

**Minutes of Trustees of the Trust Funds Meeting
October 30, 2023**

Wheelwright Room, Exeter Town Offices, Exeter, NH, 10 am - 12 pm.

Attendees: Peter Lennon, Leone Atsalis, Pat Curtis, Trustees; Beth Galperin, Senior Managing Consultant and Katia M. Frock, Director, PFM Asset Management LLC of Harrisburg, PA, representing the New Hampshire Public Deposit Investment Pool (NH PDIP). Ms. Frock attended the meeting by Zoom. Clerk for the Meeting, Mr. Lennon.

Agenda:

I. Interview with NH PDIP/PFM Asset Management on its Response to the Trustees Request for Statement of Qualifications (RFQ) as Investment Advisor.

Mr. Lennon opened the interview by discussing the candidate evaluation process and highlighting key dates, such as when the Trustees would make a selection and how and when the Trustees would appear before the Select Board, Exeter Region Cooperative School Board, and Exeter (Elementary) School Board to seek their approval of warrant articles asking the voters on March 12, 2024 to approve paying investment advisor fees from the income of the publicly funded trust funds.

He said that, if the warrant articles passed, the Trustees would be able to sign a contract shortly after the elections.

Mr. Lennon then asked questions about how PDIP/PFM assessed, managed, and minimized various investment risks, what were the average rates of investment return each firm achieved over the past one-, five-, and ten-year periods, how often and on what basis and metrics the candidate firm evaluated the performance of an individual investment advisor, and whether each firm would be acting in a fiduciary capacity with the Trust Fund Trustees.

Ms. Atsalis then led the discussion and questions regarding fee specifics and various fee components, including how fees are assessed against the entire portfolio, are there separate fees for certain asset classes the firm might recommend in addition to the baseline Investment Advisory fee, how the Trustees could estimate the fees from separately managed accounts, mutual funds, and ETFs that carry their own expense ratios, and under what conditions might the firm be willing to negotiate a lower investment advisory or investment management fee?

Mr. Curtis then led the discussion and questions regarding the candidate's financial mechanisms, online and other reporting content, formats, and regularity, client responsiveness, and specific New Hampshire knowledge and experience. His questions included how the Trustees would maintain visibility over each separate trust fund for assessing performance and for reporting purposes, whether the candidate can help the Trustees prepare and submit the state-mandated MS-9/MS-10 annual reports, what kind of liquidity will the Trustees have to be able to write reimbursement checks on a timeline responsive to the needs of the Town and two School Boards, and which towns are its oldest and newest clients.

The PDIP/PFM representatives said they used very short-term investments to reduce risk and to provide needed liquidity. They indicated that by state law, PDIP was limited for the most part to investing in relatively lower risk assets. They characterized PDIP as essentially a money market fund,

and that fees ranged from about .19 percent to .25 percent of the total assets under management and would change daily.

The representatives said PDIP did not have the capability to assist in preparing the MS-9/MS-10 reports, and that they would explore whether PDIP can provide accounting formats separated by the Exeter Trustees claimants (Town, School Boards, Library, Cemetery). They indicated that PDIP could provide quarterly, not monthly, reports regarding each of the Trustees' 120 separate trust funds.

They also stated that PDIP did not provide any basic money handling services, such as deposits into and withdrawals from the individual trust funds, and that the Trustees still would need to maintain separate bank accounts for the trust funds.

The Trustees agreed that they needed to explore whether PDIP's status as a statutorily created state entity eliminated the requirement to ask Town and school voters for approval to pay investment advisor fees from the income of the publicly funded trust funds.

II. Adjournment. The meeting adjourned at about 11:30 am.