

Trust Funds of the City of Laconia
Minutes
January 18, 2022

In attendance: Randy Haas, Peggy Selig, Michael Fogarty, Trustees, and Glenn Smith, City Finance Director, Charlie Nason (and Corey) of Clarfeld Investment Management, Laurie Leduc of Citizens Bank.

Investment Review

Charlie Nason began our meeting with a review of capital markets and the performance of the Trust investment portfolio. He noted that the report is truncated based on our discussion in prior meetings. The target allocation is 50% equities and 50% cash and fixed income. Currently the portfolio is managed with a slight overweight towards equities. Performance in 2021 was very strong, posting returns of 12.5% net of fees versus the benchmark return of 11.5%.

Reviewing capital markets, Mr. Nason noted that the tone of the Fed indicates that they no longer feel that inflation is entirely transitory. Unemployment has fallen to 3.9% creating labor and wage pressure on employers. Year over a year inflation is 7%. Core inflation year over year is up 5.5%. The Fed minutes indicate that they will be adjusting their strategy regarding asset purchases to reduce their balance sheet. They also signaled up to four rate hikes throughout 2022 which is expected to move the Fed rate from just above 0% up to 1%. This is expected to be a challenging market for bonds, but the question to investors is how much of the Fed's possible actions have been factored into current prices.

Despite inflation and rising interest rates, Clarfeld expects equities to advance during 2022. Clarfeld's forecast calls for year end index values in the range of 4770 to 4950 on the S&P 500. At the time of this meeting, the S&P 500 is around 4550. There is some question as to whether the markets can expect further stimulus given failure of recent budget proposals.

Mr. Nason moved on to provide more detail regarding the Trust investments. Cash and fixed-income allocations are currently at 44.1%. He noted that this is underweighted by design. Over the last two years the portfolio has stayed away from energy stocks. Currently there is no allocation to energy. This has contributed to returns until recently. In 2021 energy stocks did move forward sharply. The team at Clarfeld is now taking a closer look at energy and considering whether to reestablish a position in the sector. Clarfeld is also rotating more towards value stocks and reducing their positions in growth stocks. In fixed income they continue reducing their exposure to long duration bonds.

Next Meeting

After Mr. Nason concluded his presentation, the Board discussed the date for their next meeting. It was agreed that the next meeting would be on April 18th at 2 PM.

At this point, Mr. Nason and Laurie Leduc left the meeting.

Approval of Minutes

Peggy Selig made a motion to accept the minutes of the October 18, 2021 Board meeting. Michael Fogarty seconded the motion. The motion passed unanimously.

Scholarships

Mr. Haas reported that there was no new information or issues to discuss regarding scholarships at this time.

Bank of New Hampshire Accounts – Review

The Board reviewed the balances in the Bank of New Hampshire accounts. There was an \$83,000 deposit on October 21, 2021 into the winter maintenance stabilization fund. Other than that, there was no activity other than a small amount of interest paid.

NHPDIP Accounts – Review

The Board reviewed the balances in the New Hampshire Public Deposit Investment Pool. On December 29, 2021 a \$400,000 deposit was made to the waterworks capital reserve. A new account was also established for the welfare relief reserve.

Review of Summary of Funds and Distributions

Mr. Haas reviewed the summary spreadsheet of Trust balances and activity over the current fiscal year.

He reviewed a request from the City for reimbursement of expenses paid out by the city during the fiscal year 2021. The total of the eight distributions is \$74,207.57. Michael Fogarty made a motion that the Trust reimburse the city for the requested amount. Peggy Selig seconded the motion. The motion passed unanimously.

Mr. Haas noted that for the fiscal year 2021, Putnam fund distributions have totaled \$62,006.22.

The Board then discussed the Bienarz Fund. This small Trust fund has accumulated cash over the past several years. After some discussion, Peggy Selig made a motion to make a \$500 distribution from this fund. \$250 would be paid to the DARE program. \$250 would be paid to the Police Relief Fund.

Fund Purpose Update

Randy has asked Peggy Selig if she had any further information to present regarding the purposes of the various Trust funds that comprise the City Trust. She said she did not have anything further to add at this time. Michael Fogarty asked if it might be possible to identify the sources of information used in her recent investigation. Mrs. Selig said that she relied heavily on a file presented to her by Nancy Brown In the City Manager's Office. Mr. Fogarty suggested that it would be very helpful and perhaps important to document in which file the information was found.

Investment Policy Update

Michael Fogarty presented to the Board a final draft of the investment policy statement based on discussions over the past few Board meetings. With no further revisions proposed, Mr. Fogarty made a motion that the Board accept the investment policy statement and send a signed copy to the New Hampshire Secretary of State's office. Peggy Selig seconded the Motion. The motion passed unanimously. The Trustee's signed the investment policy statement. Michael Fogarty will Scan the

document and give the original to the Board chairman. Trustees agreed that the investment policy will be reviewed at least annually going forward.

Cemetery Tour Review

Randy Haas and Peggy Selig discussed their recent tour of the city cemeteries. They both felt that the tour was very worthwhile. They were surprised at the remote and out-of-the-way nature of some cemeteries.

Peggy Selig Trustee Term

In March 2022, Peggy Selig's current term as a Trustee of the Board will come to an end. Randy Haas asked Mrs. Selig if she wished to serve for another term. She indicated that she would accept another term as Trustee if reappointed. The City Manager's Office has indicated that the process for renewing a Trustee's appointment may be changing, but that until action is taken, trustees may continue to serve.

Communications

No other communications other than those discussed above have been received by the Board.

Adjournment

Michael Fogarty made a motion to adjourn the meeting. The motion was seconded by Peggy Selig. The meeting was adjourned at 3:33 PM.