Library Trust Funds

MOVED by Chairman Mackensen to approve the distribution of annual income for the Library Trusts (\$404.48) to the Lane Memorial Library.

SECONDED by Mr. Nevins.

VOTE: 3-0-0

Motion passed

Town Roads Capital Reserve Fund Distribution

Chairman Mackensen reported that the Town requested a distribution of \$243,170.95 for some of the completed engineering and survey work on the Winnacunnet Road and High Street project. 2020 Warrant Article #18 refers.

A motion at the Trustees Meeting on October 19, 2020, was approved to disburse up to \$435,000 on this project upon receipt of paid invoices.

The request for current disbursement will be submitted to the investment advisor for payment on January 20, 2021.

Cemetery Association Expendable Trust Fund

Chairman Mackensen reported that the Town requested a distribution of \$20,000 for additional cemetery work (tree cutting and stump grinding) at the High Street Cemetery. The Selectmen approved the work on June 16, 2020. The Trustees have received paid invoices.

The request above is in addition to the \$20,000 that was previously approved at the Trustees Meeting on October 19, 2020, for the Ring Swamp Cemetery.

MOVED by Chairman Mackensen to approve the distribution of \$20,000 from the Cemetery Association Expendable Trust Fund.

SECONDED by Ms. Skaperdas.

VOTE: 5-0-0

Motion passed

Cemetery Maintenance Trust Fund

Chairman Mackensen reported that the Town requested a distribution of \$50,000 from the Cemetery Maintenance Trust Fund for tree cutting at the High Street Cemetery. 2020 Warrant Article #35 refers.

The Selectmen approved the work on June 16, 2020. The Trustees have received paid invoices.

MOVED by Chairman Mackensen to approve the distribution of \$50,000 from the Cemetery Maintenance Trust Fund.

SECONDED by Mr. Dearden.

VOTE: 5-0-0

Motion passed

New Business: Reconstruction of High Street and Winnacunnet Road

2021 Warrant article planned.

There may be a withdrawal of \$1,000,000 from the Town Roads CRF in 2021.

Ms. Skaperdas provided some insight from her experience on the Budget Committee regarding the importance of completing both of the road projects as single project to gain better competitive bidding and avoiding higher prices in the future.

New Business: Trustees of Trust Funds Audit

Trustees were apprised of the need to answer the town auditor's questionnaire if they are approached by the auditors, Plodzick & Sanderson

New Business: Trustee Elections in March 2021

Nancy Andrew said that she would not be running for re-election. John Bletzer informed the Chairman that he was not going to be running for re-election.

Alternate Trustee Joyce Skaperdas indicated that she would be running for trustee. Christopher Koutalidis indicated that he would be running for trustee. Both of these individuals ran (unsuccessfully) for trustee last year in an unprecedented field of five candidates.

Winnacunnet High School Building Maintenance Expendable Trust

During May, a unanimous email vote was held to approve \$5,500 for consulting fees relative to roof repairs on Winnacunnet High School. That sum was paid.

A motion at the Trustees Meeting in July approved an additional disbursement of up to \$53,600 from the Winnacunnet High School Building Maintenance Expendable Trust Fund, as requested by the Finance Director, Nancy Tuttle, for roof repairs.

Paid invoices for the work have been submitted in the amount of \$53,506 to facilitate the release of the funds. The funds will be paid in January 2021.

Next Meeting

The next meeting will be Monday, April 19, 2021, at 4:00 p.m. in the Selectmen's Meeting Room.

Public Comment Period

There were no members of the public in attendance.

Adjournment

MOVED by Chairman Mackensen to adjourn the meeting at 5:58 p.m.

SECONDED by Mr. Dearden.

VOTE: 5-0-0

Motion passed

Respectfully submitted,

Warren J. Mackensen
Chairman