

Peterborough Town Library Trustees
Special Meeting Minutes
May 20, 2010

Present: Trustees Randy Brown (RB), Karen Peterson (KP), David Simpson (DS), David Weir (DW); Town Finance Director Nancie Vaihinger; Jack Griffiths, Charter Trust Company

Absent: Trustee Diane Burnett

This Trustees meeting was set with the purpose of moving forward in making investment decisions as a result of our moving Library trust fund management to Charter Trust. Jack Griffiths of Charter Trust distributed a report he prepared for the Trustees. Charter is now holding a significant amount of cash with the intent of putting it to work for us. Jack expressed he would like to leave the meeting with decisions from us on an investment objective, asset allocation, and a pace for making investments.

Jack started by presenting a quick but thorough economic and market overview. The U.S. economy appears to be in recovery, but it will be a slow and laborious recovery. Current markets remain very volatile with the European debt crisis and continued U.S. credit concerns.

All funds with Charter are right now in cash (a money market fund), currently totaling \$591,347. We will add the two remaining CDs when they come to term, to bring the total to approximately \$650,000 in the next few months.

How much cash/liquidity should be set aside for immediate needs?

Any funds we anticipate needing in the next three to six to 12 months will be set aside from the overall investment plan, and will be in liquid instruments (money markets, treasuries, CDs, such).

What are our investment objectives – Growth vs. Balanced vs. Income preferred?

	<u>Equity</u>	<u>Fixed Income</u>	<u>Cash</u>
Growth	75-80%	15-20%	5%
Balanced	55-60%	35-40%	5%
Income Preferred	35-40%	55-60%	5%

Once we decide our investment objective, which will dictate our asset allocation, we will then need to decide how we want to invest in equities. In the balanced range, Jack suggested we might lean to individual stocks because we can diversify effectively (with less than \$100,000 can't properly diversify for individual stocks). Also, we need to determine what our monthly disbursement needs may be, and what will we do with our earnings.

An important item to decide is whether we intend to shift to Prudent Investor from Prudent Man policy per the general law of Trusts. By shifting from Prudent Man (in force since the 1880s) to Prudent Investor (passed as acceptable in NH in 2008), we will be able to tap into international and other types of investments, allowing a bit more latitude and perhaps performance in our investments. The Town Trust Funds have recently made the move to Prudent Investor.

Trustees in attendance unanimously agreed that if instruments allow, we want to make that change. We need more information in order to proceed. We've already moved our investments to an outside

manager (Charter). Next step is to review the nine Trust instruments to see if there are any restrictions within each to prevent our changing. Randy has looked at all of the instruments and thinks we are all set, but we agreed to follow up with an attorney to be sure we're all set on that. KP will call Rod Falby for his thoughts, and will have him coordinate with Randy. If any of the Trusts says we must use Prudent Man, then we can only switch by going to court. If all is OK, we must then finalize our Investment Policy so that it's tailored toward Prudent Investor. Final step is to write a letter from our Chair to the NH Attorney General's office to ask for approval. Charter will work with us on that letter to see it through.

Estimated income from these investments will be in \$18,000 range annually, with stocks yielding 2-2.5%, bonds around 3 to 3.25%, averaging around 2.9%. Rather than reinvest the earnings back into the Trust principal, Charter will keep separate income earned in an Invested Income Portfolio, so that we can access that money as needed for Trustees' appropriate use. It's important for us to remember that the money earned here cannot replace Town funding, because the Magaw Trust (the largest portion of the money) specifically requires we not do that. We'll need to be careful how we use this money so as not to breach any of our Trust agreements. We will also set up an account with Charter to take in donations for any capital campaign we undertake.

RB moved that the Trustees instruct Charter to use a Balanced approach for our investment objectives, a motion that was seconded by KP. DW suggested that if we thought this would be our main nest egg, we might consider a more aggressive approach to provide growth for building needs. DS agreed, thinking we'll start to need significant cash in three to five years to pay for a building project, and would like to consider the Growth option for the short term. A vote on this motion was split, RB and KP for, DS and DW against. Jack reminded us we would be able to make changes at any time on our approach and he will be starting the investment action with bonds, so we have time to consider this. He also told us that the Trustees of Town Trust Funds recently changed its objective from Income-Preferred (45-50-5) to Balanced (60-35-5).

Rather than table the motion for the tie-breaker vote next week, DS and DW agreed that we will follow the Balanced approach for now, with an emphasis on bonds, and that we can revisit those instructions as we see fit. RB made the above motion again, and this time the motion passed unanimously (RB, KP, DS, DW).

DW left the meeting at 3:55 p.m. Regarding pace of investing, DS proposed that we leave the decision of pace of investing to our professional managers at Charter. This was seconded by RB, and approved by all (RB, KP, DS).

Nancie V let the group know that the Auditors are coming in June 23-25 for a preliminary visit, and will return in September for the actual auditing work. She will keep in touch on this through Michael.

Trustees will meet next Thursday, May 27 at 3:00 p.m. Meeting was adjourned at 4:00 p.m.

PTL Trustees Meeting – Thursday, May 27, 2010 @ 3:00 p.m.

Area Trustees Meeting – Thursday, May 27, 2010 @ 7:00 p.m. Dublin NH