

Goffstown Trustees of Trust Funds

Meeting Minutes

October 10, 2023

In Attendance: Chair Melanie Renfrew-Hebert (arrived at 7:15 PM), Fred Plett, Bill Tucker, Alternate Brian Lombardi and Assistant Town Administrator/Finance Director Danielle Basora

Call to Order:

6:00 P.M. Bill Tucker acted as Temporary Chair since Melanie Renfrew-Hebert was stuck in Boston traffic until her arrival at 7:15 PM.

Alternate:

Bill Tucker moved, and Fred Plett seconded, all in favor, to appoint Brian Lombardi as a voting member,

Approval of August 8, 2023 Minutes as corrected.

Bill Tucker moved to approve and, Brian Lombardi seconded, passed 3-0.

Investment Policy Review:

We reviewed the policy recommended by Clarfeld. Clarfeld is a subsidiary of Citizens Bank, and it is our manager of funds not held by the Public Trust Investment Pool (PDIP) for Capital Reserve Funds. The PDIP funds are ultra-safe. The amounts held and managed by Clarfeld are the common trust fund assets at the end of FY23 are \$1,754,347.82. The policy appeared to be generic and not terribly specific.

Fred Plett asked why we are using Citizens (Clarfeld)? Bill Tucker said it went out to bid ten or more years ago. One of the committee members worked for Bank of America. Bank of America performance at the time wasn't that great. Bank of America put a policy in place that they couldn't be a policy advisor for any entity for which a Bank of America employee served as a volunteer.

So, the previous Trustees went out to bid. They got more than one. One of the primary benefits to Citizens was they had a bigger department and had the systems in place to create the State of NH required MS-9 and MS-10 reports, critically important. Six or seven years ago they increased their fees, and we looked around for another potential bid. Citizen's returns were in line, and their fees were only slightly higher, but the ability to create the MS-9 and the MS-10 was very important.

Brian commented that the fees aren't terribly transparent. The fees seem to be based off performance but maybe not. When performance is down the fees seem to still be there. Bill Tucker was under the impression that the investment policy was more robust in its descriptions. Fred Plett wondered if it is time to go out to bid again. Bill Tucker is involved with the Society of the Protection of New Hampshire Forests. He will look at their investment policy. Fred Plett that he was an 8-year Treasurer of Lions Sight and Hearing Foundation, and he will look at theirs. Bill Tucker also has one from the Granite Y. The Town also has one. It is on their website. Danielle will e-mail us that one. Bill thinks we need to do an investment policy review before we sign anything. PDIP

performance follows Treasury Bills. Last year 5.4%. Bill and Fred will find and bring in other Investment Policies.

One restriction the Town has by state law is that any bank in which funds are invested must have a NH presence. Citizens qualifies. Even though headquartered in RI, they have many NH branches.

Assistant Town Administrator/Finance Director Danielle Basora described the MS-9 and MS-10.

Motion on Receipt of Funds:

Fred Plett moved to approve a \$30 receipt from Ryanwood to rent a space. Seconded by Bill Tucker. Approved.

Bill Tucker recommended that the Select Board be asked to establish a rental policy.

Clarfeld Presentation

Corey Boucher from Clarfeld joined the meeting. Laurie Leduc will be joining via Zoom.

We mentioned that the Investment Policy and Guidelines were plain vanilla. He showed us the last one which was less definitive. Bill Tucker mentioned we will get some templates from other organizations.

We started through their presentation. Page 1 provides an overview. We will talk about markets and then come back to the presentation. Strategic allocation is 60% equity, 40% debt. Cash higher than target but we try harder to take advantage of purchase opportunities. All numbers as of September 30th. EOY values \$2,136,241, a gain of \$232,244. This year the US Stock Market was ripping and roaring until 2 months ago, up over 20%, but now 13%. International stocks 12%, now 5%.

The cash yields much more than if it were in the bank. Cash yields 5.25%. 20-year treasuries 4.5%. AAA and AA 5.5 to 6%. The stock values with the sell-off are about 17.7 Price to earnings, 25-year average is about 16.75%.

He sees a potential for recession in the next year or so. Credit card and auto delinquency rates are up. It takes a while for higher interest rates to have an impact. Banks are really starting to increase lending standards. Some of the pluses are that inflation is coming down, but damage is done. Unemployment rate low, some meandering statistics – retail sales, manufacturing numbers. Shipping is down. Freight rates are way down. We will be entering earnings season. Last 3 quarters, earnings lower, we'll see if they pick up. US Stocks are doing well, due to tech. Otherwise not really better.

Page 2, fixed income 36.1%, equity 57.3%. No major shifts, somewhat defensive over the last year. Page 5 shows 27.6% in IT, that reflects the market. We are defensive. We bought utilities, added to Mondelez, etc. General Dynamics. We trimmed Tesla, Eli Lilly, TI, Nvidia and Apple.

The next few pages go through every name in the portfolio, by sector. There are three people full time; a few part-time. They have criteria that throws out 200 stocks, leaving them 275, which they put into quintiles, ignoring the bottom 2. So that narrows the range to 120 or so stocks. We sold out of smaller stocks in favor of big guys.

Page 10 is where Corey thinks we have room for improvement. Right now, we buy Corporate and Government Bonds individually. This takes a lot of research. We are leaving fixed income off the table. Mortgage-backed securities we don't invest in, but we do for other towns. We do it through mutual funds. It could add diversification and improve returns. The mutual funds have slightly better returns. Right now, we use government indices with shorter life spans of 3 yrs. to 3.5 years. You might want to consider using a Bloomberg aggregate bond index with a 6 yrs. to 6.5-year life span. They have higher yields generally. The Bloomberg aggregate has higher quality instruments. It has government agencies such as Fannie Mae, mortgage-backed securities, Ginnie Mae, and Federal Home Loan. A 10-year treasury is at 4.6%, whereas a 10-year government agency is over 6%.

Question – Do we hold you back? It may be a question of wording in the Investment Portfolio Standard. He is suggesting a Bloomberg – Barclay aggregate bond index. If you want to make an allocation for cash, say \$10,000, we can do that. Reserve means the same thing. Do we mark it up to say 2% cash? Past the fixed income to performance, go to Page 14.

At this point, Chair Melanie Renfrew-Hebert was able to join the meeting.

This page breaks down portfolio vs. the Bloomberg index. Longer term we've been lagging. We need to reduce fees. The fees are tiered. We pay an extra 20 points for individual stocks, but it has paid. But there are 10 basis points on bonds, which would be eliminated. Bill Tucker expressed his concern about not holding to maturity, which we could not do in a mutual fund. If we hold on to maturity, we can't lose due to market vagaries. There are limitations with us at Citizens.

We always stick to an A rated or better, where a giant research function in mutual funds, they can buy a BBB before it gets uprated to an A. They can invest in mortgage-backed securities. Assistant Town Administrator/Finance Director Basora asked were we hurt by the downgrading of US credit rating? No. Bill Tucker said what is Citizen's philosophy in charging an extra fee depending on size, etc. With a mutual fund, they do all the research. Their expenses have come way down. At the \$2 million mark, our fee is 85 basis points, plus 10 basis points on bonds. At \$5 million, it would be 50 rather than 85 basis points. We have had assets grow, \$1 million in 2013, double that in 2023.

Long story short, neutral to defensive, going to mutual funds instead of individual funds. All scholarships go out in May – June.

He wants permission to go to mutual funds. Other towns are split.

Laurie referred to an upcoming conference, details to follow.

Brian Lombardi asked about the split of fees, now 50-50 between income and principal. This is worth further discussion. It would be a fee amendment on letterhead.

Adjournment

The meeting was adjourned at 7:38 PM.