

2019 USMS Convention — St. Louis, Missouri

Committee Name:	Investment Committee	Session #:	1
Committee Chair:	Stan Benson	Vice Chair	Guy Davis
Minutes recorded by:	Guy Davis	Date/time of meeting:	09/11/19 02:30 PM

Actions Requiring Approval by the HOD:

None

Motions Passed:

1. That the IC recommend to the BOD that the IPS be amended as follows. In section IV. Investment Management Structure/Investment Committee the second paragraph beginning “The Committee will consist of five USMS members...” be revised to “The Committee will consist of five to seven USMS members...”. In Section V. Asset Allocation a housekeeping edit in the first paragraph to replace “medium” with “median”.
2. That approximately \$122k be realized from the USMS investment fund's equity holdings, the realizations being pro-rated across the fund equity holdings by current value, for transfer to USMS for operational cash needs.

Number of committee members present: 8	Absent:	Number of other delegates present: 1
Committee members present (list all, including chair and vice chair): Stan Benson, Guy Davis, Ralph Davis (Ex-officio), Jay Definis, Phil Dodson, Susan Kuhlman (Ex-officio), Homer Lane, Bill Sherman		
Not present:		
Guests: David Johannsen		

Minutes

The meeting was called to order at 2:30pm CST.

1. The meeting began with a collective review of the USMS Investment Policy Statement (“IPS” or more fully the *Statement of Investment Objectives, Goals and Policy Guidelines for the Investment Assets of the USMS*). The committee noted the most recent change made in 2016 which slightly expanded the asset allocation to include providing for a limited allocation to high yield bond funds and concluded that the revised policy remained suitable for USMS objectives. No other changes to investment policy are recommended at this time. The Committee noted that the IPS provides for 5 members of the IC. The committee collectively felt that it has been operating effectively and efficiently with its current roster of 6 members, each with professional expertise and experience in investment management, and that it was appropriate to keep the committee small, the IPS should also allow some flexibility in size, and that the policy wording should be amended such that the committee maintain a roster of 5-7 suitably qualified members. The review noted the need for a minor housekeeping change to the language of Section V. Asset Allocation. Phil proposed a motion, seconded by Bill, that the Committee recommend to the BOD that these changes be made to the IPS, which motion was carried unanimously.
2. Jay noted that the IC's policy is to periodically review, at least every three years, the relationship with the current Investment Advisor (“IA”) and consider whether any changes should be made. The committee generally felt that it was continually reviewing the IA's performance but agreed with Jay's suggestion that a record of this review be minuted periodically, perhaps annually at the meeting during the AGM. The committee discussed all the key elements of the review, including investment advice provided, investment performance, fee levels and customer service, concurring that Northern Trust (“NT”) had performed well and continues to perform well for USMS on all these measures, and thus that there was no reason to consider alternatives at this time.
3. Ralph noted the upcoming cash needs of USMS and asked the IC committee to approve the realization of approximately \$122k of investments in the USMS portfolio to be transferred to USMS to meet these needs. For longer term consideration, he also discussed the potential of arranging a revolving credit line

for USMS that could be used as an alternative source of funds to meet short term operational cash flow shortfalls of USMS that were projected to reverse quickly and thus would not necessarily require a longer term transfer from the investment funds.. The incoming Treasurer will investigate the potential for this with NT or other providers. Noting the historically high valuation levels of the investment fund's equity holdings, and that the overall equity allocations in the fund is currently at the higher end of the target asset allocations, he suggested that the funds are taken pro-ratedly from the equity holdings, which would have the effect of some rebalancing of the fund's holdings to the central target asset allocation ranges. Ralph proposed a motion to this effect, seconded by Phil, which motion was carried unanimously.

4. The IC discussed a number of other general issues and also briefly reviewed the history of the investment management of the fund and its asset allocation over time. There was a general philosophical consensus of the benefits of maintaining the disciplined approach to the long term investment strategy that is not overly sensitive to short term market movements and changes in sentiment, while at the same time prudently providing and planning that the cash needs of USMS would be met without compromising the long term investment strategy.
5. A number of questions coming from the discussion were prepared and sent by Susan to Jim Gregory our NT investment advisor for discussion at meeting 2, Sept 12, 2019
6. The IC noted that its members were again all donor supporters of SSL in 2019.

The next meeting will be Thursday 9/12/19 at 11:30 AM CST.

The meeting was adjourned at 4:00 PM CST.