

TOWN OF HANOVER TRUSTEES OF TRUST FUNDS

Meeting Minutes
Friday, June 22, 2007 at 7:30 a.m.

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

Trustee Gardent moved to approve the minutes from the meeting of the Trustees of Trust Funds held on April 24, 2007. Trustee Pierson seconded the motion, and the motion passed unanimously.

Transaction Authorization

Trustees approved the following transactions:

- Withdrawal of \$49,190.00 from the Road Construction and Improvements Capital Reserve Fund
- Withdrawal of \$50,000.00 from the Road Construction and Improvements Capital Reserve Fund
- Withdrawal of \$55,000.00 from the Hanover School District Building Maintenance Fund
- Withdrawal of \$215,062.00 from the Police Vehicle and Equipment Capital Reserve Fund
- Withdrawal of \$278,912.00 from the Highway Construction and Maintenance Capital Reserve Fund
- Withdrawal of \$15,189.00 from the Parking Operations Vehicles and Parking Facility Improvements Capital Reserve Fund
- Withdrawal of \$23,051.00 from the Sewer Equipment and Facilities Improvements Capital Reserve Fund
- Withdrawal of \$51,513.00 from the Municipal Transportation Improvements Fund
- Withdrawal of \$341,543.32 from the Fire Department Vehicle and Equipment Capital Reserve Fund
- Withdrawal of \$20,000.00 from the Property Revaluation Capital Reserve Fund
- Withdrawal of \$100.00 from the Bruce Essay Prize Perpetual Trust Fund
- Withdrawal of \$100.00 from the income balance of the Emil Rueb Photography Prize Perpetual Trust Fund
- Withdrawal of \$3,229.87 from income balances of certain perpetual trust funds (\$38.43 from Library perpetual trust funds; \$309.19 from perpetual trust funds to aid Hanover citizens in need, \$2,882.25 from Cemetery perpetual trust funds)
- Withdrawal of \$243.81 from the income balances of the perpetual trust funds to benefit the Hanover Schools
- Withdrawal of \$2,468.14 from the Etna Library Expendable Trust Fund
- Withdrawal of \$150.00 from the VFW Memorial Expendable Trust Fund

- Contribution of \$44,000.00 to the Ambulance Equipment Capital Reserve Fund
- Contribution of \$10,000.00 to the Dispatch Equipment and Dispatch Center Enhancements Capital Reserve Fund
- Contribution of \$101,400.00 to the Fire Department Vehicle and Equipment Capital Reserve Fund
- Contribution of \$195,000.00 to the Highway Construction and Maintenance Capital Reserve Fund
- Contribution of \$2,660.00 to the Parking Operations Vehicle and Parking Facility Improvements Capital Reserve Fund
- Contribution of \$50,000.00 to the Police Vehicle and Equipment Capital Reserve Fund
- Contribution of \$186,450.00 to the Sewer Equipment and Facilities Improvements Capital Reserve Fund
- Contribution of \$34,220.00 to the Municipal Transportation Improvements Fund
- Contribution of \$35,500.00 to the Land and Capital Improvements Fund
- Contribution of \$1,000.00 to a new fund: Norris Dartmouth Cemetery Expendable Trust Fund

Investment Policy

It was noted for the record that Mr. Abbate, Bank of American Investment Officer who manages the Trustees' investment accounts, had reviewed the current Investment Policy and had no recommended changes. After some brief discussion and a suggested revision to the wording of the Policy, Trustee Gardent moved to adopt the Investment Policy, as revised. Trustee Pierson seconded the motion, and the motion passed unanimously.

A copy of the adopted policy is attached as part of these minutes.

Other Business

Trustee Gardent graciously accepted the appointment as Chairman of the Trustees of Trust Funds.

The Trustees executed the necessary paperwork to add Trustee Doyle as an authorized signer on the NH Public Deposit Investment Pool (NH PDIP) accounts. Trustee Gardent elected to have the monthly NH PDIP statements and transaction confirmations e-mailed to him.

Ms. McClain circulated an e-mail from Mr. Bill Davison requesting that funds from the perpetual care fund established by his father in 1939 be used for headstone and marker maintenance of several family monuments in Pine Knoll, the Etna Cemetery and in Lyme. Ms. McClain reported that there were two Davison family cemetery perpetual care funds in the custody of the Trustees of Trust Funds: (a) Frank F. Davison fund for Davison family plots in the Etna Cemetery, current available income balance = \$2,030.06; and (b) the F.F. Davison fund for Davison family plots in the Pine Knolls Cemetery, available income balance = \$29.11. After some general discussion, Trustees authorized Ms. McClain to contact Mr. Davison to let him know that \$2,030.00 was available for Davison family stone work in the Etna Cemetery, but there was an

inadequate accumulated income balance for stone work in Pine Knolls. Also, Ms. McClain should let Mr. Davison know that the funds could not be used for Davison family stone work in the Town of Lyme, as the funds in the custody of the Town of Hanover Trustees of Trust Funds are targeted towards maintenance of Hanover cemeteries. Finally, Ms. McClain should alert Mr. Davison that if the Etna Cemetery accumulated income balance was used in this way, it would be effectively depleted, as the annual income, net of management fees, is disbursed to the Town of Hanover to cover ongoing grounds maintenance. Ms. McClain will contact Mr. Davison within the week and report back to the Trustees at their next meeting.

Trustee Gardent and Trustee Pierson welcomed Trustee Doyle aboard and provided a general overview of the duties of the Trustees of Trust Funds. It was agreed to defer trying to schedule a meeting with Ms. Terry Knowles from the NH Charitable Trusts Unit until there was a compelling reason to meet with her.

Trustees affirmed that a Request for Proposal for investment management services should be prepared over the fall.

Trustees tentatively set their next meeting for Tuesday, August 14, 2007, at 7:30 a.m. Ms. McClain will check the schedules of Mr. Wrenn and Mr. Abbate, both from Bank of America, and send a follow-up e-mail to Trustees. The agenda of the next meeting will include an Investment Performance Review and review/approval of the annual state reports: MS-9 = Report of Trust and Capital Reserve Funds and MS-10 = Report of Common Trust Fund Investments.

**Town of Hanover
Trustees of Trust Funds
Investment Policy Statement
Adopted by Trustees of Trust Funds June 22, 2007**

Pursuant to NH RSA 34:5 and 35:9, the Trustees of Trust Funds of the Town of Hanover (Trustees) adopt this investment policy statement for the prudent investment of the funds under their jurisdiction.

I. Public Funds

- A. Trust Funds Created by Towns pursuant to RSA 31:19-a. Funds raised from public monies for the maintenance and operation of the town and other public purposes shall be invested in the New Hampshire Public Deposit Investment Pool (PDIP) established pursuant to RSA 383:22. Each fund shall be kept in a separate account and not intermingled with other funds of the town.
- B. Reserve Funds. Capital and other reserve funds appropriated pursuant to the provisions of Chapters 34 and 35 RSA shall be invested in the PDIP. Each fund shall be kept in a separate account and not intermingled with other funds of the town.

II. Private Funds

- A. Nonexpendable (endowment type) funds raised from private sources pursuant to RSA 31:19, 31:20 and 31:21, such as privately donated gifts, legacies, and devises made to the town or school district, and accepted by it, for the establishment, maintenance, and care of libraries, reading rooms, schools, and other educational facilities, parks, cemeteries, and burial lots, the planting and care of shade and ornamental trees upon their highways, and other public places, and for any other public purpose not foreign to or incompatible with the objects of the Town of Hanover or the Hanover School District shall be invested under the following guidelines:

- 1. Investment Strategy. All such non-expendable funds shall be invested on a total return basis; that is, the aggregate return from capital appreciation and dividend and interest income. Such funds may be invested in a common trust fund. The specific investment objective is to exceed the long-term rate of inflation (as measured by the CPI) by 3.0%. The goal of the Fund's equity component is

to exceed the S&P 500 Index total return over a full market cycle. The goal of the Fund's fixed income component is to exceed the return of the Lehman Brothers Intermediate Government/Credit Index over a full market cycle.

2. Asset Allocation Guidelines. Investment management of the Fund shall be in accordance with the following broad asset allocation guidelines at market value:

<u>Asset Class</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Preferred</u>
Equities	55%	65%	60%
Fixed Income	35%	45%	40%

3. Risk. The portfolio shall display an overall level of risk which is consistent with the risk associated with the above stated benchmarks.

4. Time Horizon. The fund has a perpetual time horizon.

5. Constraints. The Fund shall comply with the provisions of RSA 31:25. Exchange Traded Funds may be used as the investment vehicle in order to provide prudent diversification of investments for a relatively small pool of assets.

B. Expendable funds. All expendable funds will be invested in the PDIP. Each fund shall be kept in a separate account and not intermingled with other funds.

C. Bridgman Fund. The Bridgman Fund was created under the will of Don S. Bridgman. Pursuant to order of the Grafton County Probate Court entered June 3, 1997, the Hanover School District was confirmed as the beneficiary of the terminated trust. Distributions from the Bridgman Fund are at the discretion of the Hanover School Board, except that the assets will not be used "to relieve others from contributing their just share to the support and maintenance of the public schools, but to afford advantages in addition thereto." Although technically an expendable fund, the Hanover School Board has formally adopted a policy of treating the corpus of the Bridgman Fund as an endowment, and has limited its annual distributions from the fund to no more than 5% of the principal value. The Hanover School Board has requested that the Trustees of Trust Funds manage the fund as an endowment with an investment policy similar to what the Trustees apply to nonexpendable private funds. Because of its disproportionate size in relation to the other private nonexpendable funds managed by the Trustees, the Trustees have chosen to keep the Bridgman fund as a separate fund and not intermingle it with the other private nonexpendable funds. The Bridgman

Fund shall be managed with the same investment policy as nonexpendable funds as set forth in II A.

- III. Professional Banking and Brokerage Assistance. The Trustees may retain a professional Investment Advisor pursuant to the provisions of RSA 31:38 to assist the trustees in the prudent management and investment of trust fund assets and to provide ancillary bookkeeping services. The investment advisory agreement shall be put out to bid no less frequently than every five years, and preferably, every three years. The investment manager shall supply the Trustees with performance reports on a quarterly basis. The investment performance of the total portfolios, as well as asset class components, will be measured against commonly accepted performance benchmarks. The Investment advisor shall be reviewed at least annually regarding performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact its ability to achieve the desired investment results.
- IV. Investment Policy Review. The trustees will review this investment policy statement on an annual basis in June of each year to assure the continued relevance of these guidelines and objectives.