

DRAFT – FEBRUARY 9, 2020

PECK ESTATE TRUSTEES - MEETING MINUTES

February 4, 2020

MEMBERS PRESENT: Gill Coates (Clerk), Frank Twarog, and Kristy McLeod

OTHERS PRESENT: None

The Clerk of the Trustees, Gill Coates, called the meeting to order at 4:15 p.m.

On the question of any agenda additions/deletions, none were brought up.

The minutes from the November 19, 2019 meeting were reviewed. Kristy pointed out a change to the last sentence of the fifth paragraph: "He also indicated his willingness to get those calculations to the Trustees by mid-December." Kristy suggested to change "...those calculations..." to: "... a draft IPS ..." Kristy then made the motion to approve the minutes as corrected. Frank seconded that motion and the motion was approved.

The next order of business was to review the draft Investment Policy Statement (IPS) dated November 2019 and provided by Alex Watson of Hanson & Doremus Investment Management. Initial discussion began with a question on whether to merge the Mission and Goals Statement (MGS) with the IPS. Kristy indicated her desire that the IPS remain a stand-alone document. Frank indicated his agreement and that the same apply to the MGS. Gill agreed; therefore, both will remain stand-alone documents.

Kristy provided a list of comments and proposals for consideration by the Trustees (see Attachment 1) as well as proposed updated versions of the IPS, the MGS, and the Attachment to the MGS. There was a detailed discussion on the revisions to those documents in addition to covering Kristy's list of comments and proposals. The lengthy and detailed discussion resulted in the following red-lined proposed document revisions:

- a. The Mission and Goals Statement (see Attachment 2);
- b. The Attachment to the MGS (see Attachment 3); and
- c. The IPS (see Attachment 4).
- d. The VT Statutes Online 1/25/20 (see Attachment 5).

During the discussion, there were other topics that came up for additional action by the Trustees. Kristy expressed her desire that the Trustees receive yearly financial activity information on the Champlain Valley School District's Peck Estate Private Purpose Trust Fund. Gill will contact the District's business manager about receiving that information. Kristy also indicated that Hanson & Doremus should review Section 2432 of Vermont Statutes, Title 24, Subchapter 2 for confirmation of their compliance with its requirements.

Frank brought up the "INVESTMENT POLICY" section in a letter to the Hinesburg Selectboard from the Town's accounting firm of Fothergill Segale & Valley on February 24, 2016. That section of the letter states that "The Town of Hinesburg does not have a formal written investment policy." and recommends establishment of a policy for the Town, including the Peck Estate funds. Frank volunteered to contact the Hinesburg Town Clerk to determine if the Town has adopted an Investment Policy. This is in order to establish if there are limitations defined in the investment policy that would need to be forwarded to Hanson & Doremus for review. (Note: It was determined the Town does have a draft Investment Policy.)

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The Trustees also agreed that the following documents are superseded and will be marked as such and left as part of the Peck Estate's permanent records:

- a. Mission and Goals Statement Adopted 9/24/2003
- b. Spending Policy - Total Return Approach
- c. Peck Estate Fund Investment and Spending Policy Adopted 9/24/2003
- d. Amendment #1 to Investment and Spending Policy Adopted 6/4/2013
- e. Peck Estate Background Information dated 2/3/1999, 10/9/2003, 1/5/2015

Gill made the motion to approve all changes in the draft MGS, Attachment to the MGS, and IPS. The motion was seconded by Kristy and approved.

Under new business, the Trustees briefly discussed succession in the future when the current Trustees decide not to run for another 3-year term or resign. In addition, there were also comments about the need to possibly define and document some of the procedures the Trustees use in management of Peck Estate.

The last item discussed was the next meeting. Unless there is some special need, the next meeting will be held after the April Schwab monthly statement arrives about May 7th, so the meeting would be around May 15th.

Being no other business, Gill made the motion to adjourn the meeting. The motion was seconded by Kristy and approved. The meeting adjourned at 6:15 p.m.

Respectfully submitted by,


Gill Coates, Clerk
Peck Estate Trustees

Attachments:

1. List of Comments and Proposals from Trustee Kristy McLeod
2. Draft changes to the Mission and Goals Statement
3. Draft changes to the Attachment to the Mission and Goals Statement
4. Draft changes to the Investment Policy Statement
5. The VT Statutes Online 1/25/20 (with Trustees' comment* on Section 2434. Report)

ATTACHMENT 1 – PECK ESTATE MEETING MINUTES
FEBRUARY 4, 2020

Trustee Kristy McLeod's Comments on Revisions to Guiding Documents
~~January 28, 2020~~ 9 February 2020

(Trustees' Meeting Conclusions in Red)

Hi Gill and Frank,

I have attached a first pass on draft revisions to the:

- Missions and Goals Statement
- IPS
- "Attachment to Peck Estate Mission Statement"

In doing this, I've identified some issues that we will need to resolve:

- Can \$ spent at HCS be for other than 7-8th grade? (Yes, see last paragraph of the revised "Peck Estate Background Information")
- The Private Purpose Trust document states that "funds are to be used in support of the pre-k to 8th grade HCS"; the Attachment to Mission Stmt says 7-8th grades. We need to bring these into agreement. (Done.)
- I went back to VT Statutes Online for the most current law as it applies to Public Funds (also attached). We need to discuss the last sentence of Section 2434. Is that requirement applicable to Peck Estate Funds, and if so, have we been complying with it? It may not apply depending on whether any part of the Peck Estate Funds are considered "school funds". The funds are the property of the town, but with a required distribution to the school. (We have also been following VT Statutes 14 V.S.A. § 3411 Short title (Uniform Prudent Management of Institutional Funds Act.) (See Trustees' comment on Attachment 5, VT Statutes Online 1/25/20.)
- I think we should run by Hanson & Doremus Section 2432 of the VT Statutes which deals with the powers of the trustees and what they may invest in to make sure that we are in compliance with that statute. (Will be done.)
- That same statute also indicates that "if the municipality has adopted an investment policy, the trustees shall invest in accordance with the provisions of the municipal policy that do not conflict with this section." We should check to see if the Town of Hinesburg has any such policy. (Received a copy of a Draft Policy from the Town. Will follow up with our Investment Manager to determine if it impacts the Peck Estate Draft IPS and then provide input to the Town.)

I believe the following documents are superseded and should be marked as such and left as part of our permanent records: (See final action as documented in the minutes.)

- Mission and Goals Statement Adopted 9/24/03
- Spending Policy - Total Return Approach
- Peck Estate Fund Investment and Spending Policy Adopted 9/24/03
- Amendment #1 to Investment and Spending Policy Adopted 6/4/13
- Peck Estate Background Information dated 2/3/1999, 10/9/03, 1/5/15 (there may be others)

ATTACHMENT 2 – PECK ESTATE MEETING MINUTES
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PECK ESTATE FUND
MISSION AND GOALS STATEMENT

THE MISSION OF THE TRUSTEES OF THE PECK ESTATE FUND IS TO SAFEGUARD AND PRUDENTLY INVEST THE ~~PECK ESTATE~~ FUNDS LEFT IN TRUST TO THE TOWN OF HINESBURG WITH THE INCOME ~~BENEFITTING FROM SUCH FUNDS TO BENEFIT THE~~ HINESBURG COMMUNITY SCHOOL'S MIDDLE SCHOOL. (REFERENCE CAN BE MADE TO THE "PECK ESTATE BACKGROUND INFORMATION" ATTACHED HERETO.)

IT IS THE TRUSTEES' INTENT TO INVEST THE FUNDS IN SUCH A WAY AS TO MAXIMIZE THE INCOME STREAM TO THE SCHOOL WHILE SEEKING LONG-TERM GROWTH, ~~OR AT LEAST CAPITAL PRESERVATION,~~ OF THE FUND.

IT IS THE TRUSTEES' RESPONSIBILITY TO DISTRIBUTE INCOME FROM THE PECK ESTATE FUND TO THE SCHOOL AT LEAST ANNUALLY ~~IN ACCORDANCE WITH:~~

1. ~~THE INVESTMENT POLICY STATEMENT~~
2. ~~THE PROCEDURES OUTLINED IN THE CHAMPLAIN VALLEY SCHOOL DISTRICT PRIVATE PURPOSE TRUST FUND (CVSD PPTF) DOCUMENT; AND~~
3. ~~THE STATUTORY OBLIGATIONS AS PURSUANT TO VERMONT LAW FOR MUNICIPAL AND COUNTY GOVERNMENT.~~

~~IN ADDITION, "THE TRUSTEES SHALL REPORT TO THE ANNUAL TOWN MEETING THE AMOUNT OF THE FUNDS IN THEIR HANDS, THE MANNER AND CONDITION OF ITS INVESTMENT AND THE DISPOSAL OF THE INCOME THEREOF. (VERMONT STATUTES ANNOTATED, TITLE 24, CHAPTER 65, SUBCHAPTER 2 PUBLIC FUNDS, SECTION 2434.)"~~

(~~REVISED FEBRUARY , 2020~~) ADOPTED SEPTEMBER 24, 2003)

ATTACHMENT 3 – PECK ESTATE MEETING MINUTES
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PECK ESTATE BACKGROUND INFORMATION

(ATTACHMENT TO PECK ESTATE MISSION STATEMENT)

Cicero G. Peck's adopted daughter, Lucy P. (Coleman) France, died February 16, 1934. Her will contained a provision similar to that of her adopted father's failed will. The provision is as follows:

"... 6., B. I give, devise, and bequeath the remaining four-fifths of my said father's estate to the Town of Hinesburg, in trust, and I direct that the income only be used for and toward the support of a high school in said Hinesburg, in which the pupils shall receive higher and more advanced instructions than is furnished in the primary schools of the town, and shall be free to all pupils of the town of such grade or grades as shall be fixed by the school board, and to which pupils from other towns may be admitted by paying such tuition as shall be fixed by the school board, but such tuition shall be used for the support of the school."

The first mention of the Peck Estate was in the 1938 town report. It listed the trust as containing \$13,673.06 as well as 29 shares of Howard Bank stock and 12 shares of Merchants Bank stock.

Under Vermont law, property held in trust by a town for a particular purpose is administered by three Trustees elected by the town.

Peck Estate funds were used on August 8, 1944 to purchase Leon E. and Maud T. Miner's house. It was also known as the Andrew's house. It is the house ~~next to the Good Times Cafe~~ **at 10787 VT Route 116** in the center of Hinesburg village. The Trustees used the house as rental property, basically for Hinesburg teachers to rent. On June 1, 1979, the trustees sold the house. The Trustees held the mortgage on the property until it was paid off **in April, 2003.**

With the Andrew's house mortgage paid off and with the growth of the trust assets, the Trustees decided that professional management of the trust would be ~~appropriate~~ **prudent**. In 2003, after two years of evaluation, the Trustees selected Hanson Investment Management (now Hanson & Doremus Investment Management) of Burlington to manage the assets of the trust. ~~The current assets consist of cash in a money market fund, stocks, and bonds. The portfolio is held in a Charles Schwab account managed by Hanson & Doremus Investment Management.~~

In terms of the disbursement of income to the Hinesburg Community School in accordance with the will (the Peck Estate Spending Policy), two decisions have been made over time. In September of 2003, the Trustees adopted a Total Return Approach to the income available for disbursement to the HCS. That approach looks to the overall return on investments and permits the disbursement of both investment income and net appreciation. The second decision relates to the grade levels to be benefitted. At some point in time, the Hinesburg School Board voted to use the income from the Trust to benefit the Middle School program, or 7th and 8th grades, that being considered a "higher and more advanced instructions than is furnished by the primary schools of the town." Primary school was not defined in the will, but at times is referred to as kindergarten through 2nd or 3rd grades. With the evolution and increasing cost of public education over time, and the consolidation of the Champlain Valley School District on 7/1/17, the Trustees have determined that it is reasonable for the Principals of the HCS to determine the best and most appropriate use of the annual distribution from the Peck Estate Trust Funds to advance the education of students within the Hinesburg pre-kindergarten through 8th grade school system and to not limit that distribution to a particular grade level.

Gill Coates, Clerk
Peck Estate Trustees

~~6 January 2015~~ **9 February 2020**

ATTACHMENT 4 – PECK ESTATE MEETING MINUTES
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DRAFT – 9 February 2020
Peck Estate Fund
Investment Policy Statement
(Revised November 2019 **9 February 2020**)

1.0 Purpose

The purpose of this Investment Policy Statement (“IPS”) is to assist the Trustees of the Peck Estate Fund (“Fund”) in effectively overseeing, monitoring and evaluating the investments of the Fund.

2.0 Investment Objective

The investment objectives of the Fund are:

- a. To maximize the annual income distribution to the Hinesburg Community School’s Middle School (**HCS**) while seeking long-term growth of the fund, which will remain invested in perpetuity, **subject to the spending policy described below**
- b. To limit risk through prudent diversification
- c. To limit the cost of administering and managing the investments

3.0 Return Objective

The Fund shall seek to achieve long-term returns (net of fees) competitive with those offered by respective market indices.

4.0 Decision Making Criteria

The following criteria will apply to investment decision-making and will guide the Trustees in determining the annual distribution to the Hinesburg Community School:

- a. Duration and preservation of the Fund;
- b. The purpose of the Fund;
- c. General economic conditions;
- d. Effect of inflation or deflation;
- e. The expected total return from income and the appreciation of investments;
- f. Other resources, if any; and
- g. The investment policy

5.0 Delegation of Investment Management

The trustees of the Fund have agreed to delegate management of the Fund’s investments to an investment advisory firm.

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The investment manager will have the authority to buy and sell securities for the Fund and will have discretion to manage invested assets according to their professional judgement and fiduciary obligations, subject to the constraints outlined herein.

6.0 Asset Allocation and Rebalancing

Asset Class	Target Asset Mix	Asset Allocation Ranges	
		Minimum	Maximum
Cash	0%	0%	10%
Fixed Income	50%	40%	60%
Equity	50%	40%	60%

The portfolio will be re-balanced within a reasonable time period once a minimum and/or maximum range is exceeded and at the discretion of the manager.

The manager is/are granted full discretion to change the asset mix within the ranges outlined in this document.

7.0 General Guidelines:

Diversification of assets will be employed to ensure that the results from one security or security class will not have an unduly detrimental effect on the entire portfolio.

No single security (excluding cash, mutual funds, and exchange traded funds) shall exceed 5% of the portfolio. This concentration limit does not apply to securities issued by the U.S. government, its agencies, or FDIC-insured certificates of deposit.

8.0 Equity Allocation

- a. Holdings may include common stock, convertible bonds, convertible preferred stock, mutual funds, and exchange traded funds.
- b. If individual securities are used, no industry or economic sector weight shall exceed more than 30% of the equity portion of the portfolio.
- c. Representation in the international equity markets is to be primarily achieved through the use of mutual funds, exchange traded funds or foreign **American Depositary Receipts** (ADRs). Investments in both developed and emerging international markets may not exceed a combined 50% of the equity portion of the portfolio. The maximum exposure for emerging markets shall be 15% of the equity portion of the portfolio.

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Peck Estate Fund
Investment Policy Statement
(Revised November 2019 **9 February 2020**)

9.0 Fixed Income Allocation

- a. Holdings may include individual issues, certificates of deposit, convertible bonds, exchange traded funds and mutual funds.
- b. If individual issues are used, no funds are to be invested in bonds rated below investment grade by Standard & Poors and/or Moody's at the time of purchase. The investment manager is granted discretion as to the method to monitor bond holdings when, after purchase, they are reclassified below an investment grade level.
- c. If individual issues are used, no one industry shall exceed 50% of the total market value of the bond portion of the portfolio. This concentration limit does not apply to securities issued by the U.S. government, its agencies, or FDIC-insured certificates of deposit.
- d. International fixed income exposure shall be permitted through the use of exchange traded funds or mutual funds. International bonds shall make up no more than 35% of the fixed income allocation.

10.0 Cash Allocation

- a. Cash equivalent reserves may consist of individual cash instruments having a blended quality rating of A-1, P-1 or higher, and/or money market funds.
- b. Any idle cash not invested by the manager shall be invested daily through an automatic interest-bearing sweep vehicle managed by the custodian.

11.0 Socially Responsibility Guidelines

Fund assets invested in individual securities shall not be invested in companies whose main business function is the production of tobacco products.

Fund assets invested in broad-based mutual and exchange traded funds shall be exempted from this requirement.

12.0 Restricted Transactions

The following are prohibited:

- a. Derivatives
- b. Physical real estate (**Real Estate Investment Trusts (REITs)** or mutual funds are permitted)
- c. Short sales
- d. Margin purchases
- e. Physical commodities/metals (commodity **Exchange Traded Funds (ETF)** or mutual funds are permitted)

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(Revised November 2019 **9 February 2020**)

f. Initial **P**ublic **O**fferings (IPOs) and letter stock (private equity)

13.0 Investment Benchmark

The long-term goal of the Fund shall be to provide returns competitive with market indices. The Trustees and the manager shall agree on appropriate benchmarks for comparison.

14.0 Proxy Voting

The Trustees of the Fund delegate to the manager the voting of routine proxy solicitation matters. The investment manager will vote all proxies according to its internal proxy voting policies unless otherwise dictated by the Trustees.

15.0 Spending Policy

The Trustees will decide by ~~March~~ **June** 1st of each year the amount to be withdrawn and distributed to the Hinesburg Community School by ~~September 1st~~ **June 30th** of that year. The spending rate shall be no more than 5% of the Fund, ~~The dollar amount to withdrawal shall be~~ calculated by applying the spending rate to the average of the past three calendar year end market values for the Fund. **The intent is to maintain a steady or improving income stream to the HCS by using a total return (investment income and net appreciation) approach for annual withdrawals and a spending rate that will achieve this objective while allowing for the preservation and long-term growth of the Fund.**

16.0 Trustee Review

The Trustees will review quarterly reports from the investment advisor and ~~meeting~~ with the advisor annually to review the portfolio and the current and future investment strategy. The advisor will provide the trustees with appropriate comparative data to assist in evaluating the investment results of the Fund.

If this policy is amended at any time by the Trustees, then an updated copy of this document shall be provided to the investment advisor.

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Peck Estate Fund
Investment Policy Statement
(Revised November 2019 **9 February 2020**)

Approved by:

Name:	Date
Gill Coates	

Name:	Date
Kristy McLeod	

Name:	Date
Frank Twarog	

ATTACHMENT 5 – PECK ESTATE MEETING MINUTES
FEBRUARY 4, 2020

The Vermont Statutes Online 1/25/20

Title 24: Municipal and County Government

Chapter 65: Public Lands And Funds

• ***Subchapter 2: Public Funds***

• **§ 2431. Trustees of public funds:** Real and personal estate, except U.S. public money, held by a town in trust for any purpose, including cemetery trust funds, unless the person giving the same otherwise directs, shall be under the charge and management of three trustees, elected by the town when the town so votes. At the meeting when such trustees are first elected, they shall be elected for the following terms: one for one year, one for two years, and one for three years. Their successors shall be elected for the term of three years, but a person chosen to fill a vacancy caused by death, resignation, or otherwise shall serve only for the remainder of the unexpired term.

• **§ 2432. Powers and duties; investments**

(a)(1) The trustees shall apply estate income to the purpose for which it is held, and deeds or contracts made by them shall be in the name of the town.

(2) The trustees may:

(A) lease, sell, or convey real estate so held and invest the funds received therefrom; and

(B) lend estate money at annual or semiannual interest, and as security for each loan shall take deeds or mortgages of real estate in this State.

(b) The trustees may invest in:

(1) any security, including a revenue obligation, issued, insured, or guaranteed by the United States;

(2) municipal bonds or other bonds that are rated at the time of the transaction by a nationally recognized statistical rating organization, as defined in 15 U.S.C. § 78c(a)(62) as may be amended, in one of its four highest categories;

(3) repurchase agreements or debt securities of any federally insured financial institution as defined in 8 V.S.A. § 11101(32);

(4) the shares of an investment company, or an investment trust, such as a mutual fund, closed-end fund, or unit investment trust, that is registered under the federal Investment Company Act of 1940, as amended, if the mutual investment fund has been in operation for at least five years and has net assets of at least \$100,000,000.00; or

(5) deposits in federally insured financial institutions as defined in 8 V.S.A. § 11101(32).

ATTACHMENT 5 – PECK ESTATE MEETING MINUTES
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(c)(1) The trustees shall have full power to hold, purchase, sell, assign, transfer, and dispose of any of the securities and investments in which any of the funds have been invested, as well as the proceeds of the investments.

(2) The trustees are encouraged to invest in financial institutions operating in the State and in investments within the State that will result in reinvestment in Vermont.

(3) The provisions of this section as to future investments shall not require the liquidation or disposition of securities legally acquired and held.

(4) If the municipality has adopted an investment policy, the trustees shall invest in accordance with the provisions of the municipal policy that do not conflict with this section.

(d) The trustees may delegate management and investment of funds under their charge to the extent that is prudent under the terms of the trust or endowment, and in accordance with section 3415 (delegation of management and investment functions) of the Uniform Prudent Management of Institutional Funds Act, 14 V.S.A. chapter 120. Notwithstanding the limitations on investments set forth in subsection (b) of this section, an agent exercising a delegated management or investment function, if investing, shall invest the funds in a publicly traded security that is:

(1) registered with the Securities and Exchange Commission pursuant to 15 U.S.C. § 78l and listed on a national securities exchange;

(2) issued by an investment company registered pursuant to 15 U.S.C. § 80a-8;

(3) a corporate bond registered as an offering with the Securities and Exchange Commission pursuant to 15 U.S.C. § 78l and issued by an entity whose stock is a publicly traded security;

(4) a municipal security;

(5) a deposit in federally insured financial institutions as defined in 8 V.S.A. § 11101(32); or

(6) a security issued, insured, or guaranteed by the United States. (Amended 2003, No. 150 (Adj. Sess.), § 8; 2017, No. 123 (Adj. Sess.), § 1, eff. May 3, 2018.)

• **§ 2433. Bonds; actions:** The trustees shall give bonds to the satisfaction of the selectboard, conditioned for the faithful performance of their duties. In the name of the town they may prosecute and defend a suit or action for the recovery or protection of the estate entrusted to their care.

• **§ 2434. Report:** The trustees shall report to the annual town meeting the amount of the funds in their hands, the manner and condition of its investment, and the disposal of the income thereof. If any part of such fund is school money, such trustees shall make like report to the State Board of Education.*

*The Trustees have concluded that the Fund is not school money but instead an asset of the Town of Hinesburg and thus not subject to the requirement to report to the State Board of Education.