

Town of Bridgton Investment Committee

Minutes - October 12, 2018 9:00 AM

Present: Norm Nicholson (Chair), Stan Cohen, Skip Sullivan, Ted Gibbons, Tim Creem

Also Present: Lee Eastman (Selectman), Bob Peabody (Town Manager), Charisse Keach (Finance Officer) and, representing Norway Asset Management, Kurt Garascia and Mary Leavitt.

The Meeting was called to order at 9:05 AM. Kurt Garascia reviewed the three portfolios. As of September 30, the equity weightings were 65.6% (Town of Bridgton Trust Funds), 67.6% (Moose Pond Land Trust) and 67.8% (Park Forest Trust Fund). Norway Asset Management is comfortable with the current diversification. Performance for the June 30 Fiscal Year and the most recent quarter have trailed the "Benchmark Return". Kurt again indicated that their approach was to equal or better market returns over a full cycle, outperforming in declines and modestly underperforming in "up" markets. We have been in a Bull market since Norway assumed management responsibilities.

The Committee then turned to a discussion of the Composite Index or Benchmark utilized for comparison with the portfolio returns. The Index in the past has been calculated based on the period ending diversification. In other words if a portfolio was 70% in equities and 30% fixed income, the Index would be calculated on those percentages. Members of the Committee have suggested that, in the future, the Index be "static" based on the target percentages stated in the Investment Policy guidelines. In the case of these three portfolios that would be 60% equities and 40% fixed income. Kurt indicated this would be more in line with the practice of other institutional investors. After some discussion the Committee agreed to move to a "static" Benchmark. There was similar agreement on the make-up of the Benchmark. The Fixed Income component (40%) will be based on the Barclays Aggregate Index. The Equity component (60%) will be 90% S & P 500 (54% of total) and 10% International (6% of total) MSCI-EAFE.

The Committee then resumed discussion (first initiated in September 2016) on the longer term outlook for Fixed Income and Equities, and its implications for the withdrawal rate from the Moose Pond and Town of Bridgton Trust Funds, currently 4%. A Morgan Stanley Chart projecting 5-7 year returns was reviewed. This shows a return of slightly under 4% from a 60% equity, 40% Fixed Income portfolio over this period, pointing to inflation adjusted returns of around 2% if we were to assume inflation of 2%. There are many uncertainties in any such projections but it would seem doubtful that inflation adjusted returns over the next 5-7 years will be high enough to justify a 4% withdrawal rate while maintaining the purchasing power of the distributions.

After further discussion it was moved by Skip Sullivan "to recommend to the Board of Selectmen that the withdrawal rate from the Town of Bridgton Trust Funds and The Moose Pond Land Trust be reduced to 3% from the current 4%. The Motion was seconded by Tim Creem. The Committee vote in favor was unanimous at 5-0.

The next meeting of the Committee was scheduled for December 17 at 9:00 AM. There being no further business the meeting was adjourned at 10:45 AM.

Recorder: Norman Nicholson