

**Town of Boscawen
Trustees of the Trust Funds
Meeting Minutes
Monday, July 18th, 2022, at 5:00 PM**

Members Present: Pauline Dawson – Chair, Margaret Daneau, Lyman Cousens, Kate Merrill & Tama Tillman

Others Present: Luca D’Italia

Chair Polly Dawson opened the public meeting at 5:00 P.M.

Roll Call Completed by Chair Dawson

Minutes: Mr. Lyman Cousens requested one change, line 41, change ‘cooper’ to ‘copper’.

Mr. Cousens requested one change, line 42, change ‘bare’ to ‘bear’.

Chair Dawson motioned to accept the Trustees 04.18.2022 minutes as amended. Seconded by Trustee Margaret Daneau. All in favor. None opposed.

New Business: Mr. Luca D’Italia said the first half of the year was the worst start to the bond market in history. He thinks typically in a market like this its bloated correction rather than a bear market. Usually when stocks are down, they’re able to go to bonds but this year they can’t. The asset performance chart showed that the overall bond market (aggregates bonds) is down 10% year to date (YTD). The entire bond market is negative and 20-year treasuries are down 21% because when yields rise, prices of bonds fall. The Trustees of the Trust Fund haven’t had any long bonds (anything over 5 years) in the portfolio since last year. They are 52% in cash which is a little more than what’s in portfolios right now. By going to cash, it stops the impact as much as possible and gives them the ability to reenter the market when it does start to recorrect. Last month, core inflation CPI was 9.1%. Mr. D’Italia said the only positive section of the S&P and market this year has been energy. It was up 59% a couple months ago and now it started to moderate. The energy sector is down 25%, mostly over the last couple of weeks. The reasons being the Fed’s raised rates, people have less discretionary income because prices are increased, and supply and demand issues. The government dropped \$4.5 trillion out of a helicopter in the last two years which pushed up demand too much. Mr. D’Italia said supply takes on average, about 6 to 8 months to catch up to demand in which they are not within that timeframe. He explained that having a bear market is due to demand, where people don’t want to spend money. The high prices and strengths in market are driven by supply cycle right now. Even though people have less money to spend on what they want, they are still buying things. The Consumer Discretionary Sector of the market is down 30% this year. On an average S&P, the market is down 20%. Mr. D’Italia said it is important to notice that the Trustees are only down 6% YTD because most of it is in cash. The goal of this market is to protect as much as they can YTD. Mr. D’Italia said they want to invest in stuff that will do well in a technical bear market. He said

42 recession doesn't matter because typically the market already proceeds it. If the market was
43 down 20% for the last 6 months, whether the economy enters the recession or not, it would be a
44 muted correction. Mr. D'Italia said the market is acting a lot like it was in 2018. In 2018, the
45 market went down 19.8% over 3 months. With actual historical bear markets such as 2000, 08'
46 and 09', it's a slow drop, losing 2% a month for 10 months and then it drops. This market has
47 been jagged but it's still only down about 40%. Mr. D'Italia said the market is also acting similar
48 to 1994' to 95' when they had a democratic White House and a shift in Congress to republican
49 control. He said at that time, the market finished the year down about 9% and the next 14 months
50 went up 22%. Mr. D'Italia said their job is to mitigate as much loss as possible when this
51 happens. From a money weighted return, they have not invested anything in the portfolio, over
52 the last 6 months. They have kept everything in cash and slowly deleveragd and de-risked the
53 portfolio over the last four months. Mr. D'Italia said they moved money last month because the
54 industrial and financial sector haven't been successful. Feds have been very slow to react to the
55 rising interest rates this year. Once the Feds fund rate goes up, they'll start seeing a turn in
56 financial profit. Overall, the longer the Town invests, the better the funds will do. Finance
57 Director Kate Merrill said their department heads are struggling with the losses because their
58 Capital Reserves aren't funded as much as they would like. They planned to put in what they
59 wanted to take out so when they saw losses, they expected to have at least what they put in. Ms.
60 Tillman said the Colby, Library and Cemetery Funds are intended to be long term investments.
61 The problem is Capital Reserves was supposed to be for short-term investing and it is
62 underfunded. FD Merrill said for the tennis courts, they didn't contribute this year and did a
63 warrant article based on a balance when article was written. Ms. Tillman explained the Town
64 couldn't write the check for resurfacing because the account was short, due to losses. The Town
65 had to pay the remaining balance from their General Account. FD Merrill stated investing more
66 into Capital Reserves would help mitigate the issue of insufficient funds for projects. She said it
67 would help balance losses that occur. Ms. Tillman asked Mr. D'Italia if the loss would even out
68 by the end of the year. He believes that it would neutralize and possibly end the year with a slight
69 increase. Ms. Tillman had suggested to the Town to stay in the account until they make back
70 what was lost. Mr. D'Italia said they are down on an aggregate basis but that is not actual
71 because they have not capitalized on the losses. If they pulled anything out, then it would be a
72 loss. Discussion ensued. Trustee Cousens asked how much needed to be transferred for the tennis
73 courts expense. Ms. Tillman said they have \$5,000 in the cash account. She suggested Mr.
74 D'Italia transfer \$6,000. The total expense is \$9,800. FD Merrill said the Select Board made a
75 motion for the tennis court transfer. The Trustees are waiting on the finalized minutes in order to
76 write the check.

77 Ms. Tillman said the investment accounts are transferring funds every single month They
78 planned on having a certain amount of money in there and every once in a while, transferring
79 money to the cash account. The Colby Account hasn't been transferring. Ms. Tillman suggested
80 the Trustees transfer \$200 to \$300 into the Colby cash account so they can pay their fees. FD
81 Merrill noted they will also need to transfer \$622.82 into the cash account in a couple weeks for
82 the Municipal Building.

83 Ms. Tillman asked for approval to access the reports. She is not a Trustee and doesn't have a
84 signature on the account.

85 **Chair Dawson motioned to approve Ms. Tillman, the Town Treasurer, to have access to the**
86 **reports. Seconded by Trustee Cousens. All in favor. None opposed.**

87 Chair Dawson said there are checks with Ms. Tillman's name on it that need to be destroyed. Mr.
88 D'Italia said they are making new checks. FD Merrill said there are currently two different
89 checks in there, one with Ms. Tillman's name and one with 'City of Boscawen Trustees' listed.
90 She said all checks with Ms. Tillman's name on it must be destroyed. She received a check with
91 her name on it previously which is not acceptable where Ms. Tillman is now Treasurer.

92 Ms. Tillman said the Select Board discussed having someone explain at the annual Town
93 meeting why they are investing more into Capital Reserves. Trustee Daneau asked if there
94 needed to be a warrant article. FD Merrill said she would suggest to Department heads to
95 increase the amount of their contributions to the capital reserve warrant article. Discussion
96 ensued.

97 **Next Meeting:**

- 98 • Monday, October 17th, 2022, at 5:00pm

99 **Motion made by Trustee Cousens to adjourn. Seconded by Trustee Daneau. All in favor.**
100 **None opposed.**

101 *Respectfully Submitted by Hannah Gardner*