MEMORANDUM FOR: Record

FROM: Trustees of Trust Funds

DATE: April 22, 2022

SUBJECT: Investment Advisor Search/Selection Process – 2021-22

BACKGROUND: In early 2021, the Trustees were notified by our Investment Advisor, Peoples United Advisors, that Peoples United Bank and its subsidiaries, including our Investment Advisor, were being acquired by M & T Bank. People’s Advisors had been our Investment Advisor for more than 5 years (2015-2021) and the upcoming change in Investment Advisors prompted the Trustees to agree that revisiting/refreshing professional relationships is a management/fiduciary best practice and that it should be done on a periodic basis, with 5 years being the target. We concluded that conducting a search among selected local Investment Advisory firms, including People’s Advisors, for the firm that “best-fit” the Trustee’s requirements and investment goals would not add an overwhelming amount of work to that which we would have to do if we stayed with People’s (and M & T).

Based on these conclusions, the Trustees voted in September 2021 to prepare and send to six selected Investment Advisory firms a request for qualifications statements (RFQ) for providing investment advisory services to the Durham Trustees. The RFQ, list of invitee’s selection criteria and list of selected addressees are at Enclosures 1, 2 and 3, respectively.

SELECTION OF FINALISTS: The following dated events outline the next steps in the selection process:

* 19 December 2021. RFQ dispatched by mail to selected firms.
* 2 February 2022. Trustees met in Workshop Session to open and record receipt of respondent’s submissions. It was announced that each Trustee would study and analyze each response independently in preparation for meeting to select finalists from among the submissions received. A sample evaluation format is at Enclosure 4.
* 16 February 2022. The Trustees met in Workshop Session to review submissions and arrive at a list of finalists. After discussion, the finalists were selected by consensus: Cambridge Trust and TD Wealth Management. The finalists were scheduled for interviews with the Trustees on 7 March 2022.

SELECTION OF NEW FINANCIAL ADVISOR: The Trustees scheduled interviews with the finalists on

* 7 March 2022. The Trustees conducted interviews with the finalists. Following the final interview, the Trustees selected Cambridge Trust as the new Financial Advisor by consensus.

TRANSFER OF ASSETS:

* 16 March 2022. The Trustees met with Cambridge Trust to initiate the transfer of accounts from People’s Bank.

Enclosure 1 – Request for Qualification Statements

|  |  |
| --- | --- |
|  | TOWN OF DURHAM  8 Newmarket Road  Durham, NH 03824-2898  603.868.8064  [www.ci.durham.nh.us](http://www.ci.durham.nh.us) |

**REQUEST FOR STATEMENT OF QUALIFICATIONS**

**AS FINANCIAL ADVISOR**

**BACKGROUND:**

The Trustees of Trust Funds of the Town of Durham, NH are requesting Statements of Qualifications as Financial Advisors from NH firms selected from the list of Financial Advisors on the NHDOJ website. This process is undertaken as a “best practices” initiative to meet the Trustee’s fiduciary responsibility to ensure that the Reserve and Trust accounts in their custody are well and lawfully managed.

The NH statutes governing the creation and use of town reserves and trusts requires that all financial assets in town reserves and trusts be in the custody of the Trustees of Trust Funds. These statutes further require that if the funds in these instruments are invested, then the Trustees must engage a Financial Advisor to assist in the management of the investments. During late 2014 and early 2015 the Durham Trustees, with Town Council approval, requested Qualifications Statements from selected financial firms and were successful in engaging the present Financial Advisor, who has served since mid-2015. The Trustees have decided to conduct a new selection and engagement process which will refresh our knowledge and understanding of current Financial Advisor practice as well as assure that we are following “best practice” financial management.

The Trustees currently have custody of approximately $4.5 million, which is invested in a diversified portfolio of equities and debt instruments. The investments in the portfolio are managed under the Trustee’s Investment Policy (attached) which will continue to provide guidance for the Investment Advisor in the future.

**STATEMENT OF QUALIFICATIONS REQUIREMENTS**:

Qualification Statements must provide the information listed below, but respondents are welcome to submit any additional information which may be useful to the Trustees.

1. A cover letter, signed by an officer of the respondent’s firm having the authority to commit the firm to contracts, which expresses the respondent’s overall approach to municipal trustee investment accounts, and to Durham’s Trustee Account in particular.
2. A detailed description of the education, qualifications, experience, past employment, and performance history of the person who will serve as the Trustees’ primary Investment Advisor (Portfolio Manager). This person is the named representative with whom the Trustees’ will consult on investments, deposits, withdrawals, and future planning.
3. A list of at least 5 municipal or institutional clients of the respondent, providing name, address, and telephone number of a contact person for each client.
4. A copy of the firm’s most recent NASSA Form ADV Part 2 submission to the office of the Secretary of State of NH.
5. A list of additional references as desired by the respondent.
6. An assessment of the Durham Trustee’s current Investment policy and any recommendations for change.
7. A detailed description of the fee structure under which the Investment Advisor’s firm is to be compensated for services. Disclose any forms of direct or indirect compensation which the Investment Advisor might receive in addition to the fees paid by the Trustee’s investment account.
8. A detailed description of the manner in which the Investment Advisor will service the Trustees’ accounts. Additionally, the Trustees want to have a quarterly update on the portfolio’s performance in the month following the end of each quarter. This update should be in the form of a printed report illustrated with graphs and charts to clarify and summarize investment performance. A copy of a similar report for another client would be helpful.
9. The Trustees reserve the right to accept or reject any or all of the requested Statements of Qualifications in their sole discretion. The selection of finalists and a Financial Advisor will be made on the basis of the Trustees’ assessment of the which firm’s qualifications best fits the Town’s needs.

**SUBMISSION OF QUALIFICATION STATEMENTS:**

The Trustees intend to engage an Investment Advisor by April 1, 2022. To meet this goal, Statements of Qualifications must be submitted by 2:00 PM on Tuesday, February 1, 2022. The Trustees will review these submissions to form a list of up to 3 finalists who will be asked to interview with the Trustees during the week of the 14th of March, 2022. Interview dates/times will be coordinated with respondents. After these interviews, the Trustees will invite the firm selected to be the Investment Advisor to prepare and forward an engagement letter to the Trustees for action by the 24nd of March, 2022.

Address for Submittals: Trustees of Trust Funds

c/o Business Office

Town of Durham

8 Newmarket Road

Durham, NH 03824

Contact Person: Michael H. Everngam, Chair

Trustees of Trust Funds

603-397-2195 (cell)

[meverngam@comcast.net](mailto:meverngam@comcast.net)



Trustees of Trust Funds

Town of Durham

8 Newmarket Road

Durham, NH 03824

INVESTMENT POLICY *(Attached to the RFQ and in force at release of the RFQ)*

PURPOSE:

This policy governs the administration and investment of funds in the custody of the Trustees of Trust Funds of the Town of Durham, NH.

The Trustees will manage the funds in their custody in accordance with the Prudent Investor Rule as referenced in RSA 31:25-d and in RSA 564-B:9-901 through -906, and summarized as

“In general, the Trustees shall invest and manage trust assets as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the trust. In satisfying this standard, the trustee shall exercise reasonable care, skill, and caution.   A trustee's investment and management decisions respecting individual assets must be evaluated not in isolation but in the context of the trust portfolio as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the trust.”

The Trustees will employ an investment advisor to assist in the management of the funds in their custody as required by RSA 31:25-d and explicated in RSA 31:38-a. Fees for the investment advisor’s services will be charged against the reserves and trusts involved as provided in RSA 31:38-aIV and authorized by Durham Town Council Resolution #2014-14.

The funds in Trustee custody are categorized by source, per NH statutes, as follows (this is not the basis for the assignment of funds to bank sub-accounts, rather, a guide for understanding how reserves and trusts are classified under the law.):

1. Appropriated funds - RSA 31:19 and 31:19-a, and RSA 35:1 through 35:10 inclusive;
2. Capital reserves;
3. Other reserves;
4. Public money trusts;
5. Private money trusts with public purposes
6. Cemetery trusts – RSA 31:20 through 31:22a inclusive, and RSA 31-19-a:
7. Perpetual care trusts
8. Municipal cemetery.
9. Private trusts with private purposes.
10. Other trusts;
11. Agency trusts – RSA 35:1 through RSA 35:10 inclusive, and RSA 31:31, RSA 35-2 and RSA 198:20c
12. Appropriated funds;
13. Public money trusts and private money trusts with public purpose;;
14. Private purpose trusts (e.g. scholarships).
15. Private trusts – RSA 31:19 through 31:19-c inclusive.
16. All reserves and trusts may be expended by the legislative body having authority over the reserve or trust. Reserve and trust resolutions or warrant articles may also appoint an agent to expend from the reserve or trust in accordance with the purpose of the trust.

INVESTMENT OBJECTIVE:

All funds in the custody of the Trustees of Trust Funds will be invested to insure that the purchasing power of the principal is maintained, while seeking to provide a level of income sufficient to support the programs intended to be financed under the terms of the respective reserves and trusts. Within the context and limits of the foregoing statement, the Trustees will endeavor to manage the content of the investment portfolio so as to maintain an Above Average rating in Morningstar’s Sustainability Rating system. The Trustees will work closely with the Investment Advisor to achieve this objective.

INVESTMENT AUTHORITY

NH towns are required by RSA 31:22 to elect Trustees of Trust Funds to administer all town reserves and trusts. The Durham Town Charter recognizes this requirement in Section 5:15. The role and duties of the Trustees are explicated in the statutory references quoted in this policy. Additionally, RSA 31:25 addresses investment custody and RSA 31:27 addresses collective investment of reserve funds.

RESPONSIBILITIES

1. Trustees of Trust Funds: Establish the Trustee’s investment policy; supervise and evaluate the investment advisor; approve investments and allocations recommended by the investment advisor; prepare state and town reports; review and approve requests for withdrawals from trusts and reserves, and promulgate an Internal Controls policy.
2. Chair of Trustees: schedule and chair meetings; draft and post agendas; act as day-to-day contact for residents, Town and school officials, and the investment advisor.
3. Secretary of Trustees: prepare minutes of meetings, other correspondence.
4. Bookkeeper: With the assistance of the Town Business Office, maintain accounting records of investments, deposits, withdrawals, remittances, transmittals, balances and supporting documentation.
5. Investment advisor:  Recommend portfolio allocations and contents; track investments in portfolio for sale or replacement; provide quarterly investment forecasts for Trustee perspective; provide monthly statements; provide online internet access to investment account information; provide quarterly evaluations of portfolio performance based on the following blended benchmarks:

|  |  |  |
| --- | --- | --- |
| **Total Portfolio Blended Benchmark "Blended Index"** | | |
| Asset Category | % | Index |
| Total Equity Benchmark | 15% | See Below           *\*\*\* 20% Cemetery* |
| Total Fixed Income Benchmark | 80% | See Below           *\*\*\* 75% Cemetery* |
| Cash | 5% | 3 Month T-bill |
| *Total* | *100%* |  |

|  |  |  |
| --- | --- | --- |
| Stock Category | **Total Equity Benchmark** | |
| %        Index | |
| U.S. Large-cap | 49% | S&P 500 Large-cap Index |
| U.S. Mid-cap | 14% | S&P 400 Mid-cap Index |
| U.S. Small-cap | 7% | Russell 2000 Small-cap Index |
| International Developed Market | 15% | MSCI EAFE Index |
| International Emerging Market | 15% | MSCI EM Index (net) |
| *Total* | *100%* |  |

|  |
| --- |
| **Total Fixed Income Benchmark** |
| Bond Category                                                 %         Index |
| Intermediate-Term Bond                         100% Bloomberg/Barclays US Intermediate  Govt./Credit |
| *Total                                                             100%* |

APPROVED INVESTMENTS

1. For appropriated fund trusts and reserves:
2. Capital reserves and other reserves – as specified in RSA 35:9:
3. Deposits in any federally or state-chartered bank or association authorized to engage in a banking business in NH;
4. In bonds or notes of the state of NH
5. In such stocks and bonds as are legal for investment by banks and associations chartered by the state of NH to engage in a banking business;
6. In participation units in the NH Public Deposit Investment Pool (NHPDIP) established pursuant to RSA 383:22, or;
7. In obligations with principal and interest fully guaranteed by the United States government.
8. Trusts – as specified by RSA 31:25, and RSA 35:1-c:
9. In deposits in any federally or state-chartered bank or association authorized to engage in a banking business in NH;
10. In deposits in any credit union in NH;
11. In state, county, town, city, school district, water and sewer district bonds and the notes of towns or cities of NH;
12. In such stocks and bonds as are legal for investment by banks and associations chartered by the state of NH to engage in a banking business;
13. In participation units in the NH Public Deposit Investment Pool (NHPDIP) established pursuant to RSA 383:22; or
14. In obligations with principal and interest fully guaranteed by the United States government.
15. For cemetery trusts, including trusts funded from sale of burial plots:
16. Perpetual care trusts - as specified for trusts (paragraph 1.b. above) except that only the income, not the principal, may be expended. The Trustees of Trust Funds are agents to expend the income from these trusts.
17. Other trusts – as specified for trusts (paragraph 1.b. above). The Trustees of Trust Funds are agents to expend from these trusts.
18. For agency funds – at present, primarily reserves and trusts of the Oyster River Cooperative School District, but could include reserves and trusts of other non-Durham municipal units:
19. Capital reserves and other reserves – as specified for capital reserves (Paragraph 1.a. above)
20. Trusts - as specified for trusts (paragraph 1.b. above)
21. Private purpose trusts (primarily scholarships) - as specified for expendable trusts (paragraph 1.b. above). Some of these trusts restrict expenditures to income only.
22. For private trusts (primarily cemetery care endowments) - as specified for trusts (paragraph 1.b. above) except that in these trusts only the income, not the principal, may be expended.

RISK CONTROLS

1. Credit Risk:
   1. No investments will be made in private placements, private equities, hedge funds, fixed income swaps or futures, derivatives, equity futures or options, or illiquid securities. Margin trading and short sales are not permitted.
   2. All fixed income security purchases shall either be individual issues with a minimum rating of investment grade (Baa – Moody’s, BBB – Standard & Poor’s), generally maturing within 10 years; or fixed income mutual funds or ETFs, with at least 80% in investment grade rated bonds as listed in the prospectus. Except for Federal and state securities, the portfolio of fixed income securities will contain no more than 10% of securities from any one issuer.
   3. Equity investments will be in mutual funds, ETFs or companies with a proven record of earnings and dividend growth, strong fundamentals, and attractive valuations. The equity portfolio will be broadly diversified with no more than 5% of equities from any single company.
2. Custodial Credit Risk:
   1. The investment advisor will be a state or federally chartered bank wealth management department in order that the funds held in the reserves and trusts are in account with an institution supervised by the State of New Hampshire or the US Comptroller of the Treasury.
   2. The investment advisor will provide evidence of insurance coverage for loss of funds.
3. Concentration of Credit Risk: See paragraphs 1.b. and 1.c. above.
4. Interest Rate Risk:
   1. The Trustees will seek to manage interest rate risk actively by considering bond portfolio duration during quarterly meetings with the investment advisor. Decisions regarding duration will be made and recorded in the minutes of the quarterly meeting.
   2. The Investment Advisor will also provide an assessment of the fair value sensitivity of the investment portfolio during quarterly meetings.
5. Foreign Currency Risk: In general, all reserve/trust investments will be in dollar denominated issues. The Trustees can authorize an exception to this policy only to take advantage of exceptional opportunity.
6. Fair Value Measurement: Investment is restricted to securities traded in active markets, and fair value calculations will be calculated on quoted prices in those markets.
7. Asset allocation will be governed by these guidelines:

Asset type                          Percent minimum      Strategic Targets         Percent maximum

 Cash, near cash                                 0%                             5%                                   20%

 Bonds, notes                                    70%                           80%                                 90%

 Equities (except cemetery trusts)      0%                            15%                                 20%

 Equities (cemetery trusts) 0%                            20%                                  25%

1. Cash and near cash is limited to demand deposits in banks, short term certificates of deposit, money market funds, and high-grade repurchase agreements.

REPORTING

1. State of NH financial reports (MS 9/10): The investment advisor will provide an annual wrap-up statement to the Trustees’ bookkeeper as the basis for these reports. The investment advisor will provide other reporting assistance as requested. The Trustees, working with the Town Business Office, will prepare this report.
2. Investment policy report: The Trustees will forward their most current investment policy to the NH DOJ annually.
3. Town reports; The Trustees meet annually with the Council to provide an update on activities and accomplishments for the year. Additionally, the Trustees will provide a written summary of activity for inclusion in the Town Annual Report.

Approved: 14 November 2016 Updated and re-approved: 25 May 2018

Updated and re-approved: 27 September 2019

/s/Michael H. Everngam /s/Craig R. Seymour /s/William Cote

Michael H. Everngam Craig R. Seymour William Cote

Chair Member Member

Enclosure 2 – Criteria for Selection of Investment Advisory Firms to Receive RFQ’s

1. Be included on the NHDOJ list of Investment Advisors Doing Business in NH (See “List of Investment Advisors” at <https://www.doj.nh.gov/charitable-trusts/municipalities.htm>.) This list is not a list of firms recommended by NHDOJ, but rather a list of firms which have taken the time to contact DOJ and request to be placed on the list.
2. Not be a major US brokerage firm. While qualified, these firms were not considered to be focused on the same goals as are the Trustees. In addition, present or future Trustees may have personal investment accounts with these firms, possibly creating conflicts of interests.
3. Have an investment branch or office in the Seacoast area, Portsmouth-Concord-Manchester, so that distance is not an impediment to personal meetings with the Trustees.
4. Be of sufficient size to assure that the firm has the depth of advisory personnel and financial strength to be capable of continued operations in the face of market turmoil.

Enclosure 3 – Firms Selected to Submit RFQs (Addresses from NHDOJ list – as submitted or corrected)

Cambridge Trust Company New Hampshire

Portsmouth Wealth Management Office

Two Harbour Place, First Floor

Portsmouth, NH 03801

Charter Trust Company

Corporate Office

90 North Main Street

Concord, NH 03301

~~Citizen’s Bank~~ Clarfeld – Citizens Private Wealth

~~Government Banking Division, Citizens Commercial Banking~~ 520 White Plains Road, Floor 3

~~900 Elm Street NE1680~~ Tarrytown, NY 10591

~~Manchester, NH 03101~~

~~TD Bank, NA~~ TD Private Client Wealth LLC

~~Government Banking~~ One Portland Square

~~PO Box 477~~ Portland, ME 04101

~~Concord, NH 03302~~

US Trust Company, Bank of America Pvt Wealth Mgnt No Response-Addressee Unknown

1155 Elm Street, 3d Floor

Manchester, NH 03101

People’s United Wealth Management

Attn: John Frost, Sr.

350 Fore Street

Portland, ME 04101

Enclosure 4-Sample Evaluation Form

­­­­­RFQ – Financial Advisor - Durham Trustees of the Trust Funds \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_­­­­­­- Trustee

Response Checklist and Comments

1. A cover letter, signed by an officer of the respondent’s firm having the authority to commit the firm to contracts, which expresses the respondent’s overall approach to municipal trustee investment accounts, and to Durham’s Trustee Account in particular.
2. A detailed description of the education, qualifications, experience, past employment, and performance history of the person who will serve as the Trustees’ primary Investment Advisor (Portfolio Manager). This person is the named representative with whom the Trustees’ will consult on investments, deposits, withdrawals, and future planning.
3. A list of at least 5 municipal or institutional clients of the respondent, providing name, address, and telephone number of a contact person for each client.
4. A copy of the firm’s most recent NASSA Form ADV Part 2 submission to the office of the Secretary of State of NH.
5. A list of additional references as desired by the respondent.
6. An assessment of the Durham Trustee’s current Investment policy and any recommendations for change.
7. A detailed description of the fee structure under which the Investment Advisor’s firm is to be compensated for services. Disclose any forms of direct or indirect compensation which the Investment Advisor might receive in addition to the fees paid by the Trustee’s investment account.
8. A detailed description of the manner in which the Investment Advisor will service the Trustees’ accounts. Additionally, the Trustees want to have a quarterly update on the portfolio’s performance in the month following the end of each quarter. This update should be in the form of a printed report illustrated with graphs and charts to clarify and summarize investment performance. A copy of a similar report for another client would be helpful.

Respondent:

1. Cover Letter: Initial Grade: Final Grade:

2. Qualifications: Initial Grade: Final Grade

3. Other Municipal Clients (5): Initial Grade: Final Grade

4. NSSA Form: Initial Grade: Final Grade

5. Additional References: Initial Grade: Final Grade

6. Assessment of Current Policy: Initial Grade: Final Grade

.

7. Fee Structure: Initial Grade: Final Grade

8. Approach: Initial Grade Final Grade

Reporting:

General Comments