

Committee Name:	Investment Committee	Session#	
		Jan,2020	
Committee Chair:	Stan Benson	Vice Chair	Ralph Davis
Minutes recorded by:		Date/time of meeting:	28/01/2020, 7:00 PM EST

Motions Passed: 1. That \$70k of the USMS holding in the Flexshares TIPS Index Fund (TDTF) be exchanged for an additional holding of the same value in the Bond Index Fund (NOBOX). Proposed by Ralph, seconded by Phil, passed unanimously. 2. That the IC recommends that the SSL Committee consider investing excess funds currently held in their savings account into the SSL investment portfolio until it is needed for program expenses. Proposed by Phil, seconded by Ralph, passed unanimously.

Number of committee members present: 8	Absent: 1	Number of other Delegates present: 0
Committee members present (list all, including chair and vice chair): Stan Benson, Ralph Davis, Susan Kuhlman (Ex-officio), Teddy Decker (late with apologies), Phil Dodson, Bill Sherman, Homer Lane, Guy Davis		
Not present: Kevin Kneafsey		
Guests: Jim Gregory, Northern Trust Investment Manager		

Minutes

The meeting was called to order at approximately 7:05pm EST.

1. The discussion began with a presentation of our portfolio performance and investment outlook by Jim Gregory our Northern Trust (NT) investment manager.
2. **Stock Market and portfolio investment performance overview.** 2019 was a year of very strong returns across all asset classes, with US large cap equities returning over 30%. Other equity market sector returns exceeded 20% with the exception of emerging markets which returned a little less than 20%. Global infrastructure and high yield returned around 15% and fixed income returned a little less than 10%. Cash naturally lagged at less than 2% return, but with the small cash holdings in the portfolio, this had limited impact on overall returns. The balanced “60/40” USMS and SSL portfolios both benefited from the strong market performance, returning 19.0% and 17.3% respectively in 2019.
3. **Outlook.** January began well, but the recent emergence of the Coronavirus problem roiled the market in recent days, introducing significant daily volatility and driving down Treasury yields. NT believes that it is too early to make any investment adjustments based on the Coronavirus. Historically similar issues (eg SARS) have worked themselves out over time with little overall long-term investment impact. Jim noted that based on other factors, including the strength of the US consumer, solid corporate earnings outlooks, continuing low inflation and likely Fed easing in the 25-50bp range (“stuckflation”) the investment outlook remains constructive despite some negatives such as weakening US manufacturing and slow growth in other major economies such as Germany. Overall NT recommends a moderate “risk on” portfolio positioning, currently expecting equity market returns in the mid-single digits for 2020. The USMS and SSL portfolios are generally in line with these recommendations.
4. **USMS portfolio performance.** The effects of recent market performance are that the **USMS portfolio experienced a strong return of +19.0% in 2019.** At 2019 year end the **USMS portfolio was valued at \$3.429m**, after an investment increase of \$577k from its value at the beginning of 2019 less funds withdrawn of \$187k. This portfolio has had a net annualized return of nearly 7% since inception in 2011. Similarly, **the SSL portfolio** (which follows a similar investment strategy to the USMS portfolio but currently with a slightly lower equity allocation and higher fixed income allocation) **experienced an overall strong return 17.3% in 2019.** At 2019 year end the **SSL portfolio was valued at \$237.8k**, an increase of \$36k from its value at the beginning of 2019 net of fees. This portfolio has had a net annualized return of over 7% since inception in 2015.
5. Jim Gregory suggested one minor adjustment to the investments in the USMS portfolio. He noted that the fund's holding in TIPS at 3% is two points higher than NT's current recommendations, given the continuing low inflation outlook. He suggested that we consider reallocating 2% (approx. \$70k) from this to investment grade bonds which offer a slightly higher prospective return, while keeping the funds in risk control assets. **After discussion, Ralph proposed a motion, seconded by Phil, that \$70k of the USMS holding in the Flexshares TIPS Index Fund (TDTF) be exchanged for an additional holding of the same value in the Bond Index Fund (NOBOX). The motion was passed unanimously by the Committee.** Teddy and Susan were asked to email Jim with an approved trade order to effect this change.
6. The Committee raised a number of other general issues for discussion with Jim. Jim had mentioned that climate risk is an increasing preoccupation for many investors and Ralph asked Jim what the NT view of Blackrock's decision to begin disinvesting from companies that contribute to climate change. (Note: Blackrock is the world's largest investment manager) Jim noted that generally there has been and will continue to be increasing emphasis on “ESG” investing (ie investing with consideration of environmental, social and governance factors). The committee agreed that at this stage there was no need to change its policies in this respect.

7. Jim Gregory was thanked for his presentation and left the meeting.
8. **Discussion.** The committee discussed the presentation, outlook and recommendations. The committee discussed and passed the motion described in 5. above. Phil raised the question of SSL's management strategy for its cash balances which are held for the longer-term pending use in SSL programs (currently the SSL savings account balance is about \$186k). He noted that some of these funds are expected to be held for a significant period (in excess of a year) and that they might earn higher returns if placed in the investment account (when the investment outlook remains favorable) until required for program costs. He also noted that the IC Chair is now a member of the SSL committee and suggested that Stan could raise this question and offer any IC assistance that SSL might like. **Phil proposed a friendly motion of the IC, seconded by Ralph, suggesting that SSL consider investing excess funds currently held in the SSL savings account into the SSL investment account pending their need for program costs, which passed unanimously.**
9. The date of the next meeting was agreed as April 28th at 7:00 pm EST.

The meeting was adjourned at 8:25EST.