

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

During 2014, the Trustees of Trust Funds met five times. The Trustees congratulated Trustees Stephen Falzone and John Troiano 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 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 \$696,344, which represented an annual yield of 3.8%.

The Real Estate Trust Fund remains invested in a broadly-diversified portfolio of low-cost mutual funds, exchange-traded funds and individuals bonds. The custodian was National Advisors Trust Company of Overland Park, Kansas. The market value of the Real Estate Trust Fund increased from \$18,097,108 to 18,844,641, an increase of \$747,533. At year end, the Real Estate Trust Fund allocation to equities was 42%, which was within the allowable range of 25% to 45% specified by the Investment Policy. The allocation to fixed income was 56%, which was within the allowable range of 35% to 70%. Cash allocation was 3%. The time-weighted total return net after fees was 7.8%.

### **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 \$593,678, and the yield on the common trust fund was 2.3%.

Dividend income of \$12,767 from the Cemetery Burial Trust Fund was distributed to the Town for cemetery maintenance. The Town added \$10,500 from 2013 cemetery revenue to the Cemetery Burial Trust Fund.

Half of the income from the Campbell Sports Scholarship Trust Fund (\$102.33) was added to the principal of the Fund, per the provisions of the trust document. The other half (\$102.33) was distributed to the Recreation and Parks Department.

The four library trusts received income of \$358, of which \$259 was distributed to the Library Trustees.

## **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 \$1,235,068, and the yield on the common capital reserve fund was 1.4%.

The Hampton School District did not add any funds to the Special Education Expendable Trust Fund. The principal and income balance in the Hampton Special Ed Fund at the end of 2014 was \$214,071.

The Selectmen did not add any funds to the Compensated Leave Trust Fund during 2014. The principal and income balance at the end of 2014 was \$288,362. There were no 2014 disbursements.

The Hampton Beach Village District (HBVD) made two withdrawals from their capital reserve funds: \$10,000 from the Capital Projects CRF, and \$4,840 from the Playground CRF. The HBVD voted in March to close the Playground CRF.

The Town voted on March 11, 2014, to add \$300,000 to the Town Roads Capital Reserve Fund, which was deposited in April. There were no disbursements during 2014. The ending principal & income balance was \$622,350.

There were no deposits into, or disbursements from, the DPW Equipment Capital Reserve Fund in 2014, leaving an ending principal & income balance of \$42,914.

The Town voted on March 11, 2014, to close the 1995 Fire/Rescue Apparatus Capital Reserve Fund, which had a zero balance.

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

During 2014, the three Winnacunnet School District capital reserve funds were separated from the Common Capital Reserve Fund to facilitate the annual Winnacunnet School District audit.

The Winnacunnet School District Meeting voted on March 11, 2014, to raise and appropriate \$40,000 to be added to the Special Education Expendable Trust Fund created during 2007, which was deposited in October. This expendable trust fund will help to educate educationally-disabled children. Disbursements may be made by the School Board upon their vote. No disbursements from the Fund were made in 2014. The ending principal and income balance for the Special Education Expendable Trust Fund was \$311,158.

The ending principal & income balance for the three Winnacunnet School District CRFs was \$558,204.

## **Investment Advisor**

Mackensen & Company of Hampton served as the investment advisor and assistant bookkeeper for the Trustees. The total fee paid was \$15,960, which was paid prorata from the income of the trust funds.

## **Legislation**

During the year the NH Legislature passed House Bill 297, which allows, among other things, that professional advisory fees can be deducted from the income of capital reserve funds after a town meeting vote. The Trustees drafted a warrant article that was approved by the Board of Selectmen and the Budget Advisory Committee for inclusion on the 2015 town warrant.

As part of this effort, it was discovered that investment advisory fees had been incorrectly charged to the Real Estate Trust Fund for the fees associated with the capital reserve funds of the town, the Hampton Beach Village District, SAU 21 and SAU 90, as well as the common trust funds. Upon review and to simplify the resolution, Mackensen & Company reimbursed the town capital reserve funds in the amount of \$4,062.71 for the years 2011-2014; the fees associated with the common trust funds were allocated to the common trust funds.

During December and early January 2015, the Trustees negotiated a new fee agreement with Mackensen & Company based on a quarterly calculation of the investment portfolio balances at a rate of 0.12% per annum. Mackensen & Company will not bill the capital reserve funds for November and December 2014.

## **Trustees of Trust Funds Website**

The investment advisor maintained the Trustees of the Trust Funds 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