

INVESTMENT COMMITTEE MEETING

Town of Mount Desert

August 27, 2015

3:00 p.m.

Town Hall Conference Room

Those Present: Treasurer Kathi Mahar, Town Manager Durlin Lunt, Member John Brown, and Member Schofield Andrews 3rd. Selectman Dennis Shubert excused.

1. Call to Order at 3:00 p.m.

Town Manager Lunt called the meeting to order at 3: 00 p.m.

2. Election of Chairman. Vice-Chairman, Secretary

Election deferred pending the appointment of additional committee members. Currently there is one opening for a member off the Warrant Committee, and one citizen member.

3 .Review of Current Investment Policy

The committee had a discussion concerning whether some of the Town's investments fall under the Uniform Prudent Management of Institutional Funds Act (13 MRSA Sections 5101-5111). UPMIFA applies primarily to non-profit organizations but **may apply to a municipality** to the extent that **a municipality** holds funds exclusively for a charitable purpose meaning the relief of property, the advancement of education or religion, the promotion of health, the promotion of a governmental purpose, or any other purpose the achievement of which is beneficial to the community. **The committee felt that more clarification was needed particularly a definition of what is meant by a purpose beneficial to the community.** Information on MIPFA is attached as Appendix A. to these minutes.

The committee also felt that changes may be needed to the investment policy pending the Board of Selectmen's decision on investment services particularly as applied to passive vs active management of assets. Discussion as to whether a consultant might be useful to prepare a matrix of indices if the passive approach is selected.

4. Review of Investment Service Proposals

The Committee discussed the proposals from the Institutions selected to make presentations at the Selectmen's meeting on September 8, 2015. It was recommended that that the presenters address the following issues as identified on items a. b. and c. on Agenda item 5, Other Items

5. Other items

- a. Would the fee structure from the RFP change if a passive investment strategy was utilized? Would it change if the Investment Committee chose the portfolio allocation?
- b. What approach to selection of investments would they use if they determined the portfolio allocation?
- c. What type of involvement does the institution have in the community?

6. Questions and Comments- discussion of questions posed by Member Shubert who was unable to attend the meeting.

- 1. Our RFP process has demonstrated that the lowest market price to manage our investments is 12,000. What would paying more bring to the Town that tax payers would value? Presently we pay three times as much.**

The Committee felt that if the performance achieved is greater than the difference in the fee charged than the Town should be happy with the result

- 2. Our RFP process resulted in a proposal for banking services that would eliminate minimum balance, eliminate banking fees and pay us 1.25% on our account balance that averages over 5 mm for the year. However, the interest rate is locked for three years. Should we stay with a floating rate in the .25-.35% range in hopes that the Fed Fund rate will rapidly increase over the next three years or take the three year rate of 1.25%?**

The Committee would like to see an actual floating market rate as opposed to a fixed rate. A floating rate is likely to be greater over the life of the Banking Contract than the 1.25 fixed rate quoted or the .25-.35 floating rate range.

- 3. Is past investment performance a criterion for picking a manager? Should we just rely on a manager for asset allocation that follows our investment guidelines with the actual investments in very low fee index mutual funds and ETFs realizing that average/median is our expectation**

The Committee felt that passive approached saving significant basis points is as likely to protect purchasing power as active management approach. There was a discussion of who should make the decision on the investment allocation. Should it be the fund manager or the

Investment Committee? If it is to be the Committee than the Investment Policy needs to be revised. The Committee should review this allocation on at least an annual basis.

4. We prefer to choose a local company but the definition of local is difficult. Does the bank have to headquarter on the island? Have branches on the island? Be located in Maine?

The Committee felt that it needs to be determined whether any of these institutions support the community more than the others. Do they provide employment for our residents? What Services do they provide to customers? Do they make charitable contributions to community organizations? Do they support local schools through scholarships etc.?

5. Some banks have a reputation for superior customer service. The customer in the proposed relationship is the town not the taxpayer so should the taxpayer care that the bank offers good service to the town versus superior service?

The Committee felt that customer service to the Town staff is very important as it costs time and resources if the Town needs to chase down the institutions for information or if there are inaccurate transactions in need of correction.

7. Adjourn

The meeting adjourned at 4:25 P.m.