

**USMA Class of 1958
Perpetual Endowment Fund Board Minutes**

*November 13, 2018
8606 Cross View, Fairfax Station, Virginia 22039*

Board Members:

- P - Founder Member - George Lawton, Chairman, USMA 1958
- P - Founder Member - John Nun, USMA 1958 (Out-going)
- T - Founder Member - Alan Chase, USMA 1958
- T - Founder Member – Frank Harlem, USMA 1958
- P - Founder Member – Tony Bauer, USMA 1958 (In-coming)
- P - Descendent Member - Russell ‘Russ’ Robertson, Treasurer, USMA 1982
- T - Descendent Member – Daniel Peck, Descendent Graduate List Manager, USMA 1983
- T - Descendent Member - Valerie Coffey, Secretary, USMA 1985
- T - Designated Member - Elena Ivanova, Recent Graduate Serving at West Point, USMA 1999
- A - Designated Member – Simone Askew, USMA 2018
- A - Designated Member Emeritus - Jason Crabtree, USMA 2008
- T - Designated Member Emeritus - William ‘Pat’ Connelly, USMA 1998

[P= Present; T= Participated via telecon; A = Absent]

Chairman, George Lawton, called the meeting to order at approximately 1800 hours, and verified the board had a quorum (>2/3) of voting members to conduct business.

SUBJECT #1: Minutes of December 5, 2017 Meeting

DISCUSSION: The board unanimously approved the minutes for the meeting held on December 5, 2017.

SUBJECT #2: New Board Members

DISCUSSION: Frank Harlem replaced Edward J. “Jack” Downing as a Founder Member on the board in May 2018, and Simone Askew, formerly First Captain of USCC took Jason Crabtree’s place on the board as the Designated Member filling the position of the First Captain or other high-ranking cadet officer from the latest USMA graduate Class ending in “8”. Jason has become a Designated Member Emeritus.

SUBJECT #3: Treasurer's Report

DISCUSSION: Russ Robertson provided the Treasurer's report (See Appendix A for the full report). Russ made the motion that Frank Harlem replace John Nun as a Secondary Account Holder for Fidelity. Russ noted this is just formality in that Fidelity allows one primary account holder (the Treasurer) and three Secondary Account Holders (currently, George Lawton, John Nun and Daniel Peck). A subsequent vote by the board approved this motion.

CURRENT HOLDINGS/ASSET ALLOCATION (AS OF 12 Nov 2018)

US Equity	\$493,215	40%
Total Market Index	\$509,408	41%
International Equity	<u>\$227,634</u>	19%
TOTAL BALANCE:	\$1,230,258	

CONTRIBUTIONS SINCE INCEPTION

Gross Lifetime Amount Contributed:	\$525,065
Amount Granted to Class of '58 Fund:	\$ 75,850
Net Lifetime Amount Contributed:	<u>\$449,215</u>
TOTAL GAINS FROM EARNINGS:	\$781,043

George Lawton stated that he recently sent a message to the Class of '58 pointing out for their consideration the tax advantages of making a contribution to the PEF of the funds they are required to take from their IRAs each year.

SUBJECT #4: Investment Discussion

DISCUSSION: Frank Harlem and Russ Robertson provided their experienced opinions about various Fidelity investment funds available to the PEF for investment. For ease of management, Russ recommends the PEF funds should only invest in 3-4 funds. Currently the PEF holds the following:

- 40% US Equity Pool (an actively managed based on the Fidelity Stock Selector All-Cap Fund)
- 40% Total Market Index Fund (a passively managed index fund representing most publicly traded US stocks)
- 20% International Index (passively managed MSCI EAFE Index: Morgan Stanley Capital International, Europe, Australasia and the Far East) invested in foreign developed markets.

Frank recommends the PEF invest funds as follows:

- 80% Total Market Index Fund
- 10% International Index Fund
- 10% Sustainable International Index (passively managed fund which includes both developed and emerging markets)

After much discussion, there were two motions:

- Take the existing international index funds, which is 20% of the PEF portfolio, and split it into two components: 10% remains in the existing fund, and put other 10% into the International Sustainability Index (FNIDX). This fund attempts to match the MSCI ACWI EX USA ESG Leaders Index, which stands for Morgan Stanley All Cap World Index ex-USA, Environmental, Social, and Governance Leaders Index. It incorporates emerging markets, which historically has high growth potential. The board unanimously approved the motion.
- Combine the total US funds currently split into 40% in the US Equity Fund, which is actively managed, and 40% in the Total Market Index Fund, which is a passively managed fund, and combine them into one passively managed fund (the Total Market Index Fund). The board did not approve the motion (6 nay; 2 yay).

SUBJECT #5: MOU on Disposition of Class Funds

DISCUSSION: We now have a signed agreement between USMA '58 and the AOG for disposition of the Class of '58 operating funds currently administered by the AOG. When the class Executive Committee (EXCOM) ceases to exist, the remaining class funds in this account will revert to the control of the PEF board to be used for any future administrative expenses of the board. It is anticipated that there will be significant expenses associated with inviting descendants of the Class to the 100th anniversary celebration at West Point of our graduation and to the distribution of funds to the AOG for the benefit of USMA in accordance with the PEF By-Laws.

SUBJECT #6: Formation of Three Committees

DISCUSSION: George Lawton requested the formation of three committees, as described below, and requested the committees prepare a report for the next meeting.

- Financial (Robertson and Harlem) – a standing committee to bring financial interest items for discussion to the board.
- Publicity (Peck & Chase) – a short term committee to review and propose actions we can take to make our USMA '58 descendants more aware of the PEF and its goals, to revise the information we collect on these descendants, and to

change the method we use to reach out to potential candidates to fill position on the PEF board.

- By-Laws Revision (Coffey & Lawton) – a short term committee to update the PEF by laws.

SUBJECT #7: Investiture of New Board Members

DISCUSSION: The Class of '58 voted and approved Tony Bauer to replace John Nun as a Founder Member on the board, and Valerie Coffey for a second term as Secretary

The minutes, Treasurer's Report, By Laws, and other PEF documents are available on the '58 website, maintained by Pete Trainor at www.west-point.org/class/usma1958

The board adjourned at approximately 1930 hours since there was no additional business to discuss. The next meeting is tentatively planned for November 2019.

Perpetual Endowment Fund Board:

/signed/
George Lawton
Chairman
USMA Class of 1958

/signed/
Valerie G. Coffey
Secretary
USMA Class of 1985

Appendix A
STATUS REPORT
AS OF 12 November 2018
FIDELITY INVESTMENT CHARITABLE GIFT FUND
USMA CLASS OF 1958 PERPETUAL ENDOWMENT

1. CURRENT HOLDINGS/ASSET ALLOCATION (AS OF 12 Nov 2018)

US Equity	\$493,215	40%
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TOTAL BALANCE:	\$1,230,258	

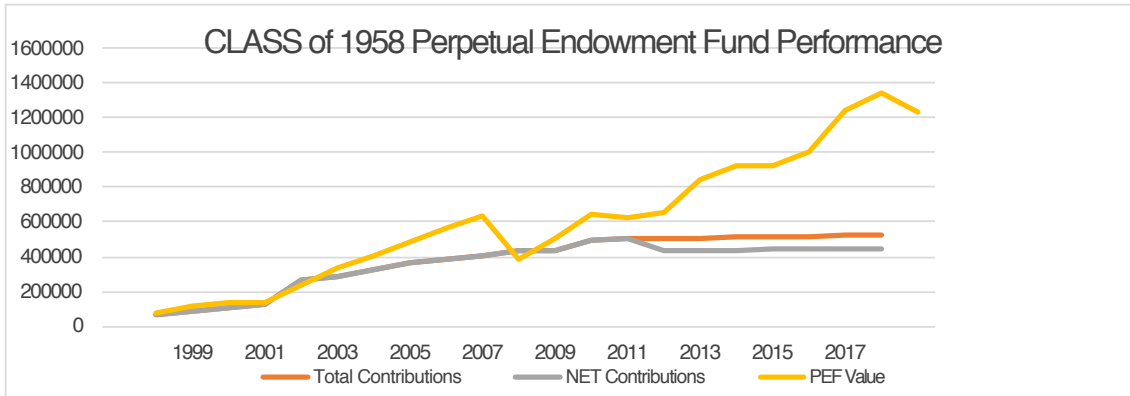
2. CONTRIBUTIONS SINCE INCEPTION

Gross Lifetime Amount Contributed:	\$525,065
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Net Lifetime Amount Contributed:	<u>\$449,215</u>
TOTAL GAINS FROM EARNINGS:	\$781,043

3. FUND PERFORMANCE MEASURED AGAINST BENCHMARKS (As of 30 Sep 2018)

	Cumulative	Average Annual			
	YTD	1 Yr	3 Yr	5 Yr	10 Yr
Total Market Index Pool	10.11%	16.91%	16.38%	12.76%	11.35%
DJ U.S. Total Stk Mkt Index	10.58%	17.58%	17.05%	13.42%	12.05%
U.S. Equity Pool	10.27%	16.51%	16.93%	12.36%	N/A¹
S&P 500 Index	10.56%	17.91%	17.31%	13.95%	11.97%
International Index Pool	-1.65%	2.05%	8.56%	3.86%	4.70%
MSCI EAFE Index	-1.23%	2.96%	9.46%	4.60%	5.54%

¹ Pool created 07/01/2011, therefore historic performance is not available for earlier periods.



4. TREASURER'S NOTES:

- a. The Endowment has had a good year.....until October, which saw an overall market correction. We are generally flat for the year after seeing an all-time high in September. Volatility had also been relatively stable until just recently. To summarize 2018 is almost a repeat of last year:
 - 1) U.S. and World economies are generally getting better
 - 2) Unemployment continues to trend lower
 - 3) Inflation is still very low, but beginning to rise
 - 4) The "Trade War" with China (and others)
 - 5) The Federal Reserve's very slow raising of interest rates
 - 6) Consumer Confidence is high and tax cuts are having an impact
 - 7) Skepticism of the current bull market (waiting for the "pending correction")
- b. I warned of a pending correction for 2018 since the stock market had not seen a major, or even minor, correction for almost two years. We've had two "mini-corrections" this year, to include what we are seeing now. I can't speculate as to how long this one will last. International stocks, after a good 2017, are taking a larger hit this year.
- c. Seven classmates currently have the Endowment Fund included on estate documents for a total of \$174,958.
- d. The fund makes an annual contribution of \$50 to the Class of 1958 Fund every June, beginning in 2011. This helps satisfy a seven-year gifting requirement of \$250.
- e. Contributions can be made by check payable to Fidelity Investments CGF. Mail to:

Russell Robertson
 Treasurer, Perpetual Endowment Fund
 8606 Cross View
 Fairfax Station, VA 22039

PEF Board Member Status **TOS Ends**

'58 Founder Members (6 Yr TOS)

Alan Chase	2022
George Lawton	2022
Frank Harlem	2024
Tony Bauer	2024

Descendent Members (6 Yr TOS)

Russ Robertson (Treasurer)	2019
Dan Peck (Membership)	2023
Valerie Coffey (Secretary)	2024

Designated Members (10 Yr TOS)

Simone Askew	2028
Elena Ivanova	2021

Emeritus

Pat Connelly	N/A
Jason Crabtree	N/A