



# Florida School for the Deaf & the Blind

*Do More. Be More. Achieve More.*

**AGENDA**  
**ENDOWMENT INVESTMENT COMMITTEE**  
**October 27, 2017 at 8:45 a.m.**  
**Moore Hall – Room 215, FSDB Campus**  
**St. Augustine, Florida**

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## **Call to Order**

**Roll Call: Mr. Terry Hadley, Ms. Christine Chapman, Dr. Tom Zavelson**

**Approval of Minutes: April 14, 2017**

**Public Comment – Limited to 3 Minutes**

## **New Business:**

- Updated Language: Endowment Investment and Expenditure Procedures Policy – Julia Mintzer
- UBS Update – Dave Hanvey
- Next Meeting – April 13, 2018

## **Unfinished Business:**

- BB&T Update – John Wester

## **Action Items for Consideration:**

1. Approval is requested to accept recommended changes to the existing Endowment Investment and Expenditure Procedures Policy, as noted.

## **Adjournment**



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**MEETING MINUTES**  
**ENDOWMENT INVESTMENT COMMITTEE**  
**October 27, 2017 at 8:45 a.m.**  
**Moore Hall – Room 215, FSDB Campus**  
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## **Call to Order**

The meeting of the Endowment Investment Committee was called to order at 8:45 a.m. by Mr. Terry Hadley.

## **Attendance**

**Present:** Mr. Terry Hadley (Chairman), Ms. Christine Chapman, Dr. Tom Zavelson

**Board of Trustees:** Linda DiGonzalez, Owen McCaul

**UBS International:** David Hanvey, Lacey Conner

**FSDB:** Dr. Jeanne Prickett

Julia Mintzer

John Wester and Alison Crozier (Comptroller/Budgets & Grants)

Tanya Rhodes and Amy Moring (Advancement)

Debbie Smith and Danielle Alexander (Interpreters)

Denise Fernandez (Recording Secretary)

## **Approval of Meeting Minutes**

The minutes of the April 14, 2017 Endowment Investment Committee Meeting were *approved on a motion by Ms. Chapman; seconded by Dr. Zavelson. Motion carried.*

## **Public Comment**

None

## **New Business**

- **Updated Language: Endowment Investment and Expenditure Policy and Procedures (Julia Mintzer)**—Mrs. Mintzer recommended modifications in two areas:

1. ***Spending Policy, #6, p3:*** “Bump back” the period in which operational expenses are computed (from March to December). Based on the current timeline and reporting schedule, partial quarter calculations are being furnished. Ending the period at December will allow for a cleaner 12-trailing month valuation.
2. ***Expenditures, #8, p5:*** Update select signatories.

Approval was requested to accept recommended changes to the existing Endowment Investment and Expenditure Procedures Policy, as noted. Ms. Chapman moved to approve; Dr. Zavelson seconded the motion. Motion carried.

- **UBS Update (Dave Hanvey)**—Mr. Hanvey thanked the Committee for the opportunity to present and proceeded to summarize the Endowment’s performance:
  - **Performance Review:** Through September 2017, the Endowment’s YTD rate of return was up 8.55% compared to the benchmark at 6.72%. A more current analysis through October 25, 2017 revealed further strengthening of our portfolio with an increase of 200 basis points on the YTD benchmark spread. In spite of the nice balancing of the account while the market was going up, Mr. Hanvey expressed concern about *how* funds were being invested. He learned that some investments conflicted with FSDB’s core values and met with Mr. Wester to convey this information. This will lead toward setting restrictions on the types of portfolios in which money managers are permitted to invest.

Mr. Hadley inquired about the rationale behind maintaining a high level of cash in the portfolio since it typically doesn’t generate a return. Mr. Hanvey explained that part of the cash is from the bond portfolio, but it is consistently being monitored and invested. Because of the low average maturity of duration, there will always be money due. He has discussed this issue with Mr. Wester and plans to invest it in other short term bonds.

- **Observations Overview:** Mr. Hanvey proceeded to express his views of the market and its impact on the Endowment’s performance.
  - a. Global economic data continues to advance, thereby causing a rapid growth in the US, Eurozone and emerging markets. In the Eurozone alone, the GDP has forecasted growths of 3.1% in 2017 and 3.7% in 2018, which is surprising in spite of the Brexit.
  - b. Economic growth is accelerating due to fading headwinds and potential fiscal stimulus. Mr. Hanvey exemplified the statement with Washington’s aggressive stance on tax reform and budget resolution, which is paving the way for tax, cuts.
  - c. Monetary policy continues to normalize, but remains supportive. People “like what they see.” Unemployment continues to decrease. The Fed may likely raise rates in December by 25 basis points. Europe has cut its bond buying from \$60 billion to \$30 billion. (Buying the bonds suppresses the interest rates.)
  - d. U.S. and global growth will accelerate moderately. Over the next six months, the probability of recession is low.
  - e. U.S. earnings growth will continue to accelerate. This is key to market conditions. In 2017, S&P earnings was +10%. In 2018, S&P earnings forecast is +11% (without tax reform); +14% (with tax reform). Mr. Hanvey expressed that this is a “BIG deal for earnings.”

- f. Central banks will continue to provide liquidity, while moving to withdraw extraordinary monetary policy stimulus. In the midst of discussions around revenue and earnings, Mr. Hanvey pointed out an area of concern: a \$20 trillion debt, which needs to be addressed. A price will be paid with either inflation or growth deceleration.
- **Recommendations Overview:** Economic expansion continues and growth is in the upswing. While global equities are still over weighted relative to U.S. government bonds, the size of this position has been reduced. UBS has witnessed a large difference in the expansion between large-cap growth vs. large-cap value (energy; financials). As an example, the Russell 1000 growth has outperformed in value by 17%. Technology is overextended from a valuation standpoint by 5% of the S&P. The 10-year Treasury projection was approximately 2.5% and is currently 2.47%. Short-term rates are moving, but not on the curve. Fixed income is underweighted.

While we are witnessing a positive growth in the market, Mr. Hanvey cautions to “temper the excitement and prepare for when it falls back.”

Mr. Hadley commended Mr. Hanvey on his report and asked him to share his insights on benchmarks, how they are created and what they comprise. Mr. Hanvey complied:

A benchmark is a point of reference against which things may be compared or assessed. Russell US Indexes are the leading U.S. equity benchmarks for institutional investors. The Russell 1000 is a stock market index that is composed of the highest ranking 1000 U.S. companies and represents about 92% of the U.S. stock market value. The benchmarks are monitored and updated annually to reflect the composition of FSDB’s portfolio. (Page 9 of the UBS report illustrates the mix of indexes used to create the benchmark.)

- **Next Meeting**—April 13, 2018

### **Unfinished Business**

**BB&T Update (John Wester)**—At the last meeting, Mr. Wester’s predecessor, Mr. Mackey, alerted the Committee about several customer service problems he was experiencing with BB&T. Since occupying his current position, Mr. Wester has been monitoring the bank and announced that he hasn’t witnessed anything remarkable to raise concern. He assured the Committee that if anything changed to warrant action, he would make them aware.

### **Adjournment**

The meeting adjourned at 9:13 a.m.