

Minutes of Trustees of Trust Funds Meeting

May 17, 2024

Wheelwright Room, Exeter Town Offices, Exeter, NH, 9-10:40 AM

Attendees: Peter Lennon, Pat Curtis, Leone Atsalis, Trustees. Zachary Zwick from Three Bearings (3B) Fiduciary Advisors of Hampton, NH. Clerk for the meeting: Mr. Lennon.

May 10, 2024 Trustees Meeting minutes approved 3-0 upon a motion made by Mr. Curtis and seconded by Ms. Atsalis.

Meeting Agenda:

The Trustees and Mr. Zwick reviewed the Trustees' Investment Policy (IP) draft and the Trustees' Municipal Investment Management Agreement (MA) draft contract.

Mr. Zwick reported that he was able to discuss the Trustee's proposed changes with 3B's President and Chief Investment Officer, David Mayes, and that 3B was able to agree with most of the Trustees' major changes to both documents. (**Explanatory Note:** The Trustees' proposed both sets of changes to reflect the commitments they made to the Exeter Select Board, the Exeter Elementary School District Board, the Exeter Regional Cooperative School District Board, and the Library and Cemetery Trustees to demonstrate their independence from, and decision-making authority over, any prospective Investment Advisor.)

1. Revisions to Investment Policy (IP). Among other changes, the Trustees and 3B agreed to revised language regarding: the primary goal of the investment portfolio, a more extensive discussion of investment risks, the responsibilities of the Trustees and 3B, and more specifically identifying allowable investment types, the desirable specific percentage allocations among them, and the discrete national benchmarks against which investment performance would be evaluated.

After the changes proposed by the Trustees and 3B were discussed, Mr. Curtis moved and Ms. Atsalis seconded that the Trustees adopt the revised IP, sign it along with Mr. Mayes, and formally submit it to the NH Attorney General as required by law. The motion passed unanimously (3-0).

2. Revisions to Municipal Investment Management Agreement (MA) (contract). Among other changes, the Trustees and 3B agreed to revised language identifying one Trustees asset (Ambrose Swasey Bequest Account, Key Bank, Cleveland, OH) that will not be under 3B management and to language clarifying that the Trustees (upon the advice of the Investment Advisor) were responsible for establishing the IP and submitting it to the NH Attorney General. Also, the Trustees and 3B agreed to revised investment risk language that incorporated by reference 3B's extensive discussion of different risk types that both parties agreed further should be included in the revised IP.

In the IP section of the proposed MA, both parties added language making it clear that the Investment Advisor's role is to provide guidance to the Trustees on matters pertaining to the investment of fund assets including investment policy, investment selection, and monitoring fund performance and compliance with the IP. The added language clearly states that "The

Trustees of Trust Funds will make all decisions pertaining to the IP and guidelines for the policy's implementation.”

The Trustees and 3B discussed the nature and content of the Quarterly Performance Report review process and agreed that for the first year of the MA, there would be in-person quarterly investment performance reviews, including performance comparisons with agreed-upon benchmark indices. In ensuing years, both parties agreed that in-person meetings would be held as needed, but no less than annually, and that the Trustees would still receive quarterly performance reports.

Both parties agreed that, per the MA, 3B would provide monthly reports formatted the same as the annual, state-required MS-9 “Report of Trust And Capital Reserve Funds”. For each trust fund, the monthly and annual reports will show principal and income balances, capital gains/losses, additions, withdrawals, expenditures, and ending market value.

During this discussion, the Trustees decided to replace its current format for monthly reports to its five claimants (Town, two School Boards, Cemetery and Library Trustees) with the monthly MS-9 report. Both parties agreed that the monthly MS-9 would show the trust funds grouped by claimant.

The Trustees and 3B discussed the MA's requirement for the Investment Advisor to provide annual inputs for the Trustees' Annual Report to be included in the Town's Annual Report distributed to Exeter's voters. Among other information, they agreed that 3B would provide information about the fees charged by the Investment Advisor.

Both parties further agreed to add language stipulating that 3B would impose no penalty fees if the Trustees decided to terminate the MA.

- 3. Transition and Operational Matters.** The Trustees and 3B agreed that the Trustees' Chair (Mr. Lennon) would wait until early June, after M&T Bank credits interest earned in May, to write the three withdrawal checks needed to transfer the trust funds to the new investment accounts under Fidelity Investments, the new trust funds custodian.

The Trustees tasked Mr. Lennon to reconfirm with the Town and School finance departments that neither expected to submit funding reimbursement requests during the early-June trust funds transition to the new investment accounts.

The Trustees and 3B also reviewed the new operational procedures that would be used by the Trustees to deposit/withdraw funds into/from the investment accounts upon enactment of the MA. Contrary to initial inclinations, the Trustees recognized that the most straightforward and less administratively complex procedures would include them maintaining a bank checking account.

The Trustees decided to maintain such an account and Mr. Curtis was asked to determine which among several banks doing business in NH charged the lowest fee for checking account services.

4. **Next Meeting.** Both parties agreed that the IP and MA would be signed at the next Trustees of Trust Funds meeting, to be scheduled for Tuesday, May 28, 2024, at 9-10 AM in the Wheelwright Room, Town Offices, 10 Front Street.
5. **First Quarterly Performance Review.** The Trustees and 3B agreed to schedule, tentatively, the first in-person Quarterly Performance Review for Friday, September 20, 2024, at 9-11 AM in the Nowak Room, Town Offices. The Trustees decided to invite representatives of the five claimants to attend.
6. **Adjournment.** Mr. Curtis moved that the meeting be adjourned at 10:40 AM. Ms. Atsalis seconded, and the motion passed unanimously.

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