

Town of Brunswick, Maine

**Trust Fund Advisory Committee Meeting
Wednesday, March 5, 2025, at 8:00 AM
Room 206, Brunswick Town Hall, 85 Union Street**

Meeting Minutes (DRAFT)

Committee Members: DJ Shaughnessy, Keith Bisson, Josh Lincoln

Staff: Julia Henze, Town Manager, Branden Perreault, Finance Director, Derryn Plante, Deputy Finance Director

Guests: Jack Moore and Stephen Pawlak (Harpwell Capital)

1. Call to Order / Acknowledgement that meeting was properly noticed

Chair DJ Shaughnessy called the meeting to order. Branden Perreault acknowledged that the meeting was properly noticed.

2. Review minutes from

No adjustments were requested. The minutes were approved unanimously.

3. Review draft IPS with investment manager

Chair Shaughnessy reviewed his presentation to the Town Council on November 18, 2024, which addressed the Town's current investment policy and Environmental, Social, and Governance (ESG) investing. The Council expressed a desire to update the investment policy to reflect investing exclusively in ESG funds, to limit exposure to companies whose values do not align with those of the Town. Chair Shaughnessy recommended implementing this approach using low-cost, index-based products and active managers that incorporate ESG considerations into their investment processes. An updated draft IPS was distributed to the committee.

One adjustment to the draft IPS was discussed: eliminating references to a specific "ESG score," as different indexes use varying methodologies to calculate ESG metrics. This reference was replaced with language stating that the Town will avoid the lowest quintile or quartile of an index's ESG ranking, allowing flexibility in scoring methodologies while remaining aligned with the Town's values.

Jack Moore recommended broader language, such as requiring an annual review of how well the portfolio aligns with the Town's preferences. Chair Shaughnessy reiterated his preference for a discernible and quantifiable ESG process. Mr. Moore clarified that his intent was to prioritize ESG in a way that would not be influenced by shifting geopolitical or sociopolitical viewpoints, noting that ESG indexes vary widely

in scope and methodology. Chair Shaughnessy recommended removing the sentence, “All nongovernment stocks, bonds, ETFs, or mutual funds held in the Portfolio should be screened for high ESG scores,” while retaining the remainder of the paragraph.

Chair Shaughnessy then moved discussion to the “Investment Constraints” section of the IPS. It was recommended that the existing restriction limiting exposure to 25% within any given sector be removed and replaced with language stating that the portfolio will be diversified across market geographies and economic sectors. Chair Shaughnessy noted that certain sectors, such as technology, have grown to such a degree that a 25% cap is no longer practical.

Jack Moore inquired whether the policy limitation restricting investments in securities domiciled outside the U.S. to 25% of the portfolio should also be revisited. Chair Shaughnessy explained that international markets tend to outperform when the U.S. dollar is weak but recommended maintaining the existing limit to help manage currency risk. Additional allocation targets were discussed, with Chair Shaughnessy noting that they likely require updates and encouraging more frequent dialogue between the committee and Harpswell Capital regarding market shifts. He further recommended eliminating non-U.S.-domiciled bonds and combining fixed income and cash into a single allocation bucket with a target of 25%.

Jack Moore recommended using the S&P U.S. Aggregate Bond Index as the benchmark for fixed income investments. Chair Shaughnessy noted that this index is the most widely representative bond index, encompassing government, mortgage-backed, and asset-backed securities, and expressed support for the recommendation.

4. Review summary of trusts

Director Perreault presented the annual trust summary document, which lists each individual trust, its original corpus, and current market value. Director Perreault noted that there were no changes to the corpus or other notable changes during the prior year.

5. Review 1/31/25 account statement

Jack Moore presented performance figures for the Brunswick trust for one-year, three-year, and since-inception periods. Performance reflected an 11.74% increase over the past year, a 2.39% increase over the past three years, and a 7.71% increase since inception.

Chair Shaughnessy noted that the market has been highly concentrated, with the top ten stocks accounting for approximately 60% of returns. Josh Lincoln expressed concern about the associated risk and asked whether exposure to large-cap stocks could be reduced. Jack Moore explained that the top ten stocks currently comprise approximately 40% of the S&P 500, compared to less than half that level in 2000, and that today’s concentration is more sector specific. Mr. Moore stated that the diversification and monitoring standards outlined in the IPS are intended to mitigate

this risk. Chair Shaughnessy and Jack Moore discussed the potential use of alternative indexes to further diversify the portfolio.

Following the discussion, Jack Moore confirmed that he would research and provide additional benchmark options for committee consideration. Director Perreault requested a motion to approve the IPS changes discussed, with final benchmark selection forthcoming. Chair Shaughnessy moved for near-final approval of the revised IPS. The motion was unanimously approved.

6. Determine annual distribution for trusts

Chair Shaughnessy confirmed that the prior year's distribution rate was 4.5%. He stated that he would be comfortable recommending a distribution of either 4.5% or 5.0% for the current year, noting that the Town uses a conservative 20-quarter rolling average of market value. Keith Bisson expressed a preference for a 5.0% distribution to help offset uncertainty in federal funding for nonprofits. Josh Lincoln indicated a preference for a more conservative approach given current economic condition.

Chair Shaughnessy reiterated that the 20-quarter rolling average is a conservative methodology and noted that a 5.0% distribution remains approximately 20% below the actual average, adding that many organizations rely on shorter three-year trends.

Director Perreault noted that some trusts currently hold unspent distributions from prior years, which remain reflected in the funds' market values. To illustrate this, Director Perreault presented a spreadsheet detailing available and unexpended balances for each trust. The total unspent balance across all trusts was \$22,837.29.

Chair Shaughnessy moved to recommend a 5.0% distribution to the Town Council. The motion was unanimously approved.

Prior to adjournment, Director Perreault noted that the Town Council prefers to meet annually with committees to review their work and inquired whether March 17 would be an acceptable date for the committee to present to the Council. The date was unanimously approved.

7. Adjournment

The meeting was adjourned at 9:10am.