

Asset Management Committee Meeting Minutes

8:30 A.M., January 18, 2017

Selby Room, CIT, SCF Lakewood Ranch

Present: Brian Watterson, Mike Fuller, Cassandra Holmes, Raul Elizalde, Jennifer Michell, Tim Videnka and Cathy Kuhlman, by phone Glenn Harris & Astrid Rau

Absent: Paul Tarantino

Guest: Steve Prouty

- I. Mike Fuller called the meeting to order at 8:43 a.m.
- II. Adjustments to the Agenda: SEI Report with Glenn Harris first
- III. Old Business
 - a. **MOTION:** Meeting Minutes 10-19-16
 - i. **Jennifer Michell made a motion to approve the 10-19-16 minutes, Tim Videnka seconded the motion and the motion carried.**
 - b. Investment Policy Review: may want to revisit Asset Allocation
- IV. New Business
 - a. Steve Prouty, SCF Legal Counsel
 - i. Mike Fuller welcomed Steve Prouty, Legal Counsel and noted we want to make sure we are doing our best to meet the spirit of what was intended when the Bon Secours money was given to us. Also, we want to address the legal part of it.
 - ii. Steve noted it was a different time, when Bon Secours was leaving Venice. Dr. Jim Woods and Jack Harner had a close connection with the hospital and were instrumental in getting the gift to the college.
 - iii. Steve noted the document was not written clearly at time, but does believe all income described in the document was to be included. Mike Fuller agreed that matching money needed to stay with the fund.
 - iv. The main issue now is we are not able to take fees off this fund as it was only one time at the beginning that we could take fees.
 - v. Steve suggested we track down the successors of the agreement (Dr. Woods may know them) and have a reasonable discussion. He said we can change the terms of the agreement as trust document allows for that. We would need to hire an attorney and go to court. Steve said it would

not be adversarial issue so should not be as expensive. We are not changing the intent just the fees and it is to benefit the college now, not Bon Secours. Steve noted Article 6 last sentence in which all events calls for us to complete due diligence. He noted there are no definitions in the document.

- vi. Cassandra noted she had met with Wayne Hall and he explained there was euphoria for the size of the gift and no changes were requested at the time. Cassandra noted sisters are deceased that were involved.
 - vii. Mike Fuller's possible objection would be the expense of making the change would wash out the amount we would receive. He would like to see informal telephone calls, but hiring an attorney and going through the courts may be too expensive.
 - viii. The second part of the issue is that the money wasn't being taken out of that restricted account, but our general fund. We have corrected that and taking it out of Bon Secours now with the exception of last year. We reimbursed the general fund from Bon Secours account.
 - ix. It was noted that SEI has been using different screening which is approved by the catholic charities and is more current and may be earning more money.
 - x. Raul mentioned when Peg Lowery was here, it was considered opening a can of worms, but Steve did not agree as it is just the fees not the overall intent.
 - xi. Asset allocation is an issue; there is no reference to our policy of 50/50 that was imposed by this committee years ago.
 - xii. Mike thinks we should revisit the whole allocation to allow more variance which would have to be approve by BOD.
 - xiii. **Cassandra will get back to SEI and their recommendations.**
 - xiv. Raul is not sure we need to change the Investment Policy. Mike thinks the 60% allocation needs to be changed. Steve noted it is not reflected in the Bon Secours agreement (50/50 or 60/40 within the +- 10%). Tim noted 60/40 was a neutral percentage.
 - xv. **Jennifer thinks we should table the discussion until we speak with Jim Woods.**
- b. SEI Presentation (*Glenn Harris & Astrid Rau*)
- i. Glenn reported a great quarter to kick off 2017
 - ii. He invited our committee to the 2017 SEI Nonprofit Client Symposium: June 12-14, 2017 in Pennsylvania
 - iii. Business update is on page 4
 - iv. Endowed assets of \$46,495,309 and return of 1.8% for 4th quarter

- v. Fixed income pool \$1,073,603
- vi. Equities were strong and led by US and strong rebound in commodities for the year.
- vii. Market outlook: expect equities to do well
- viii. Tech center may be lower as many employees are overseas and depending on what president does. Emerging market slid when trump was elected.
- ix. Page 10 summarizes the outlook
- x. Page 13 is asset allocation as of 12-31-16
- xi. Page 14 is the portfolio summary
- xii. Page 15 returns which outpaced SEI index
 - 1. The correct number is 9.46, not 0.46 per Astrid
- xiii. Page 16 US vs non US Funds
 - 1. Raul questioned the emerging markets equity fund; Glenn explained our funds were transitioned out of regular fund on Feb 29, 2016 and put into one with frontier exposure, so cannot link the return full year, so 10 month return. He noted we may have been better served staying in the original fund.
 - 2. Relative value brought down the funds for the year; expected to do better in 2017.
- xiv. Pages 21 to 23 is our peer group comparison; we outpaced the others both quarterly and annually. We left the Callan Company and entered a new contract with MSCI which will provide a more robust platform and analytics that we can use with our clients. It was noted Callan numbers are all gross numbers.
- xv. Mike wanted to make sure we were at the right strategy and equity and fixed income mix as we move forward.
- xvi. Glen noted page 26 non endowed; still very conservative and do not recommend any changes at this time.
 - 1. Astrid noted we need to move some money into this fund to plan for spring. **Cassandra will provide for the next month and get back to Astrid**
- xvii. Page 28, 60% equity; 40% fixed; changed last year. Many had a tough year. Should we consider a more diversified approach?
- xviii. Page 30 is list of individual managers
- xix. Raul large 40% component and may want to take a closer look at this part; have just one manager, more like house view of fixed income particularly if interest rates are going up. Glenn agreed and noted we have discretion on the portfolio and will make changes to better diversify. It was noted that T Bills support military.
- xx. Mike thanked them for their time.

- c. News from SCF/SCFF “Front Lines” (Mike Fuller and Cassandra Holmes)
 - i. Good news from last night, the SCF Board of Trustees granted a \$470,000 match for BP Oil Settlement. Cassandra noted now \$940,000 will go towards raising money for the three buildings—Studio for Performing Arts, Health & Human Performance Center and Library & Learning Center. She noted it was excellent collaboration of both boards.
 - ii. She explained we received the BP claim money because we were able to show significant revenue decline because of the oil spill. The amount was \$627,000 before fees. We could have dragged it out and possibly pressed for more money, but would have been a gamble and we may not have received anything, plus the cost of the fees for legal and financial representation would have been quite large. An Emergency Board of Directors Meeting was called to discuss this on November 14, 2016. A motion was made, seconded and approved to accept the claim as presented. Check should be received on or about January 15, 2017.

V. Future Meetings:

- a. **Asset: 4-27-17; 6-28-17, LWR**
- b. **Avenues to the FUTURE – February 25, 2017--\$150 ticket**
- c. **Evening Under the Stars – April 1, 2017**
- d. **Next BOD Meeting: January 25, 2017 3:30 p.m. LWR**

VI: Adjournment 10:38 AM

Asset Management Committee Meeting AGENDA

8:30 A.M., January 18, 2017

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- I. Call to Order
- II. Adjustments to the Agenda
- III. Old Business
 - a. **MOTION:** Meeting Minutes 10-19-16
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 - a. Steve Prouty, SCF Legal Counsel
 - b. SEI Presentation (*Glenn Harris & Astrid Rau*)
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- VI: Adjournment

Asset Management Committee Meeting AGENDA
8:30 A.M., Wednesday, October 19, 2016
Selby Room, CIT, SCF Lakewood Ranch

Present: Cassandra Holmes, Brian Watterson, Mike Fuller, Jennifer Michell, Raul Elizalde, Glenn Harris, Tim Videnka, Cathy Kuhlman, Paul Tarantino

- I. Mike Fuller called the meeting to order at 8:40 a.m.
- II. Adjustments to the Agenda—Discuss Bon Secours Discussion
 - a. Raul Elizalde reviewed the Venice Bon Secours document (see attached document). He feels all matching money should go into the fund and the foundation should invest the funds in ethical standards. He noted article 4 management fees—says one time only fee for management which has already happened.
 - b. The Committee agrees matching money was to be part of it and no restrictions on asset allocation other than socially responsibility. As Catholic Diocese changes over time we still must live by intent of donor. Mike Fuller noted the one-time fee is not reasonable as money cannot be management that way over time. The Foundation has to pay for management of the assets.
 - c. Cassandra noted if this is true we may need to discuss the Marie Vail bequest.
 - d. **It was decided we would have Steve Prouty, SCF General Counsel review the document and report at our next Asset Committee Meeting on January 18, 2017.** It was noted that Steve may have been on the Board at the time as well. Mike noted this also enhances due diligence of this committee.
- III. Old business
 - a. **Approval of August 24, 2016 minutes: Brian Watterson made a motion to accept the minutes, Cathy Kuhlman seconded the motion and the motion carried.**
 - b. More Bon Secours discussion
 - i. Glenn reported he did not feel we had been financially penalized because of using socially responsible funds as on average over 10 years it increased over 20 basis points net. He believes it has had minimal impact over the short time as well. Neither does he see any significant drag over the long haul and believes we should stay true to the mission.
 - ii. Interest rates over last few years have been low so if they do rise, a larger proportion of Venice funds might detract from the portfolio, but the lowest we can go for Venice pool is 35. Cassandra asked if 10 years ago the committee input, would have affected this fund; Glenn will track, but thought it was minimal if any.
 - iii. Target goal was 60/40 which is a fair mix and have tried to keep at 50. Glenn noted it protects committee down the

road if we have flexibility.

- iv. Mike agreed we are doing the correct thing.
- v. **Next meeting we will review investment policy and have Steve Prouty review the legal aspects of the Bon Secours document.**

IV. Glenn SEI Report

- a. Page 2 & 3 summarize info papers videos, coming events of interest; strategic asset allocation video may be of interest by Ryan Schneck, Director of Client Portfolio Strategies.
- b. Page 4 is the new website information; Glenn noted he can add a link for committee access. Please email Glenn to arrange individual logons.
- c. Fiscal year ended on September 30, 2016. Cassandra noted the BOD accomplished their goal of \$1.9 million and the goal this year is \$2 million which includes all our fundraising events, scholarships, etc.
- d. Page 5 is Executive Summary
- e. Past year very interesting up 4.7% quarter return; Venice is 4.9% endowed 7 ¼. Emergency markets and international had very good run. Equities 5.4% increase for the quarter. Our fiscal year may be higher as this is from June 30. Hedge fund had positive return of 4.5%; private real estate bet 1.75 and 2.5, which should give us a higher return at end of year.
- f. Page 7 shows risks environment—all generating strong returns except commodities.
- g. Page 8 markets responded favorably because of Brexit vote so people purchased value stocks expecting higher returns later. Value has finally outpaced volatility.
- h. Expect interest rates to continue low at 2 or 2 ¼. Glenn noted if fed raises rates there could be a recession.
- i. Page 9 reviews the Central Bank Policy.
- j. Page 8 review high confidence in holding equities as SEI does not believe there will be recession. Gradual level of growth of next few years is expected. Expect in the future more managers exceed their benchmarks page 11. Significant exposure to about 50/50, large, mid and small cap; half active, half passive.
- k. Defensive stocks global select equity stocks are now available for United States and have been in Europe for a while.
- l. Agenda items for next meeting include emerging markets with global prospective.
- m. Page 15 summarizes assets; Glenn noted fixed income has been aggressive;
- n. Fees will come down dramatically in 2018 because of distribution of capitol.
- o. Glenn noted a very strong performance with diversification adding value.

- p. Back assumptions and fees will be updated once we have the information.
 - q. SEI does not make investment assumptions around the election.
 - r. Mike thanked Glenn for his presentation.
- V. Front line news from Cassandra Holmes
- a. Cassandra reported on a very successful October 3 New Library groundbreaking with many BOD Members, BOT, builder, architect and several community members in attendance. She noted it will be a very high-tech building with only 25% books. It is scheduled to open January 2018. Currently, the foundation has raised 40% of the \$1 million for the interior items.
 - b. Avenues to the Future will be a different event this year and will include participation by Siesta Key Rum Distillery, Disney tickets, staycations, and restaurants. It will also include more college departments, not just art department and will end with a fireworks display and all will be in conjunction with our 60th anniversary celebration.
 - c. Evening Under the Stars is April 1, 2017.
 - d. Cassandra thanked everyone for their time and support of our events as well as their feedback.

Mike Fuller adjourned the meeting at 10:29 a.m.

Asset: 1/18/17; 4/27/17; 6/28/17

Audit: 1/4/17 & 1/11/17

Finance: 1/5/17; 3/1/17; 6/7/17

BOD Meetings/Retreats: 11/30/16; 12/6/16; 1/25/17; 3/30/17; 5/17/17; 9/14/17

Respectfully submitted by
Brenda Boynton

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