

Town of Hampton



TRUSTEES OF THE TRUST FUNDS

October 17, 2016 4:15 p.m.

Selectmen's Conference Room

TRUSTEES: Norman Silberdick, Chairman
William Hartley, Vice Chairman
Stephen A. Falzone, Secretary/Clerk
John Sovich
John Troiano

ADMIN ASSISTANT: Ms. Joan Rice

ADVISOR: Davis Mayes, Bearing Point Wealth Partners

OTHERS PRESENT: Mark Gearreald, Town Counsel
Jim Waddell, Selectman
Max Sullivan, Hampton Union

The meeting was called to order at 4:15 p.m. by Chairman Silberdick.

The Pledge of Allegiance was said.

Review of Minutes

The minutes from the meeting of July 18, 2016 were reviewed.

MOVED by Mr. Troiano to approve the minutes.

SECONDED by Mr. Sovich.

VOTE: 5-0-0

Motion Passed

Mr. Mayes discussed market trends during the third quarter. He said it was strong for stocks. Bonds were lower but held up well. Interest rates stayed fairly flat. Globally interest rates are still very low. International equities seem to be picking up.

Mr. Mayes said the Real Estate Trust Fund had a bond which was subject to a recall. This resulted in a nice gain in that bond. Funds were reinvested temporarily in Pimco Income. Mr. Mayes said they will keep looking for a place for the funds. There was a reduced common stock allocation and this was added to preferreds. It was a 5% allocation.

Real Estate Trust Fund

The Month-End Market Value graphs, NATC Account Custody Statement, the Comparative Performance Review, the Position Performance Review, the Position Performance Summary Q1 2016, the Morningstar Portfolio X-Ray, the Individual Bond Portfolio Report and the TrustTrak Fund Snapshot Report were reviewed.

Mr. Mayes said this fund had a net return of 2.4% for the quarter ending September 30, 2016. This portfolio has held up well and continued to generate sizable income for the Town.

Mr. Sovich asked Mr. Mayes if he had a projection for income to the Town at the end of this year. Mr. Mayes said it should be the same as last year.

Common Trust Fund

The NATC Account Custody Statement, the Comparative Performance Review, the Position Performance Summary Q2 2016, and the Morningstar Portfolio X-Ray were reviewed.

Mr. Mayes said this fund had a net return of 1.59% for the quarter. It is tracking better than the benchmark.

Common Capital Reserve Fund and Winnacunnet School District Capital Reserve Fund

The NATC Account Custody Statement, the Comparative Performance Review, the Position Performance Summary Q1 2016, and the Morningstar Portfolio X-Ray were reviewed.

Mr. Mayes said both of these funds had a net return of .28% for the quarter.

MS-9 Report

The MS-9 Report through September 30, 2016 was reviewed.

Deposits and Withdrawals were reviewed.

Other Business

Chairman Silberdick asked the Trustees if more funds should be in bonds. Mr. Troiano said he would like to continue going in that direction and perhaps expand a little. Mr. Sovich said bonds have served well.

Mr. Troiano asked Mr. Mayes if he had any thoughts on the election impact on the market. Mr. Mayes replied that it would cause some volatility for a short time.

Mr. Sovich said a move into more individual bonds should be made when rates are favorable.

Mr. Hartley said the fees to the mutual fund managers are worth it because they look at it each day. Mr. Troiano said it would be possible to reduce the cost to the Town by having more of a balance between mutual funds and individual securities.

Chairman Silberdick said the conservative approach with mutual funds and ETF's has served the Town well.

Chairman Silberdick said the Trustees Annual Report is due to the Town and Mr. Mayes is working on a draft to be reviewed.

A meeting schedule for 2017 was presented and approved.

Mr. Mayes said his firm changed on October 1st to Bearing Point Wealth Partners. Mr. Mayes explained that this was actually a merger with himself and not a merger with another company. There was a Hampton Union article addressing this.

Chairman Silberdick asked the sub-committee how they obtained firms to present to the Board to become the Investment Advisor. Mr. Troiano said he made calls to some firms that might meet the Board's criteria. There was also an article in the Hampton Union.

At this time Mr. Mayes left the meeting.

Investment Advisor Presentations

Peoples United Bank

Peoples United Bank was represented by Matthew Boyle, John Frost, Chris Lucas and Steven Reynolds.

Mr. Boyle said Peoples United Bank is a local organization with a global footprint. The bank has been in existence for 170 years. They focus on safety and growth. They have an individual Compliance Officer. They bring a deep investment team to the table.

Mr. Hartley asked if they had looked at the Trustees' Investment Policy. Mr. Boyle said they had. Mr. Hartley asked if they would change the stock to bond ratio. Mr. Boyle said they would look at safety and income to make that decision.

Chairman Silberdick asked who the Board would be dealing with. Mr. Boyle said Mr. Lucas would meet with the Board quarterly. Chairman Silberdick asked if they could do the bookkeeping. Mr. Boyle said they could and this is included in the fee.

Mr. Falzone asked how much of the original portfolio they would keep. Mr. Boyle said about \$3.6 million in bonds would be retained.

Chairman Silberdick asked what they would do if something goes wrong with an investment. Mr. Boyle said a portfolio manager is constantly watching and as they are a discretionary manager they would sell and reinvest if necessary.

Chairman Silberdick thanked Peoples United Bank for their presentation.

UBS

UBS was represented by Stephen Demarais and James Fogarty.

Mr. Demarais said they have a six-person team in Portsmouth. UBS has been in business since 1865. They have \$24 trillion under management. He said their equity strategy is to be proponents of dividends. The equity portfolio they are proposing has done very well. It has out performed the S&P. It is all individual stocks and no mutual funds.

Chairman Silberdick asked when they would make a change in the portfolio. Mr. Fogarty said it would depend on dividends.

Mr. Hartley asked if the fee includes bookkeeping. Mr. Demarais said their fees do not include bookkeeping. However, they plan to work with the accounting firm of Vachon & Clukay of Manchester which does trust reporting. Their services would cost approximately \$1,500 per year.

Attorney Gearreald asked if they advise any other municipalities. Mr. Demarais said they did not.

Mr. Demarais said they have a Compliance Department.

Chairman Silberdick thanked UBS for their presentation.

Bearing Point Wealth Partners

Bearing Point Wealth Partners was represented by David Mayes.

Mr. Mayes said they are managing about \$180 million for 160 clients, 34 of which are municipalities or libraries. The staff spends a lot of time learning about RSA's pertaining to the Trustees' position. They attend a Trustee training every year.

Chairman Silberdick asked if Mr. Mayes was comfortable with the allocation of stocks and bonds. Mr. Mayes said they are comfortable and have kept the duration fairly short to minimize any risk.

Mr. Troiano asked what separates this firm from other candidates. Mr. Mayes said they are committed to staff education by going to training and they have a solid accounting system. They have a source for anything they need.

Mr. Hartley asked about compliance. Mr. Mayes said he is the Chief Compliance Officer. He completed a 12-month program. They also have a former SEC attorney who was also a Compliance Officer who is a solid resource. Mr. Hartley asked how often Mr. Mayes meets with this person. Mr. Mayes said they meet monthly.

Mr. Troiano asked what contingency plans are in place. Mr. Mayes said they have other people in the firm and relationships with other advisors who could step into the firm. There is no formal arrangement yet, but they are working on this.

Attorney Gearreald asked how the size of Hampton's fund compare with other municipalities. Mr. Mayes said Hampton is the largest.

Mr. Troiano asked how clients are obtained. Mr. Mayes said they offer a seminar at Trustee Training. Mr. Troiano asked if they say they advise the Town of Hampton. Mr. Mayes said Hampton is in their client list. Mr. Troiano asked if the Trustees had given permission to do this. Mr. Mayes said he had received verbal permission.

Mr. Mayes said he hopes to continue working with the Hampton Trustees.

Chairman Silberdick thanked Mr. Mayes for his presentation.

Adjournment

Chairman Silberdick said the Board will meet on Tuesday, October 25, 2016 in the Selectmen's Meeting Room at 4:15 p.m. to further discuss selection of an Investment Advisor.

There being no further business, the meeting was adjourned at 6:21 p.m.

Respectfully submitted,

Joan Rice
Secretary