



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



*November 19, 2019
8606 Cross View, Fairfax Station, Virginia 22039*

Board Members:

- P - Founder Member - George Lawton, Chairman, USMA 1958
- P - Founder Member – Anthony “Tony” Bauer, Vice Chairman, USMA 1958
- A (Family Commitment)- Founder Member - Alan Chase, USMA 1958
- T - Founder Member – Frank Harlem, USMA 1958
- P - Descendent Member - Russell ‘Russ’ Robertson, Treasurer, USMA 1982 (Out-going)
- P – Descendent Member – Deborah Nagle, Treasurer, USMA 1982 (In-coming)
- 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 (Student Overseas) - Designated Member – Simone Askew, USMA 2018
- A (Business Travel Overseas) - 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 1900 hours, and verified the board had a quorum (>2/3) of voting members to conduct business.

SUBJECT #1: Minutes of November 13, 2018 Meeting

DISCUSSION: The board unanimously approved the minutes for the meeting held on November 13, 2018.

SUBJECT #2: Revised Bylaws

DISCUSSION: Frank Harlem noted that the in the By-Laws we had made a motion to be approved, Art IX refers to the definition of a quorum which is defined in Art II, not in Art VII as stated. With this correction, Frank recommended the Bylaws be approved. The board unanimously voted to approve the Bylaws with that correction.

SUBJECT #3: Installation of New Board Member

DISCUSSION: The Class of '58 voted and approved Deborah Gillette Nagle USMA 1982, to replace Russell Robertson as the Treasurer on the board. She will transition into the position in early 2020 once all the paperwork and other necessary actions are completed.

SUBJECT #4: Treasurer's Report

DISCUSSION: Russ Robertson provided the Treasurer's report (See Appendix A for the full report). As of 15 Nov 2019, the balance is \$1,416,900.

Russ stated that seven Class of '58 classmates have the PEF included on their estate documents for a total of \$174,958, and the PEF makes an annual contribution to the Class of '58 gift fund every year, to satisfy a seven year minimum gifting requirement of \$250 to a charitable organization. Deborah's address will be added to the class website once the handover is complete. Until then, continue to make contributions payable to Fidelity Investments CGF and send them to:

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

SUBJECT #5: Indemnification

DISCUSSION: Currently Article XII of the Bylaws states:

"In the event that one or more members of the PEB should be subject to adverse legal action as a consequence of discharging their responsibilities in accordance with the desires of the class, assets of the fund, not to exceed five per cent per incident, may be used to pay their legal expenses."

George Lawton stated this provision is not executable as written in that once funds are in the PEF they cannot be used except for the charitable purposes stated in our By-Laws. Defending the board or its members does not meet the criteria of a charitable purpose. He also mentioned that the board has been in existence for over twenty years and has never had any adverse legal actions taken against us, although it is conceivable, but highly unlikely, that it could be in the future. A possible solution, if this is believed to be a creditable threat, is to purchase an indemnification policy. George also noted that he heard that volunteers who are covered by personal liability insurance who work for a non-profit organization, which the PEF is, are covered by that insurance.

There followed a discussion of the viability of the need to defend against a possible adverse legal action with several members believing we were creating a 'mountain out of a molehill'. Deborah mentioned that she thought for someone to sue, the person had to have standing, but she could not think of who that might be. There was also a discussion on how we might pay for an insurance policy if desired.

This issue was tabled with George volunteering to research various options discussed above and trying to obtain an answer to both Deborah's question and whether personal liability insurance covers our board members.

SUBJECT #6: Annual Audit

DISCUSSION: The board held a long discussion regarding whether an annual audit was necessary, especially as the fund grows to multi-million dollars. The PEB maintain the funds at Fidelity Investment as a Charitable Gift Fund. Fidelity governs the funds by all the applicable laws and restrictions. As such, there are strict controls in place to maintain the integrity of deposits and disbursements of funds. Therefore, the board unanimously approved the motion for the board to conduct a "self-audit" annually, to include:

Trustees who are signatories to the account, who are not the Treasurer, will check the accuracy of the investments prior to each board meeting and confirm the funds are invested as the board directs and that only disbursements approved by the board have been made. The only exceptions are disbursements required by Fidelity for maintenance of the fund.

SUBJECT #7: Enticing New Board Members

DISCUSSION:

Dan Peck maintains the list of all potential board members. The board discussed strategies for recruiting new board members, as well as a potential out-reach program to recruit volunteers as "non-voting ambassadors" who could possibly assist current board members and help solicit donations. This effort could also keep the intent of the board alive through conversations within families of descendants, participate in board meetings, and other means. Dan and Elena will coordinate ideas and draft a letter to send to members of the Class of '58 and their descendants to determine interest.

Dan will send out minutes of our meetings and other updates periodically to our descendants to assist in raising awareness of the PEF, keep them informed and hopefully encourage future participation as board members or volunteer assistants.

SUBJECT #8: Fund Raising

DISCUSSION: George asked for ideas for reaching out to members of the Class of '58 (and others) to donate to the PEF. Russ mentioned that donations from the Plebe March Back event held at West Point each summer have been our biggest fundraiser over the years, but that the three traditional class participants are aging and will not be participating at some future time. We also discussed Contributions from Required Minimum Distributions (RMDs), also known as Qualified Charitable Contributions, from retirement plans to the PEF, but since they do not meet IRS criteria they are not a viable option. Russ suggested that we should continue to encourage traditional tax-deductible contributions especially from those who itemize on their tax returns.

Frank stated that the Class of 1958 members could be reminded to put the PEF in their wills as an heir. He stated that currently there are \$175,000 promised in existing wills.

Elena stated that currently the AOG receives over \$100,000 per year from RMD donations, and although this does not directly benefit the PEF, the Class of 1958 and West Point could still benefit by the RMD donations to the 1958 gift fund administered by the AOG.

*(*Required Minimum Distributions (RMDs) are minimum amounts that a retirement plan account owner must withdraw annually starting with the year that he or she reaches **70** ½ years of **age** or, if later, the year in which he or she retires.)*

The minutes, Treasurer's Report, Bylaws, 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 2020.

/signed/
George Lawton
Chairman
USMA Class of 1958

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

Appendix A
STATUS REPORT
AS OF 15 November 2019
FIDELITY INVESTMENT CHARITABLE GIFT FUND
USMA CLASS OF 1958 PERPETUAL ENDOWMENT

1. CURRENT HOLDINGS/ASSET ALLOCATION (AS OF 15 Nov 2019)

US Equity	\$574,862	41%
Total Market Index	\$572,254	40%
International Equity Index	\$135,340	10%
Sustainable Int'l Index	<u>\$134,445</u>	9%
TOTAL BALANCE:	\$1,416,900	

2. CONTRIBUTIONS SINCE INCEPTION

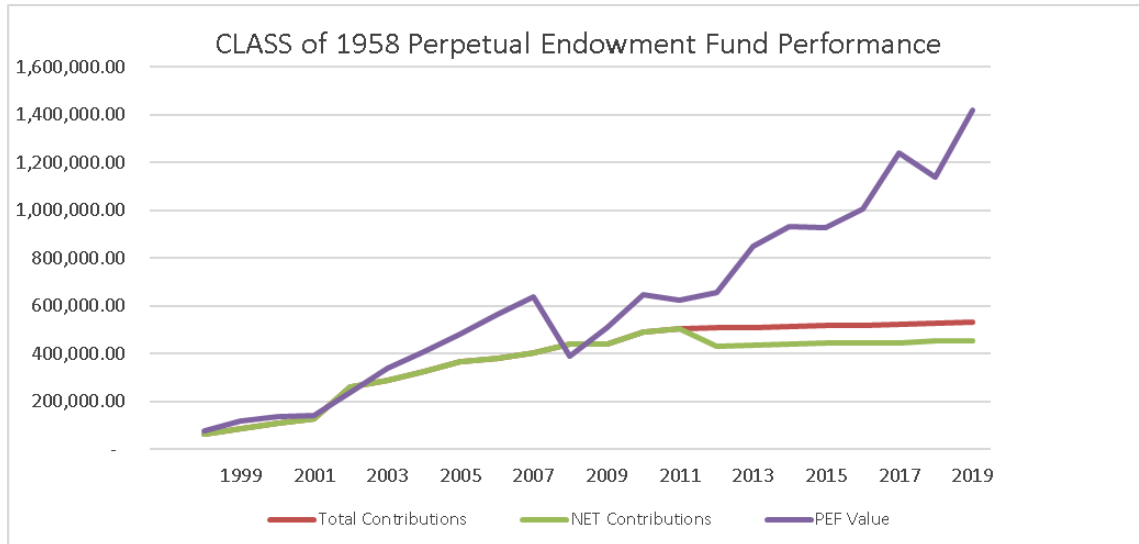
Gross Lifetime Amount Contributed:	\$525,065
Amount Granted to Class of '58 Fund:	\$ 75,850
Net Lifetime Amount Contributed:	\$449,215
TOTAL GAINS FROM EARNINGS:	\$781,043

3. FUND PERFORMANCE MEASURED AGAINST BENCHMARKS (As of 30 Sep 2019)

	Cumulative	Average Annual			
	YTD	1 Yr	3 Yr	5 Yr	10 Yr
Total Market Index Pool	19.58%	2.25%	12.15%	9.77%	12.41%
DJ U.S. Total Stk Mkt Index	20.05%	2.81%	12.78%	10.40%	13.09%
U.S. Equity Pool	19.50%	-1.55%	11.27%	8.68%	Note 1
S&P 500 Index	20.55%	4.25%	13.39%	10.84%	13.24%
International Index Pool	12.54%	-1.59%	5.91%	2.81%	4.39%
MSCI EAFE Index	13.04%	-1.11%	6.71%	3.48%	3.64%
Sustainable Intl Index	11.52%	-.84%	Note 2	Note 2	Note 2
MSCI ACWI xUSA ESG Ldrs	12.68%	.30%	Note 2	Note 2	Note 2

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

Note 2: Pool created 01/31/2018, therefore historic performance is not available for earlier periods.



4. TREASURER'S NOTES:

- a. In spite of the headlines, the market has had very little volatility this year, maintaining a pretty steady pace. The YTD gains are a little exaggerated by the steep correction we saw in the last quarter of 2018. The trend is being dictated by many of the same trends as last year:
 - 1) Unemployment continues to be low
 - 2) Inflation is still very low, but beginning to rise
 - 3) The "Trade War" with China (and others)
 - 4) The Federal Reserve's decision to lower interest rates
 - 5) The 2020 Elections (replacing Consumer Confidence which decreased)
 - 6) Skepticism of the current bull market (waiting for the "pending correction")
- b. Deborah Gillette will take over as Treasurer in 2020. Recommend conducting the handover after the New Year. I will do the paperwork to add Deborah as the account holder and turnover historical binders, CDs and a thumb drive.
- 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. We will put a note on the class web with Deborah's address once handover is complete. Until then, contributions can still be made to Fidelity Investments CGF. Mail to:

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

PEF Board Member Status **Term of Service (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 (Out-going)
Deborah Nagle (Treasurer)	2025 (In-coming)
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