

**Minutes of Trustees of the Trust Funds Meeting
November 3, 2023**

Wheelwright Room, Exeter Town Offices, Exeter, NH, 10:00 am – 12:00 pm.

Attendees: Peter Lennon, Leone Atsalis, Pat Curtis, Trustees; David T. Mayes, President and Chief Investment Officer, Zachary R. Zwick, Financial Planner and Municipal Client Advisor, and Linda M. Lambert, Tax and Accounting Specialist, Three Bearings Fiduciary Advisors, Hampton, NH. Clerk for the Meeting, Mr. Lennon.

Agenda:

I. Interview with Three Bearings Fiduciary Advisors 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 Three Bearings 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.

With respect to risk, Mr. Mayes said risk management was done largely through strategic allocation of investments by diversifying among assets, especially through mutual funds. For equities, one may have to accept some risk for higher returns, he said. For bonds, selecting "credit quality"

bonds addresses risk, he said, and for fixed income investments, the shorter the duration, the less risky the investment.

Mr. Mayes indicated that capital reserve fund assets would, in part, be invested in lower risk “investment grade” corporate bonds and government bonds.

With respect to fees, Three Bearings charges an annual fee based on a percentage of assets, with a .50 percent fee on the first \$2 million and .35 percent fee on the next \$3 million, Mr. Mayes said. He indicated that Three Bearings seeks out mutual funds and exchange traded funds with lower expense ratios to try to minimize any additional fees to its clients.

With respect to liquidity, Three Bearings said this need calls for a more conservative investment approach for the capital reserve fund assets that is designed to reduce the impact of market value fluctuations while still providing for the possibility of growth above the rate of inflation. For such assets, target maturities and durations are kept considerably shorter than with some other investments, the firm indicated.

With respect to reporting, Three Bearings will provide monthly MS-9 reports, annual MS-9/MS-10 reports, annual town report submissions, snapshot reports on specific funds, annual audit document packages, and other documentation as needed.

Three Bearings also indicated extensive knowledge of New Hampshire Trust Fund and Capital Reserve Fund statutes and of key personnel in state government performing Trustees of Trust Funds oversight.

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