

PETERBOROUGH HISTORICAL SOCIETY  
Annual General Meeting 2022

Agenda item #9: Change of Trust Fund Management

Background

In 1983 the Peterborough Historical Society (PHS) established a Fund “for the restoration, maintenance and operation” of Hutchison House. By a Deed signed on 27 January 1983 the PHS created a committee of trustees, named the Hutchison House Trust Fund, to hold and invest the monies received by the Fund and to pay the interest earned annually to the PHS for the support of Hutchison House. In 1998 the Trust Deed was amended, mainly to establish a second fund named the Maintenance Fund, both capital and income of which is expendable. The Trustees are authorized to manage and invest these funds as they judge best.

There are therefore currently two Trust Funds, both for the support of Hutchison House Museum. The Endowed Fund (renamed in the 1998 amendment), with only income expendable, was established by the Trust Deed of 1983 between the Board of Directors and its appointed Trustees. The Maintenance Fund, with both principal and income expendable, was established by an amendment to the Trust Deed of 1998.

In 2021 the Trustees of the PHS recommended to the Board of Directors that the Board enter into agreements with the Community Foundation of Greater Peterborough (CFGP) to transfer the PHS Trust Funds to the CFGP for their management. The Board of Directors approved the recommendation of the Trustees and has negotiated draft agreements with the CFGP.

Reasons for proposed revision of Trust management

After considering different options for managing the Trust Funds of the PHS, including the current arrangement under the Trust Deed of 1983 and its amendment of 1998, the Trustees and the Board of Directors determined that pooling the Trust Funds with the Community Foundation of Greater Peterborough is the strongly preferred option.

A review of the current system of managing the Trust Funds addressed some long-standing concerns: a) dependence upon interest bearing investments as envisaged by the original Trust Deed and its amendment has produced relatively meagre returns, b) investment returns of the Endowment Fund have allowed nothing for reinvestment, leading to long-term erosion of principal through inflation, c) the annual disbursements from the Endowment Fund for several years have failed to meet the minimum CRA requirement for charitable trusts of 3.5% of the Fund balance, d) investment options are poor for the Maintenance Fund, from which both principal and income must be available for expenditure, e) since 2001 there has been dramatic improvement in permitted, safe alternatives for professional management of small endowments and f) the CFGP and its investment agents will provide complete, detailed records and reports to the PHS.

A further, major consideration is the burden imposed upon volunteer Trustees to make consequential investment decisions regarding donated funds. For forty years successive Trustees have been reluctant, understandably, to stray from the safest, interest-bearing investments, notably Guaranteed Investment

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Certificates. The advent since 2001 of pooled, professionally managed endowment funds, like the CFGP, provides access to investment diversity, stronger performance and provision for reinvestment for protection against inflation.

The Change in Trust Fund Management

There will be two CFGP funds.

1. The Hutchison House Trust Fund (HHTF) will replace the existing Endowment Fund. The objective of this Fund is performance that will pay an annual percentage of the value of the Fund equal to or greater than the minimum required by the CRA and will preserve the fund's capital, with some earnings reinvested to grow the fund when possible.
2. The Hutchison House Maintenance Fund (HHMF) will replace the existing Maintenance Fund. The entire fund remains expendable. A portion will be held readily accessible as a reserve for major, planned capital maintenance and for emergencies. The remainder will be invested in a fund that will earn the same percentage return as the pooled CFGP Fund, and will make scheduled, annual payments of combined principal and income in an amount determined by the PHS over a minimum of ten years. The objective is to avoid depletion of the HHMF through fundraising and by directing donations to the HHMF, as at present.

Both the HHTF and HHMF can be created immediately. Because the bulk of the HHTF is invested in Guaranteed Investment Certificates of varying maturities over the next four years, the transfer of these funds will take place as they mature. The Trustees will continue to oversee these investments and will initiate the transfers to the HHTF at maturity.

Motion: That the decision of the Trustees and Board of Directors of the PHS be endorsed, to transfer the assets of the Endowment Fund and of the Maintenance Fund to the Community Foundation of Greater Peterborough (CFGP) and to enter into agreements with the CFGP for the CFGP to create and manage on behalf of the PHS two Funds as proposed, that is: the Hutchison House Trust Fund from the assets of the Endowment Fund, and the Hutchison House Maintenance Fund from the assets of the Maintenance Fund.