

# Minutes of Trustees of Trust Funds Meeting

May 10, 2024

Wheelwright Room, Exeter Town Offices, Exeter, NH, 8-9:35 AM

Attendees: Peter Lennon, Pat Curtis, Leone Atsalis, Trustees. Clerk for the meeting: Mr. Lennon.

April 26, 2024 Trustees Meeting minutes approved 3-0 upon a motion made by Mr. Curtis and seconded by Ms. Atsalis.

Meeting Agenda:

The Trustees reviewed its own Investment Policy (IP) and examined the proposed IP and Municipal Investment Management Agreement (MA) contract submitted by its prospective Investment Advisor, Three Bearings (3B) Fiduciary Advisors of Hampton, NH.

The Trustees decided to combine the most pertinent and relative provisions of both IP's into a new IP and to propose specific changes to the MA. Mr. Lennon stated that both sets of changes reflect the commitments the Trustees made during the Trustees' Investment Fees Warrant Articles adoption process to the Exeter Select Board, the Exeter Elementary School District Board, the Exeter Regional Cooperative School District Board, and the Library and Cemetery Trustees.

Mr. Lennon argued that these commitments required the Trustees to demonstrate their independence from, and decision-making authority over, any prospective Investment Advisor.

- 1. Discuss Revisions to Investment Policy (IP).** The Trustees approved their initial Investment Policy on September 25, 2023, and stated within it that it was subject to revision upon the selection and advice of a prospective Investment Advisor. Subsequent to adoption of this IP, the Trustees selected 3B as their prospective Investment Advisor.

Among other changes to its IP, the Trustee at this meeting, unanimously, 3-0, (Mr. Curtis moved, Ms. Atsalis seconded) made the following revisions to their IP and approved sending the revised IP to 3B with the goal of finalizing the document at their next meeting on Friday, May 17, 2024, at 9-11 AM:

- Adopted 3B language stating that a primary goal of the portfolio is to produce a long-term annual return in excess of inflation and that investment portfolios are also to be used to generate spendable income in accordance with the purpose of a particular trust fund.
- Adopted and acknowledged 3B's extensive discussion of risks, potential risks, and rewards of 3B's proposed investment program.
- Deleted several of the responsibilities stated in the Trustees' IP and transferred the most important ones pertaining to 3B to the proposed MA to be signed by the Trustees and 3B after mutual discussion and consideration.
- Replaced the language in the Trustees' IP regarding use of the "Prudent Man" and "Prudent Investor" Rules with 3B's more specific discussion as to the applicability of these Rules to discrete investment asset classes.
- Replaced the more general language in the Trustees' IP regarding allowable types of investments with 3B's more specific language identifying these allowable investment

types, the desirable specific percentage allocations among them, and the specific national benchmarks against which the performance of these investments would be measured.

The Trustees noted that the changes made to the IP also directly reflected 3B's Comments on the IP that were included in Appendix F of 3B's response to the Trustees' "Request for Qualifications" dated September 25, 2023, that began the competitive source selection process for a prospective Investment Advisor.

**2. Discuss Revisions to 3B's Proposed Municipal Investment Management Agreement (MA) (contract).** Among other recommended changes to the MA, the Trustee at this meeting, recommended unanimously, 3-0, (Mr. Curtis moved, Ms. Atsalis seconded) the following revisions to the MA and approved sending the revised MA to 3B with the goal of finalizing the document at their next meeting on Friday, May 17, 2024, at 9-11 AM:

- a) Adopted 3B language describing "Assets Under Management" and identified as an asset not subject to the MA the Ambrose Swasey Bequest Account held in Key Bank, Cleveland, OH.
- b) In the "Investment Policy" section, added language making it clear the Trustees, upon the advice of 3B, would establish their IP, review it annually, and submit it to the New Hampshire Attorney General as required by law.
- c) In the IP section of the MA, included language stating the Trustees understand that all investments involve risks and have incorporated and acknowledged in their revised IP their Investment Advisor's discussion of risks, potential risks, and rewards of 3B's proposed investment program. This language would substitute for 3B's proposed MA risk language.
- d) In the IP section, 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."
- e) In the "Statements and Reports" section, added language defining the nature and content of the Quarterly Performance Report review process, including any recommendations for portfolio rebalancing and performance comparisons with agreed-upon benchmark indices.
- f) In the same section, added language defining 3B's responsibilities to submit to the Trustee's an annual report and table for inclusion in the Town of Exeter's Annual Report, including a summary of investment performances of the trust funds and comparisons with the benchmark indices and a detailed listing of the annual investment advisory fees.
- g) In the "Fees" section, added language stipulating that 3B would impose no penalty fees if the Trustees decided to terminate the MA.

The Trustees voted unanimously, 3-0, (Mr. Curtis moved, Ms. Leone seconded) to send the draft Management Agreement as modified by the Trustees to the Town Attorney for review.

- 3. Discuss Answering Latest Transition Information Request.** Mr. Lennon transferred to Mr. Curtis the Trustees' 2023 Audit Book and records of 2024 transactions to enable Mr. Curtis to respond to 3B's detailed questions about trust funds financial status and banking procedures.

The Trustees reviewed 3B's updated groupings of the trust funds among publicly and privately funded trust funds and determined that the Wheelwright Trust Fund of the Exeter Regional Cooperative School District was inadvertently categorized as a publicly funded trust fund. As it is a privately funded trust fund, Mr. Curtis was asked to make this correction during his financing discussions with 3B.

The Trustees also discussed whether setting up the 3B and Fidelity portals to give the Trustees access to real-time trust fund status would be by electronic or in-person means. They were informed shortly after the meeting that the process would be done electronically.

- 4. Adjournment.** Mr. Curtis moved that the meeting be adjourned at 9:35 AM. Ms. Atsalis seconded, and the motion passed unanimously.
- 5. Next Meeting.** The next Trustees of Trust Funds meeting is scheduled for May 17, 2024, 9-11 AM in the Wheelwright Room, Town Offices, 10 Front Street. A representative from 3B has been invited to attend.