



**LEBANON TRUSTEES OF THE TRUST FUNDS
MAY 26, 2021 - 10:00 AM
REMOTE VIA MICROSOFT TEAMS
LEBANONNH.GOV/LIVE**

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- 1. Call to Order**
 - 2. Approval of Minutes**
 - A. Approve minutes of December 2, 2020.
 - 3. Old Business**
 - 4. New Business**
 - A. Account review by Clarfeld/Citizens Wealth Management.
 - B. Review and adopt Investment Policy for 2021
 - C. Review of all accounts
 - 5. Other Business**
 - 6. Adjournment**

Due to the current situation with the COVID-19 Pandemic, the City of Lebanon is offering its meetings via Microsoft Teams. Members of the public are encouraged to attend by going to [LebanonNH.gov/Live](https://lebanonnh.gov/live) where you will find instructions on how to enter the meeting. Members of the public will be able to participate and ask questions through the Microsoft Teams software or by phone. Please visit [LebanonNH.gov/Live](https://lebanonnh.gov/live) for full details.

THE AGENDA, IN ITS ENTIRETY, IS AVAILABLE ON THE CITY'S WEBSITE AT [LEBANONNH.GOV](https://lebanonnh.gov).



TRUSTEES OF THE TRUST FUNDS
City Hall – West Meeting Room
Lebanon, New Hampshire
Wednesday, December 2, 2020 10:00AM

MEMBERS PRESENT

(MICROSOFT TEAMS): Jay Hutchins, Jay Simms, Lawrence (Larry) Kelly

MEMBERS ABSENT: None

STAFF PRESENT: Vicki Lee, Finance Director/City Treasurer

OTHERS PRESENT: Deno Mokas, Laurie Leduc/Clarfeld Private Wealth

1. CALL TO ORDER

Jay Hutchins called the meeting to order at 10:00AM.

2. Approve Minutes of December 10, 2019, motion made by Jay Simms to accept the minutes as presented, seconded by Larry Kelly. Vote: unanimous

Approve Minutes of May 12, 2020, motion made by Larry Kelly to accept the minutes as presented, seconded by Jay Simms. Vote: unanimous

3. NEW BUSINESS

Update on Anna & Benjamin Memorial Fund:

Steven Smith has been in touch with Tom Donovan and Audrey Blodgett, Attorney General Trustee of Trust Funds, and have been very helpful in retrieving documents in the Dept of Justice Files relating to the Goodman trust. He will be getting more information back to us soon.

2019 City Audit regarding 3 of the Permanent Trust Funds:

There are three funds that our auditors stated that have not had any transactions in a while.

Jacob S. Prescott fund

E. A. Slack fund

Emerson fund

Vicki will look into these with Audrey Blodgett. The board requested to have a list of all accounts and descriptions along with the balances on these accounts.

Account Review by Citizens Bank of Trust and Capital Reserve Funds: Mr. Mokas reviewed the current state of financial markets – movements and trends, fundamentals, investment exposures, domestic and global financial dynamics.

Mr. Mokas stated that his report focused on Q3'20 (7/1-9/30) and YTD Q3'20 (1/1-9/30) and continues to analyze the Trust Funds Allocation and Performance separately from that of the Capital Reserve Funds.

The rationale for this separation is that the Trust Funds Benchmark (40%Equity/60%Fixed Income) is drastically different than the Capital Reserves Benchmark (25%Cash/75%Fixed Income).

As of 9/30/2020, \$15.26MM is held in Cap Reserve Accounts, nearly all in short-term Treasuries and Agencies. Yields to maturity on Treasuries came down early in the year as Covid took hold, shutting down the economy. Earning returns greater than the yield occurred in Q1(up 2.3%) as rates fell. Q2 (+.3%) and Q3(+.1%) had muted returns as rates were flat during those periods. The Q3 return of +.1% brought YTD'Q3 in at 2.8%. The Benchmark return for Q3 was also +.1% as duration was similar at 1.9 years. The Benchmark return for YTD'Q3 was 3.4% as it had modestly longer duration than the Funds duration early in the year when rates fell along with the economy. YTM on the Cap Reserves portfolio is .3% at 9/30/2020 providing a good proxy for returns if 2 year Treasury yields to maturity are flat over the next year.

As of 9/30/2020, \$3.3MM is held in Trust Funds, \$1.5MM (47% versus a Target of 40%) in Equities and \$1.65MM (50% versus a Target of 60%) in Fixed Income. Returns in Q3 for the Trust Funds were +3.8% bringing the YTD 'Q3 return to +4.1%. The Lebanon Trust Funds Policy Benchmark was up 3.6% in Q3 and up 6.4% in YTD'Q3. The Trust Funds outperformance in Q3 was due to the Equity overweight and the underperformance in YTD'Q3 was from being underweight Fixed Income and being short duration when rates fell in Q1'20.

Looking ahead, the markets will focus on vaccine progress and outcomes, elections in Georgia, fiscal stimulus, and continued global liquidity. With rates so low, bonds are overvalued and equities (despite their strong performance) are reasonable especially if earnings beat expectations.

3. OTHER BUSINESS

None

4. ADJOURNMENT

A motion to adjourn was made by Jay Simms and seconded by Jay Hutchins. The vote on the motion passed 2-0. Larry Kelly left a few minutes earlier.

The meeting was adjourned at 11:14AM.

Respectfully submitted,

Vicki Lee

Vicki Lee
Finance Director/City Treasurer



INVESTMENT POLICY
City of Lebanon, New Hampshire
Trustees of Trust Funds
Adopted: May 12, 2020

DUTIES AND RESPONSIBILITIES

The City of Lebanon Trustees of Trust Funds are responsible for managing the investment process of the City's trust funds and capital reserve funds in a prudent manner to preserve principal while providing reasonable returns. In carrying out these duties, the Trustees of Trust Funds may retain an investment advisor to assist in managing the assets of the fund. The investment advisor's role is to provide guidance to the board on matters pertaining to the investment of fund assets including investment policy, investment selection, monitoring fund performance and compliance with the Investment Policy. The Trustees of Trust Funds shall make all decisions pertaining to the Investment Policy and guidelines for the policy's implementation.

The Trustees of Trust Funds' standard for investing its trust funds is the Prudent Investor Rule in accordance with RSA 31:25-d, Application of Prudent Investor Rule.

Individual duties and responsibilities are detailed below:

Trustees of Trust Funds

- 1) Retain (or provide on its board) a qualified investment advisor to assist in the development and implementation of the Investment Policy (e.g. goals, objectives and guidelines).
- 2) Establish the Investment Policy of the fund. This includes, but is not limited to, allocation between equity and fixed income assets, selection of acceptable asset classes and investment performance expectations.
- 3) Meet at least twice a year to review investment performance including the performance of the investment advisor to assure this Policy is being followed and progress is being made toward achieving investment objectives.

Investment Advisor

- 1) Assist the Trustees of Trust Funds in establishing the Investment Policy and guidelines contained in this Investment Policy statement.
- 2) Determine an investment strategy and coordinate the asset allocation process through individual securities and/or mutual funds. This strategy shall be within Investment Policy guidelines as set forth in this statement and as otherwise provided by the Trustees of Trust Funds.
- 3) Monitor asset allocation among all asset classes and verify on a quarterly basis that allocations are within targets defined by the Investment Policy statement and approved by the Trustees of Trust Funds.
- 4) Monitor the investment performance of the fund and provide by mail quarterly advisory reports to the Trustees of Trust Funds.
- 5) Report in a timely manner substantive developments that may affect the management of fund assets.
- 6) Meet with the Trustees of Trust Funds annually subsequent to the calendar year end and provide in writing the following:
 - a. A certification of compliance with the Investment Policy and the management agreement.
 - b. An analysis of investment performance comparing its performance to appropriate benchmark indices.
 - c. A breakdown of the entire investment portfolio by single investment, listing costs, market value and current yield.
 - d. A listing of the advisory fees including the rate structure and dollar amounts charged during the year just completed.
- 7) Annually prepare the State of New Hampshire MS/9 and MS/10 reports as required by state law.

Capital Reserve Funds

Capital Reserve Funds are set aside for specific purposes such as to finance the purchase of a fire truck, the closing of a landfill or for a building project. Usually the funds will be spent within one to five years.

The investment goal is to provide first safety of principal and secondarily a market rate of return.

The Capital Reserve Funds will be invested in a laddered maturity portfolio consisting of the highest grade fixed investments (U.S. treasuries and agencies) and with maturities of not more than five years and/or in a suitable money market fund or mutual fund including exchange traded funds. The minimum cash balance will be 5% of the total Capital Reserve Funds account balance. All investments will be domestic. The investments selected will be determined after consultation with the Finance Department of the City of Lebanon, which will provide projections as to the city's spending requirements for the Capital Reserve Funds over the upcoming months and years.

Trust Funds

Trust Funds are established to provide income in perpetuity to cover the annual expenses maintaining cemetery plots and library operations. Funds are also established to provide scholarships or for specified purposes where income and/or principal is to be disbursed according to instructions given by the donors at the time the funds were established.

The investment horizon is long term. The goal is to provide for safety of principal, inflation protection and an adequate level of income. To meet these goals, the investment strategy will require a diversified portfolio consisting of both equities and fixed income investments.

Not more than 50% nor less than 30% of the portfolio should be invested in equities of which not more than 90% nor less than 70% in a S & P 500 Index fund, 10% to 30% international index funds and 0% to 15% in small- and mid-cap index funds. Not more than 70% nor less than 50% of the portfolio should be invested in diversified fixed income pools or funds representative of the broad U.S. government and corporate bond market. Concentration in any issuer shall not exceed 10% of the total Trust Fund Balance excepting obligations of the United States and mutual funds. The balance should be

allocated to a suitable money market fund. The cash balance should range between 0% and 10% of the total Trust Fund balance.

At least quarterly the portfolio's asset mix should be measured against the parameters and adjustments should be made to the portfolio to stay within Policy guidelines.