

Committee Name:	Investment Committee	Session #:	Report #:	1 of 1
Committee Chair:	Dave Burgio	Vice Chair:	Elyce Dilworth	
Minutes recorded by:	Dave Burgio	Date/time of meeting:	Tuesday, July 16, 2013 @7:30p & 8:30p EST	

Motions Passed:

1. To approve the minutes of the previous meeting on April 23, 2013
2. To approve a Spending Rate withdrawal recommendation of 4% (\$66,500) for the 2014 USMS Budget based on the average of USMS Portfolio values on June 30, 2011, June 30, 2012 and June 30, 2013.
3. To approve recommendations to the INVESTMENTS AND RESERVES (section VIII) of FOG to the Finance Committee.

Number of committee members present: 5	Absent: 0	Number of other delegates present:
Committee members present (list all, including chair and vice chair): Dave Burgio, Elyce Dilworth, Stan Benson, Homer Lane and Bill Sherman along with Ralph Davis and Susan Kuhlman. Jim Walker, USMS Portfolio Manager with Northern Trust joined at 8:30p EST.		

Minutes

The meeting was called to order at 7:35pm by Dave Burgio.

1. The minutes of the meeting on April 23, 2013 were approved as distributed.
2. The Spending Rate withdrawal recommendation was dialogued by the Committee in accordance with the approved USMS Spending Policy. Taken into careful consideration were the USMS Portfolio values on June 30, 2011, 2012 and 2013, the maximum spending rate authorized per the Policy, portfolio growth since initiation of the Investment Program along with views of the recent Investment and Economic climate. A withdrawal of 4%, \$66,500, (rounded) was approved by the Committee for recommendation in the 2014 USMS Budget.
3. The Committee discussed the Portfolio value on June 30, 2013 at \$1,889,192 referenced to the beginning 2013 Portfolio value of \$1,817,432 – a return of 4% year-to-date for 2013, and 11.1% since the beginning of the USMS Investment Program. The Committee reviewed the Performance Reports provided by Northern Trust, which included Asset Class Performance, specific Fund performance, and the Morningstar-Lipper Report. It was observed by the Committee that all Equity Funds, with the exception of Emerging Markets, were in the top performing half of comparable Fund rankings for the immediate past three years – the exact timeframe of the USMS Investment Program. The Emerging Markets Fund, which outperformed its comparable index, was in the 61st percentile. The Bond Index Fund was in the 82nd percentile, due to its holding US Treasuries.
4. The Committee reviewed the INVESTMENTS AND RESERVES section of FOG and the changes that were proposed. After considerable discussion of the rationale for the changes it was agreed to approve and refer this document to the Finance Committee for their discussion and inclusion into FOG.
5. The Committee then reviewed the upcoming Meetings scheduled for the 2013 Convention, with each meeting to have call-in phone capability. It was noted that one member would be unable to attend. Convention Meeting Agenda with specific items were discussed, with the reference that Agendas for the two Meetings would be mailed to the Committee prior to the Convention.
6. A letter from Northern Trust was then noted to the Committee, referencing a reduction of the USMS Management Fee discount, and an overall Fee increase effective July 1, 2013. It was pointed out that the Account Management Service Fee will change from 38 basis points to 49 basis points. The Committee noted that the Management Fee was still very reasonable compared to previous research, but asked that the Chair and Susan Kuhlman meet with our Account Manager to further discuss the possibility of a multiple year fee 'lock' as well as to review the current discount. The new total annual Management Fee is anticipated to be approximately \$5700, an increase of \$2120

At 8:30pm Jim Walker, USMS Portfolio Manager, joined the meeting:

1. Jim covered the Portfolio Performance through June 30, 2013, and discussed the specific performance of each Asset Class and referenced each Fund.

2. During the Performance discussion Jim spent extra time, as requested by the Committee, in discussing the underperformance of Emerging Market Equities compared to US Equities, along with the issues currently being experienced by the Bond Market. He referenced that Emerging Market Fund performance should be viewed over a very long term basis, and that the recent rise in Interest Rates has temporarily mitigated Bond Fund performance. He noted that these Asset Classes were still recommended holdings and were very sound long term strategies.
3. Jim's presentation was concluded with Committee questions, and discussion of Northern Trust's views of the US and Foreign Economies. During this discussion Jim forecasted a 2014 USMS Portfolio performance return of 5%.
4. Lastly, it was mentioned to Jim the Investment Committee Convention Meeting date and time so he could schedule it now on his calendar.

The meeting was adjourned at 9:10pm.
