

TOWN OF HANOVER TRUSTEES OF TRUST FUNDS

Meeting Minutes

Tuesday, June 21, 2011 at 7:30 a.m.

In attendance: B. Doyle (Trustee), P. Gardent (Trustee), J. Pierson (Trustee); B. McClain (Town Administration)

Election of Chair

Trustee Pierson moved to nominate Paul Gardent to continue as chair, Trustee Doyle seconded the motion; the motion passed unanimously with Trustee Gardent abstaining.

Transaction Authorization

Ms. McClain distributed a schedule of proposed withdrawals and deposits to a variety of funds overseen by the Trustees of Trust Funds. After a line-by-line review of the schedule and brief discussion, the Trustees approved the transactions as presented on the attached schedule.

Review of Investment Policy

Trustee Gardent had some suggested wording changes to the Investment Policy; including clarification of the reference to the "Other" asset class in Section II.A.1. Trustee Doyle noted that the Investment Policy was silent in regards to cash holdings. The Trustees arrived at wording addressing both of these points. Trustee Pierson moved to adopt the Investment Policy as revised, Trustee Doyle seconded the motion; the motion passed unanimously. A copy of the revised and adopted Investment Policy is attached to these minutes.

The Investment Policy states: "The investment advisory agreement shall be put out to bid no less frequently than every five years, and preferably, every three years." The Trustees noted that the last competitive bidding process was completed in late July 2009. The Trustees asked that Ms. McClain put this item on the April 2012 meeting agenda so the Trustees will discuss whether to do another bid after three years of the current contract.

Other Business

Trustee Pierson moved to approve the minutes of the April 14, 2011 Trustees Meeting; Trustee Gardent seconded the motion, and the motion passed unanimously with Trustee Doyle abstaining.

Trustee Gardent asked whether there was any report on the Open Action Items noted in the April 14, 2011 minutes. Ms. McClain that there had been no update received and agreed to send a reminder to Mr. Wesson that the Trustees are looking forward to a follow-up on these items at the upcoming August 2011 meeting.

As the fiscal year-end is approaching on June 30, 2011, Trustee Gardent inquired whether the trust funds were audited. Ms. McClain explained that the review of the trust funds was part of the overall Town audit, and every year she provides the Town auditors with transaction documentation, bank and investment statements, and the annual State trust fund reports (MS-9 and MS-10). The Trustees asked to whom the Town auditors reported, and Ms. McClain

answered that they issue their report and management letter to the Board of Selectmen. The Trustees wanted to affirm in the minutes that it is their policy that the trust funds in their custody will be part of the Town's annual financial statement audit, and any issues arising during the audit related to the trust funds should be brought to the attention of the Trustees of Trust Funds. Ms. McClain will work with the Town's auditors to see whether their firm would be willing to issue such a statement, clarifying that they have some responsibility to report any findings to the Trustees of Trust Funds. Ms. McClain explained that our situation is somewhat unusual as the Town auditors generally work directly with the Trustees or the Trustees' bookkeeper, but here in Hanover, the bookkeeping is done by Town staff vs. someone specifically dedicated to the trust funds. The Trustees expressed they were not looking to change the current arrangement of who does what, but they would like some documentation that they will be informed if any irregularities are discovered by the Town auditors in their review of the trust funds.

Ms. McClain distributed an Internal Controls Policy she had found adopted by the Town of Hampton, NH Trustees of Trust Funds for the Trustees' consideration. There was no specific need or driver behind adopting such a policy; however, Ms. McClain wanted to bring this to the Trustees' attention in case they were interested in developing something similar. The Trustees agreed to take this item up at a future meeting.

Ms. McClain will try to schedule the next Trustees meeting for sometime in late August 2011. The tentative agenda will include an investment performance review, discussion of the total return policy statement shared by Mr. Wrenn (Bank of America/Merrill Lynch) this past spring, review of the annual state trust reporting, and transaction approval.

Trustee Gardent asked whether there was a need to meet with Ms. Knowles from the NH Charitable Trusts Unit. The Trustees agreed that when there is some progress on the Total Return Policy concept, it will make sense to meet with Ms. Knowles at that time.

Open Action Items

- **Mr. Wesson** will develop a custom composite benchmark to include in future Investment Performance reporting. *(from 1/26/2011 meeting)*
- **Mr. Wesson** will include the performance benchmark of CPI plus 3.0% in future Investment Performance reporting. *(from 1/26/2011 meeting)*
- **Mr. Wesson** will pursue whether the fund managers being used consider ins/outs to/from the fund when making investment decisions. *(from 1/26/2011 meeting)*
- **Ms. McClain** will ask Town auditors for their suggestions on how to respond to the Trustees' request for confirmation that there is an external review of the funds in their custody and any irregularities will be brought to their attention. *(from 6/21/2011 meeting)*
- **Ms. McClain** will put the need/desire for an internal control policy on the slate for an upcoming meeting (either in August 2011 or January 2012). *(from 6/21/2011 meeting)*
- **Ms. McClain** will put the need/desire for an investment advisory agreement RFP on the agenda for the April 2012 meeting. *(from 6/21/2011 meeting)*