

Minutes of the BSA FAC Conference Call with Smith Barney (Des Moines, IA)

Date/time: Thursday, May21, 2009, 10 am

Present: BSA FAC: Joe Armstrong, Russell Chapman, Bill Dahl, Laura Galloway and Jack Horner
Smith Barney: Bryan Boesen

Re: Spring 2009 Review of BSA Endowment Investments

Supplementary Information: As of April 30, 2009(and morning of May 21) the BSA Endowment Fund was positioned in the following five asset classes:

Accounts	April 30, 22009	May 21, 2009
461-16145 (COMP PORT)	\$ 206,633.91	\$ 228,051.15
461-06370 (Custom MDA, Sm/Mid/Lg Cap)	\$1,168,286.25	\$1,189,884.17
461-06372 (Del Inv IE, International)	\$ 210,140.55	\$ 459,592.43
461-06373 (Madison GC, bonds)	\$ 786,854.78	\$ 802,383.36
461-70851 (Cash)	\$ 208,877.23	\$ -15.72
Total	\$2,580,792.72	\$2,679,895.39

Agenda: was set by SB (Bryan Boesen) in his report that was sent to the FAC several weeks ago.

Minutes: BSA FAC members logged in using 1-866-317-9995 (pass code 548157) about 10 am. All members listed above were present for the entire conference call (approximately 85 minutes long).

1. Review of BSA endowment funds – Bryan provided the background for the market woes in 2008, indicating that it, along with 1872 and 1931 were the worst market performance years in history. These and other comments set the stage for the present status of the BSA endowment fund. There were a number of questions raised by the committee members. The relevant ones are identified as recommendations.
2. The items to be voted on by the FAC as an outcome of the conference call are the following:
 - a. **In BSA Statement of Investment Policy Objectives & Guidelines** (page 9);
 - i. Investment Time Horizon – **Recommendation = Do not change** “This plan will continue in perpetuity.” Rationale - is that this will be revisited in the future when the BSA Council and Executive Committee better develop a ‘needs’ budget that may require use of the endowment income. For now, the FAC task is to restructure the assets for optimum growth.
Approve _____
Disapprove_____
 - ii Investment Performance Goal – **Recommendation = Change** ‘An absolute rate of return 9.44%’ **to** “A net rate of return 8.00%.” Rationale – is to clearly indicate what the endowment fund is actually receiving (which does not include fees and services).
Approve_____

Disapprove _____

- l) Asset Allocation – **Recommendation** – *Do not change* “present percentages for Minimum and Maximum for each Asset Class as presently identified.” Rationale – the present allocations give a reasonable flexibility for changes to be made in each category of investments that are in Primary and Secondary Investment Objectives.

Approve _____

Disapprove _____

- 3. A question was raised that nothing has been included about the fees and service costs made to the endowment fund. Boesen indicated that the present fee is 1.2% (and if FAC approves the SB recommendation to change the endowment funds to index funds, the fee would drop to 1.02%; see recommendation 4.).
- 4. Boesen provided a rationale and recommendation to change the endowment fund portfolio assets from individual managers to indexes. A summary of the current and proposed investment management was outlined (on page 29) to make these changes in Large-Cap, Small/Mid Cap, International, and Emerging Markets. In 2006, the economy and thinking was different. In today’s economy, this thinking has changed. **Recommendation** – *Change* ‘the present asset strategy’ to “the proposed indexing strategy as outlined on page 29.”

Approve _____

Disapprove _____

- 5. The issue of how often (once, twice, more often) should the endowment fund be reviewed for rebalancing (strategic vs tactical). It was agreed that the fund will be reviewed more often than once a year.
- 6. Boesen discussed the new relationship of Smith Barney with Morgan Stanley, beginning June 1. He felt that it would broaden access to financial products and capital markets, as well as provide other opportunities. This new arrangement should only benefit the BSA endowment fund.

Three final items:

- 1. *Please vote on the four (4) recommendations* identified above, and return your votes via email asap. Once you all have voted, I will immediately let Boesen know so he can act accordingly.
- 2. Bill will want to set up a date/time at the Snowbird annual meeting (Sunday morning, hopefully) for the FAC to meet. Let me know whether you will be attending. For this meeting I would appreciate your feedback as to any items you would like to include on the agenda.
- 3. I will try to get the BSA FAC 2008-2009 annual report done and sent to you before June 16. I will be gone from June 17 through July 1, to Europe. Otherwise, it will have to wait for July 2 or 3.

Please feel free to edit these minutes. *Thank you all* for your being a part of the conference call. This is a much less expensive way to have a meeting than flying some of you to Des Moines (even though I would be happy to host you all). See you in late July.

Jack Horner, BSA FAC Chair