



Town of Nantucket Audit Committee

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MINUTES

Special meeting

Thursday September 22, 2011

16 Broad Street, Conference Room – 8:30 a.m.

All or a portion of this meeting is being recorded.

If you plan to record this meeting yourself, please check with the chairman of the board before you begin.

Attending Members: Michael Kopko (Board of Selectmen), Matt Mulcahy (Chair Finance Committee)

Absent Members: Rick Atherton

Staff: Debbie Weiner Treasurer, Gregg Tivnan Administration Terry Norton Town Minutes Taker

Public: None

Bank of America Merrill Lynch Presenters: Jonathan H. Wesson, Vice president, Institutional Portfolio Strategist, Vauntina G. Franklin, Vice President Philanthropic Service Officer, Philanthropic Management

I. CALL TO ORDER

Kopko called to order at 11:04 a.m.

II. PUBLIC COMMENTS

None

III. OVERVIEW OF TOWN TRUST FUNDS

Documentation provided: Latest Investment Portfolio Review published by Bank of America Merrill Lynch and Town of Nantucket Portfolio Characteristics worksheets.

Weiner – There was some interest in how The Town of Nantucket (The Town) Trust Funds are handled, what we're invested in, how it works, Who's in charge.

Wesson – The Town's portfolio is subject to the Massachusetts Legal List (MLL) and so there are restrictions. The portfolio is managed in accordance with that and has held up pretty well over time. The reason the portfolio is subject to the MLL is that the primary goal is to preserve the capital of these assets, and can achieve that by taking some interest-rate risks by building out a diversified fixed-income portfolio. Over time, the real return from the investment in the fixed account is keeping up with inflation. We don't think interest rates are going to go up. We are actually seeing inflationary pressures come down with lower expectations of economic growth. Assured the attendees that Bank of America is financially very stable. The way we manage this portfolio is mostly consistent with our fixed-income strategy. Our income managers invest in mortgage banks, securities, high-quality corporates, at times lower-quality, credits and high yield; and so it is much more complex than a simple government portfolio. The Town's portfolio is in pretty good shape when you look back over the past five years.

Weiner – For quite a few years The Town keeps about \$500,000 liquid in case there is an emergency. That would be out of the Stabilization Fund itself.

Wesson – Most accounts that are subject to the MLL, we manage in a rather conservative fashion not only because we have to based on credit restrictions, but also because we very much appreciate the fact that the goal is to preserve capital assets; so for the past couple of years, have managed the portfolio for the short duration consistent with our investment strategy. Over the long term, a 60/40 blended portfolio

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for three years returned 3.7 percent. For perspective, this portfolio outperformed a portfolio with 60 percent equities by 100 basis points, over five years over 200 basis points. All in all performance has been good, consistently outperforming the shorter-tem benchmark; and over the two- or three-year period outperforming the intermediate benchmark. Portfolio review does not go out any more than 8 years. Current yield on the portfolio is about 2.78 percent. The annual estimated income based on the market value right now is about \$190,000.

Franklin – The fee charge on The Town’s account is 47 basis points for all the management.

IV. DATE OF NEXT MEETING

Normal Meeting - Topics: Updates for Financial Advisory Associates, Powers & Sullivan
October 4, 2011 8:30 a.m. 16 Broad Street Conference Room

Motion to Adjourn: 11:39 a.m.

Submitted by:
Terry L. Norton