



TRUSTEES OF TRUST FUNDS

January 18, 2022 4:00 p.m.

Quarterly Meeting

Selectmen's Conference Room

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

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 Ms. Skaperdas to approve the Minutes of October 18, 2021.

SECONDED by Mr. Dearden.

VOTE: 4-0-0

Motion passed

4th Quarter 2021 Market Trends as of 12/31/2021

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

- Solid Increases for equities and REITS in Q4:
 - S&P 500 11.07%
 - Russell 2000 2.00%
 - MSCI EAFE Index 2.84%
 - Real Estate (Vanguard REIT ETF) 15.03%
 - S&P High-Yield Corporate Bond Index -0.59%
 - S&P Investment Grade Corporate Bond Index -0.06%
- Growth stocks continue to outperform Value
 - iShares S&P Growth (IUSG) 13.1%
 - iShares S&P Value (IUSV) 8.26%
- Interest rates rose for Intermediate and long-term US Treasury securities:
 - 30-year Treasury: Decreased from 2.08% to 1.90%
 - 10-year: Unchanged from 1.52% to 1.52%
 - 5-year: Increased from 0.98% to 1.26%
 - 2-year: Increased from 0.28% to 0.73%

Real Estate XLRE 17.56%	Technology XLK 16.66%	Materials XLB 15.13%	Consumer Discretionary XLY 14.1%
Utilities XLU 12.93%	Consumer Staples XLP 12.78%	Health Care XLV 11.1%	Industrial XLI 8.56%
Energy XLE 7.94%	Financial Services XLF 4.56%	Communication Services XLC -2.83%	

Real Estate Trust Fund

The Month-End Market Value graphs were reviewed.

The market value of this fund increased in 2021. It ended the year with a total market value of \$24,367,828. The portfolio's time-weighted rate of return was 3.2% for the quarter. The time-weighted rate of return for 2021 was 9.9%.

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 2% Cash, 29.1% US Stocks, 9.7% Non-US Stocks, 52.4% Bonds, and 6.8% Other.

Common Trust Fund

Mr. Mayes said there were good returns for this common fund in 2021. He said this fund ended the year with a total market value of \$734,317. The portfolio's time-weighted rate of return was 2.4% for the quarter. The time-weighted rate of return for 2021 was 7.2%.

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

The allocation in this common fund is 4.7% Cash, 24% US Stocks, 5% Non-US Stocks, 57.6% Bonds, and 8.7% Other.

Town Common Capital Reserve Fund

Mr. Mayes said this common fund ended the year with a total market value of \$3,555,719. The portfolio's time-weighted rate of return was 1% for the quarter. The time-weighted rate of return for 2021 was 2.9%.

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

The allocation in this fund is 0.9% Cash, 14.7% US Stocks, 0.2% Non-US Stocks, 83% Bonds, and 1.2% Other.

Winnacunnet School District Common Capital Reserve Fund

Mr. Mayes said this common fund ended the year with a total market value of \$912,385. He said this fund is very similar to the Town's Common Capital Reserve

Fund. The portfolio's time-weighted rate of return was 1.1% for the quarter. The time-weighted rate of return for 2021 was 3.2%.

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

The allocation in this fund is 1.4% Cash, 16.6% US Stocks, 0.2% Non-US Stocks, 80.6% Bonds, and 1.2% Other.

Combined Transactions Listing

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

Deposits in December 2021

The Trustees acknowledged the receipt of two deposits:

Hampton Article 15 – \$300,000 added to the Road Improvement Capital Reserve Fund on December 28th

Hampton Article 19 – \$27,500 added to the Firefighters Turn Out Gear/Personal Protective Equipment Capital Reserve Fund on December 28th

MS-9 Portal Changes

The Trustees were informed by Chair Mackensen that the state approved the portal changes recommended by him in April 2020. The new portal format will be implemented on June 30, 2022. Hampton will file through the portal in January 2023.

MS-10 Proposed New Format

Warren submitted proposed changes to the NHTTF.org MS-10 portal to the DRA, AG's Office (CTU), and Axiomatic. The proposed changes were briefly discussed on the MS-9 conference call on November 17, 2021

The proposed format eliminates the data entry redundancy that currently exists between the MS-9 and MS10. Instead, the proposed format shows the investments in all trusts and CRFs, not just for common funds. This promotes complete transparency of investments.

The proposed MS-10 format total will tie out to the MS-9 total. Today, the two report submittals do not tie out because special purpose funds and the PDIP are not listed on the MS-10. The proposal will greatly improve the auditability of the MS-10.

Hampton's Calendar Year 2021 MS-10 will be submitted to the DRA and CTU on paper using the proposed format.

MS-9 Report

The Trustees reviewed the MS-9.

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 releases the revised Axiomatic algorithms to eliminate unrealized capital gains as part of "End of Year Fair Value." Implementation of the revised program is scheduled for June 30, 2022.

MOVED by Ms. Skaperdas to approve the MS-9 Report.

SECONDED by Mr. Dearden.

VOTE: 4-0-0

Motion passed

MS-10 Approval

The Trustees approved and signed the MS-10, which will be filed on paper with the Department of Revenue Administration and the Charitable Trusts Unit of the Department of Justice. The MS-10 submittal is in the format of a proposed revision to the MS-10, which was discussed briefly on a conference call with the state on November 17, 2021.

MOVED by Ms. Skaperdas to approve the MS-10 Report.

SECONDED by Mr. Mackensen.

VOTE: 4-0-0

Motion passed

Town Report Narrative and Spreadsheet

The 2021 Town Report narrative and spreadsheet were reviewed.

MOVED by Mr. Dearden to approve the 2021 Town Report and the associated spreadsheet.

SECONDED by Ms. Skaperdas.

VOTE: 4-0-0

Motion passed

Income Distribution from Trust Funds

MOVED by Ms. Skaperdas to approve the following distributions of income:

Poor Funds: \$17.77 (Town of Hampton)

Library Trust Funds: \$327.62 (Lane Library)

Perpetual Care Trust Funds: \$687.70 (Town of Hampton)

Cemetery Maintenance Trust Fund: \$15,329.25 (Town of Hampton)

SECONDED by Mr. Koutalidis.

VOTE: 4-0-0

Motion passed

Town Roads Capital Reserve Fund Distribution

Chairman Mackensen reported that the Town requested a distribution of \$45,209.33 for engineering work on the Winnacunnet Road and High Street project. Paid invoices were submitted for review. Pay \$21,509.26 from Income and pay \$23,700.07 from Principal,

MOVED by Mr. Mackensen to approve the distribution request.

SECONDED by Mr. Dearden.

VOTE: 4-0-0

Motion passed

Cemetery Maintenance Trust Fund

Chairman Mackensen reported that the Town requested a distribution of \$500 for reimbursement to the Town for the buyback of four graves from Bridget Martha Cassidy. A deed was submitted as evidence of the transaction. Pay \$500 from Income or Principal.

MOVED by Mr. Mackensen to approve the distribution request.

SECONDED by Ms. Skaperdas.

VOTE: 4-0-0

Motion passed

Hampton Real Estate Trust Fund Investment Policy

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

The Trustees discussed and agreed to change the certificate of compliance submittal, mandated by the Policy on Page 16, Item 9, from quarterly to annual.

The signature page was also updated to reflect the current Trustees.

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

SECONDED by Mr. Koutalidis.

VOTE: 4-0-0

Motion passed

Certificate of Compliance

Reference: HRETF Investment Policy, Page 16, Item 9

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

Small Common Trust Funds and Common Capital Reserves Investment Policy

Chairman Mackensen opened the floor for discussion on the Small Common Trust Funds and Common Capital Reserves Investment Policy.

The signature page was updated to reflect the current Trustees.

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

SECONDED by Mr. Koutalidis.

VOTE: 4-0-0

Motion passed

Internal Controls Policy

Chairman Mackensen opened the floor for discussion on the Internal Controls Policy.

The signature page was updated to reflect the current Trustees.

MOVED by Mr. Mackensen to affirm the Internal Controls Policy.

SECONDED by Mr. Koutalidis.

VOTE: 4-0-0

Motion passed

Investment Advisor Evaluation

Reference: HRETF Investment Policy, Page 16

Trustees reviewed the performance of the investment advisor.

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

SECONDED by Ms. Skaperdas.

VOTE: 4-0-0

Motion passed

Trust Funds and Capital Reserve Funds Audit

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

2022 Town Meeting Warrant Affecting Trustees (As of Jan 4, 2022)

Article 23: Add \$300,000 to the Road Improvement CRF

Article 30: Withdraw \$50,000 from Cemetery Maintenance Trust Fund for cemetery maintenance

Article 31: Establish a new Pedestrian and Safety CRF; fund this new CRF with \$40,000

Article 32: Add \$27,500 to the Firefighters Turn Out Gear CRF

Trustee Elections in March 2022

In calendar year 2022, there is one seat open for election. Warren Mackensen indicated that he would be running for trustee again.

Public Comment Period

There were no members of the public in attendance.

Next Meeting

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

Adjournment

MOVED by Chairman Mackensen to adjourn the meeting at 5:17 p.m.

SECONDED by Mr. Dearden.

VOTE: 4-0-0

Motion passed

Respectfully submitted,

Warren J. Mackensen, Chairman