

**TOWN OF HANOVER
TRUSTEES OF TRUST FUNDS**

**Meeting Minutes
Friday, December 15, 2006 at 7:30 a.m.**

In attendance: L. Draper (Trustee), P. Gardent (Trustee), J. Pierson (Trustee), B. McClain (Town Administration)

Invited guests: T. Abbate, M. Wrenn (Bank of America)

Approval of the October 24, 2006 Meeting Minutes

Trustee Pierson moved, and Trustee Draper seconded, that the minutes of the Town of Hanover Trustees of Trust Funds meeting held on October 24, 2006 be approved as amended. The motion passed unanimously.

Discussion of Investment Strategy Options

The meeting was then turned over to Mr. Abbate who led a discussion regarding the use of mutual funds vs. purchasing individual stocks. It was noted that in addition to allowing for more diversification in the portfolio, mutual funds have historically out-performed the selection of individual stocks within an investment account.

Trustee Gardent asked whether the fees would truly be less if mutual funds were used. Mr. Wrenn explained that the current fees (8% of income) would be phased out over the next six months to the standard Bank of America fees (120 basis points of portfolio value). After this transition is complete, fees would be significantly less (estimated at 54 basis points) if mutual funds are used.

There was a general observation that the Trustees account was currently too small to invest prudently in individual stocks and that an underlying tenet of the Trustees was to invest the Bridgman account the same as the Trustees account. Currently, the two accounts are not invested consistently.

Trustees confirmed that the proposal being discussed was to move current equity investments into a series of mutual funds. However, there are individual bond holdings; Trustees agreed that as bonds mature, the proceeds will be put into bond funds so that – ultimately – the equity and bond holdings will be in a series of funds. Trustees confirmed that they would be looking to sell ETF's (Exchange Traded Funds) currently held in the Trustees account so that the investments in this account would mirror the mutual fund investments of the Bridgman account.

There was a discussion of why the Trustees have maintained two separate investment accounts: one for the Bridgman Fund, and one for all other Trustee perpetual funds. It was noted that due to the size of the Bridgman Fund and the need to report out simply the investment performance of this significant fund to the Hanover School Board, a separate

fund had been created. The Trustees also noted that with a separate account, the gains and losses of the investment for the Bridgman Fund would impact only this fund. This is significant given that the fund could ultimately be fully expended if the Hanover School Board so desired. A possible benefit to collapsing accounts into a single managed account was to allow the Acorn Fund (a high performance mutual fund) to continue to be utilized by the Investment Manager. The Trustees resolved to keep two separate investment accounts.

Trustee Gardent made the following motion:

The Town of Hanover Trustees of Trust Funds instruct their Investment Manager to adjust the equity holdings of the Trustees two separate investment accounts to be comprised of investments in mutual funds vs. purchasing individual stocks and to achieve parity in how the two funds are invested. Further, as the bond portfolios mature – or sooner if the Investment Manager sees fit – the proceeds will be invested into bond funds (as deemed appropriate and prudent by the Investment Manager).

Trustee Pierson seconded the motion, and the motion passed unanimously.

Trustees expressed interest in knowing what bond fund(s) would be used. Mr. Abbate indicated that he was considering an institutional bond fund (the Columbia Bond Fund). He agreed to recommend a bond strategy and e-mail it to the Trustees.

The Trustees wanted to be sure to inform the Hanover School District of this change to the investment holdings of the Bridgman Fund. Ms. McClain agreed to draft a letter informing the Hanover School District of this change – including why the Trustees implemented this change and a confirmation that the change is in adherence to the adopted Investment Policy and the investment principles previously shared with the Hanover School District. She will share this with Trustees for comments and feedback prior to mailing.

Transaction Authorization

Trustees approved the following transaction:

- Withdrawal of \$50.00 from the Etna Library Expendable Gift Fund

Other Business

Trustees agreed that the next Trustees meeting should be scheduled for sometime in mid to late April 2007 and would include a review of the May 2007 Town Meeting draft warrant and an investment performance review. Trustees asked that Mr. Abbate mail them the quarterly investment performance update for the period ending December 31, 2006. Trustees also discussed the merits of inviting Ms. Knowles from the NH Charitable Trusts Unit to their next meeting. Ms. McClain will extend an invitation to Ms. Knowles once the date of the next meeting has been set.