

TOWN OF HANOVER TRUSTEES OF TRUST FUNDS

Meeting Minutes
Thursday, January 31, 2008 at 7:30 a.m.

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

Invited guests: T. Abbate (Bank of America)

Investment Performance

Mr. Abbate presented a general overview of financial market and economic conditions along with a review of the investment performance of the Trustees' holdings for the period ending December 31, 2007. The December 30, 2007 Performance Summaries for both of the Trustees' accounts have been attached to the minutes for the record. Mr. Abbate reported that he will rebalance the portfolio at a better time and will remain within the asset allocation stipulated in the Trustees' Investment Policy. The Trustees accepted the investment performance review for the period ended December 31, 2007.

Discussion turned to why the bond portfolio had underperformed the benchmarks. Trustee Gardent had asked Mr. Abbate to address this issue at this meeting. Mr. Abbate reviewed some historical data tracking the portfolio's bond performance; this information has been attached to the minutes for the record. In summary, the difference in performance can be tied to the difference of the duration of the bonds held in the portfolio vs. the duration of bond holdings used for the benchmarks. As the individual bonds in the portfolio mature and are put in bond mutual funds, the difference between the portfolio and benchmark durations will move towards being the same. Trustee Doyle also noted that the timing of the policy shift from individual bond and equity holdings to mutual funds turned out to be not optimal given the interest cycle.

Trustees asked that at an upcoming meeting that they review bond mutual fund options. They specifically requested that Mr. Abbate:

- Continue to move assets into bond mutual fund as individual bond holdings mature;
- Review with Trustees the Intermediate Bond Fund vs. the Intermediate Government Bond Fund vs. other possible bond fund options; and
- Calibrate the bond performance index to be consistent with the choice of the bond fund.

Trustee Doyle also suggested that Mr. Abbate consider the merits of liquidating the portfolio's individual bond holdings prior to maturity as the market changes. Trustees agreed that Mr. Abbate has the liberty to liquidate these holdings if they are trading at gains (and if such liquidation is ultimately advantageous) and to move the proceeds into a bond mutual fund.

Trustee Gardent requested that Mr. Abbate present information about investment fees for the various funds. Mr. Abbate noted that Mr. Wrenn, from Bank of America out of the

Manchester, NH office, prepares such a schedule for another client, and he would contact Mike to have the schedule prepared. He will send this schedule via e-mail to Ms. McClain who will forward it onto Trustees. It was agreed to discuss management fees at the next meeting.

Other Business

Trustee Doyle moved to approve the minutes from the meeting of the Trustees of Trust Funds held on October 19, 2007. Trustee Pierson seconded the motion, and the motion passed unanimously (with Trustee Gardent abstaining).

Transaction Authorization

Trustees approved the following transaction:

- Contribution of a \$1,000.00 private gift to the Welfare Assistance Expendable Trust Fund
- Contribution of \$1,631.00 to the Etna Library Expendable Trust Fund
- Withdrawal of \$3,061.97 from the Fierro Memorial Fund
- Withdrawal of \$526.77 from the income balance of the Pleasant Street View and Slope Maintenance Fund

Trustees also signed a bank administrative form from the New Hampshire Public Deposit Investment Pool (NH PDIP) affirming that the Town had changed its main banking relationship from Mascoma Savings Bank to Citizens Bank. The NH PDIP keeps current financial institution information to expedite transfers to and from the bank. Trustee Gardent noted for the minutes that he is on the Board of Mascoma Savings Bank.

Other Business

Kari Assmus, Chair of the Hanover School Board, was in attendance to address some general questions and issues regarding the School District's trust funds. She noted that some earlier e-mail correspondence between her and Town staff and Trustees had resulted in consensus to consistently refer to the expendable trust fund established in 1986 to "to meet the expenses of educating educationally disabled children" (RSA 35:1-b) as: ***Reserve Fund for Education of Persons with Disabilities***. Ms. McClain affirmed that she would strive to insure that all future Trustee correspondence consistently refers to the fund in this way.

Ms. Assmus asked Trustees for guidance on whether some of the smaller Hanover School District trust funds could be dissolved and, if so, what is the process the School District should follow. She pointed out that the level of income from some of these funds was extremely low, and the administration of these funds seems to outweigh the benefit realized by the School District. Ms. McClain indicated that she would work with the NH Charitable Trusts Unit over the coming months, and she committed to having a formal reply to the School District by the end of 2008.

Ms. Assmus also requested that the annual disbursement from these perpetual Hanover School District be sent to the SAU Office in early July vs. late June so that these funds would be available for small special projects throughout the school year. Ms. McClain will make this change in her annual transaction calendar.

Ms. Assmus acknowledged that Trustee Gardent had attended a Hanover School District meeting earlier in the month to provide the Board with an overview of the Bridgman Fund. Ms. Assmus shared that the appropriation from the Bridgman Fund authorized at the March 2007 Town Meeting was more than would be spent this year, as one of the projects (to cost approximately \$5-7k) would not be able to be initiated. There was general consensus that each March after the School District Meeting, Town staff should share with the investment manager the amount of the upcoming year's likely (i.e., "not to exceed") cash disbursement from the Bridgman Fund. Ms. McClain agreed to contact the SAU Office to get on the distribution list for early electronic copies of the School District Warrant and meeting minutes.

After Ms. Assmus' departure, there was general discussion on the unique nature to which the Town's Finance Officer provides direct staff support to the elected Trustees of Trust Funds. Ms. McClain noted that the Town's auditor remarks annually that he is surprised that the Trustees of Trust Funds do not have their own bookkeeper. Ms. McClain assured Trustees that there was no conflict with the support currently provided by her office; however, she noted that special projects such as researching the School District Funds and assembling a Trustees "how-to" manual have not been able to be completed due to lack of time. The Trustees asked whether Ms. McClain wanted them to try to secure resources to assist Ms. McClain; she responded that she does not believe this is necessary - unless the Trustees want certain projects completed more quickly than she can deliver them. If a faster turnaround is desired, the Trustees could petition the Selectboard for resources to hire contractual assistance and, in essence, these projects would be outsourced by the Trustees to this hired resource. Ms. McClain would then be available to this contracted labor to respond to information requests. She assured the Trustees that the routine business of the Trustees of Trust Funds is well in-hand and has been incorporated into her workload. She wanted them to know it was the unusual and infrequent special projects that were not able to be completed any more quickly. Trustees agreed that a slower delivery time for these special projects was currently acceptable, and they were quite happy with the level of administrative support provided.

Investment Management Services Request for Proposal (RFP)

After a brief discussion, Trustees agreed not to seek proposals from investment managers at this time, but to remain with Bank of America. Trustees had just recently completed the migration of all investments into mutual funds from individual stock holdings and are working to move into bond mutual funds, and they agreed to see over several quarters how the funds fare with this move. Trustees agreed that the question of whether to seek competitive proposals from investment managers should be revisited each year at the fall meeting to be sure that they are exercising due diligence over the funds. Ms. McClain confirmed that she will make a note to include this on their Fall 2008 meeting agenda.

Other Business

Trustees asked Ms. McClain to schedule the next Trustees meeting in mid-April 2008. The agenda will include investment performance, a review of various mutual bond funds, and a review of the investment fees.

HANOVER TOWN OF BRIDGMAN FUND

Selected Period Performance

December 31, 2007

Sector	Market Value	3 Months	12 Months	36 Months	60 Months	Inception to Date (122 Months)
Cash and Cash Equivalent	97,271	1.24	5.04	4.26	2.94	3.82
Merrill Lynch 91 Day TBill (Actua		1.05	5.00	4.30	3.07	3.79
Equity-Mgd	790,641	-2.33	8.36	10.92	13.79	7.81
S&P 500		-3.33	5.50	8.62	12.83	6.46
Fixed Income Mgd	436,799	1.82	6.63	3.78	3.87	5.63
Lehman Govt/Credit Int		2.91	7.40	4.32	4.06	5.76
Total Account-All Assets	1,324,711	-.83	7.20	7.93	9.08	7.07

Run Date: 01/17/08

Account: 71162078505426

Account Inception: 11/01/1997

HANOVER TOWN OF TRUSTEES
Selected Period Performance
December 31, 2007

Sector	Market Value	3 Months	12 Months	36 Months	Inception to Date (129 Months)
Cash and Cash Equivalent	19,458	1.24	5.05	4.34	4.10
Merrill Lynch 91 Day TBill (Actua		1.05	5.00	4.30	3.88
Equity-Mgd	187,976	-2.33	9.34	11.12	
S&P 500		-3.33	5.50	8.62	8.08
Fixed Income Mgd	99,974	1.88	4.72	3.50	
Lehman Aggregate Bond		3.00	6.96	4.56	6.51
Total Account-All Assets	307,408	-.93	7.27	8.16	5.22

Run Date: 01/17/08
Account: 71162078505419
Account Inception: 04/01/1997

HANOVER TOWN OF BRIDGMAN FUND
Bond Return Analysis
December 31, 2007

Sector	2005	2006	2007	3 YEAR
Fixed Income Mgd	1.08	3.71	6.63	3.78
Lehman Govt/Credit Int	1.57	4.07	7.40	4.32

2007 Bond Return Analysis

Holdings as of 12/31/06

<u>Holding</u>	<u>Mkt Value</u>	<u>Pct Holding</u>	2007 <u>Total Return</u>	Factored <u>Return</u>	Bond Return to <u>Maturity</u>	SRBFX Return After <u>Maturity</u>
UST TIPS 3.375 1/15/12	59,503.40	14.83%	8.42	1.25		
Unitedhealth Group 5.20% 1/17/07	24,997.50	6.23%	5.05	0.31	0.18	4.86
Procter & Gamble 3.50% 12/15/08	48,440.00	12.08%	6.01	0.73		
Washington Mutual 4.00% 1/15/09	48,749.00	12.15%	2.13	0.28		
Abbott Labs 3.50% 2/17/09	24,192.25	6.03%	6.47	0.39		
Fed Home Loan Bank 4.00% 11/13/09	97,438.00	24.29%	7.58	1.84		
UST TIPS 2.75% 8/15/07	49,304.50	12.29%	8.84	1.09	5.16	3.50
UST 3.50% 8/15/09	48,488.50	12.09%	7.50	0.91		
	401,113.15	100.00%		6.77		
Actual Bond Fund Return				6.63		
Lehman Govt/Credit Int Index				7.40		
Portfolio Duration				2.32		
Lehman Govt/Credit Int Index Duration				3.50		
Beginning of Year Avg of 2 & 5 Year Yield				4.75		
End of Year Avg of 2 & 5 Year Yield				3.25		
Performance as a Result of Duration Difference				-1.78		

2006 Bond Return Analysis

Holdings as of 10/20/05

<u>Holding</u>	<u>Mkt Value</u>	<u>Pct Holding</u>	2006 <u>Total Return</u>	Factored <u>Return</u>	Bond Return to <u>Maturity</u>	SRBFX Return After <u>Maturity</u>
UST TIPS 3.375 1/15/12	60,155.00	14.12%	0.58	0.08		
Unitedhealth Group 5.20% 1/17/07	25,085.00	5.89%	4.79	0.28		
Procter & Gamble 3.50% 12/15/08	48,360.00	11.35%	2.97	0.34		
Washington Mutual 4.00% 1/15/09	48,518.00	11.39%	4.88	0.55		
Abbott Labs 3.50% 2/17/09	24,112.00	5.66%	3.38	0.19		
Fed Home Loan Bank 4.00% 11/13/09	97,563.00	22.90%	4.19	0.98		
UST TIPS 2.75% 8/15/07	48,882.00	11.43%	4.07	0.47		
IBM 4.875% 10/1/08	25,078.00	5.89%	4.50	0.28	3.38	1.08
UST 3.50% 8/15/09	48,543.00	11.39%	3.55	0.40		
	426,094.00	100.00%		3.54		
Actual Bond Fund Return				3.71		
Lehman Govt/Credit Int Index				4.07		
Portfolio Duration				3.28		
Lehman Govt/Credit Int Index Duration				3.50		
Beginning of Year Avg of 2 & 5 Year Yield				4.34		
End of Year Avg of 2 & 5 Year Yield				4.75		
Performance as a Result of Duration Difference				0.10		

2005 Bond Return Analysis

Holdings as of 2/15/05

<u>Holding</u>	<u>Mkt Value</u>	<u>Pct Holding</u>	<u>2005 Total Return</u>	<u>Factored Return</u>	<u>Bond Return to Maturity</u>	<u>SRBFX Return After Maturity</u>
UST TIPS 3.375 1/15/12	80,927.00	13.15%	-2.29	-0.30		
UST TIPS 1.875 7/15/13	53,388.00	11.53%	-2.18	-0.25		
Procter & Gamble 3.50% 12/15/08	49,533.00	10.69%	0.56	0.06		
Washington Mutual 4.00% 1/15/09	49,822.00	10.78%	1.57	0.17		
Hewlett Packard 7.15% 8/15/05	50,683.00	10.94%	2.12	0.23	1.30	0.81
Fed Home Loan Bank 4.00% 11/13/09	100,094.00	21.61%	0.98	0.21		
UST TIPS 2.75% 8/15/07	49,199.00	10.62%	1.30	0.14		
UST 3.50% 8/15/09	49,533.00	10.69%	0.88	0.09		
	463,177.00	100.00%		0.35		
Actual Bond Fund Return				1.08		
Lehman Govt/Credit Int Index				1.57		
Portfolio Duration				4.18		
Lehman Govt/Credit Int Index Duration				3.50		
Beginning of Year Avg of 2 & 5 Year Yield				3.34		
End of Year Avg of 2 & 5 Year Yield				4.34		
Performance as a Result of Duration Difference				-0.68		