

Kentucky Equal Justice Center

Investment Committee Meeting

July 10, 2017

Committee Members Present: Brenda Combs, Marilyn Daniel, Mary O’Doherty, John Rosenberg (Chair).

KEJC Staff Present: Rich Seckel (Director).

The KEJC Investment Committee convened by conference call at 4:00 p.m. on July 10, 2017. The charge of the committee, as established by Board motion, was to:

- decide where to invest the donation from the Mason Foundation
- recommend to the Board an Investment Policy to guide this and future investments and related spending
- exercise oversight over investment funds

A quorum being present, Chair John Rosenberg began the meeting. John invited KEJC Director Rich Seckel to present recommendations for discussion. Rich said that he had reviewed several investment policies in order to create a draft.

Rich said that most investment policies seemed to be designed for management of much larger amounts than KEJC had to invest. He said that generally they contemplate engaging an active investment manager, with attendant fees and benchmarks for performance. Rich said that KEJC differed in that the amount to be invested was relatively small. As well, the committee had decided to avoid fees by taking a self-managed approach and investing in index funds and mutual funds with low fees.

Rich thanked John for his comments on the initial draft investment policy. He said the comments had made clear to him that the policy ideally would address three types of investments:

- true endowments in which the corpus cannot be spent
- quasi-endowments like the Mason Fund, which allowed spending of the corpus under conditions specified by the donors
- non-endowments like investments of a large attorneys’ fees settlement

Marilyn Daniel asked for clarification on whether the investment decisions to be made during the meeting applied only to the Mason Fund. Rich said that, yes, the proposed investments to be discussed were for the Mason Fund only but the draft policy was intended to cover endowments and non-endowed investments, too. He said that the Mason fund would be kept separate in its own account.

Investment Choices

Rich reviewed the proposed investment choices he had sent to the committee. He said the choices were all Vanguard funds with low fees in a mixture of social screening and broad indexes, plus a money market fund for cash. The proposed allocation:

\$11,700 [Vanguard FTSE Social Index Fund Investor Shares \(VFTSX\)](#)
\$11,700 [Vanguard 500 Index Fund Admiral Shares \(VFIAX\)](#)
\$11,700 [Vanguard Balanced Index Fund Admiral Shares \(VBIAX\)](#)
\$11,700 [Vanguard Total Bond Market Index Fund Admiral Shares \(VBTLX\)](#)
\$ 5,200 Money Market Fund (plus any earnings)

Rich said he had checked the Morningstar rating of each fund, as suggested by John. Rich said he had found that the bond index fund was rated three stars while the others were rated four or five. Rich recommended dropping the bond fund from the list and dividing the Mason Fund investment between the three remaining funds, with 10 percent plus any earnings in the Vanguard money market fund to be left as cash. Following detailed discussion:

Motion: Marilyn Daniel moved to allocate the Mason Fund investment in the Vanguard brokerage account as follows:

\$13,000 [Vanguard FTSE Social Index Fund Investor Shares \(VFTSX\)](#)
\$13,000 [Vanguard 500 Index Fund Admiral Shares \(VFIAX\)](#)
\$25,000 [Vanguard Balanced Index Fund Admiral Shares \(VBIAX\)](#)
\$ 1,000 Money Market Fund (plus any earnings)

Second: Mary O'Doherty
Action: Approved unanimously

Rich said he would double check the language but that the Board's charge to the committee to decide "where to invest" appeared to allow him to go ahead and make the investments.

Investment Policy

Board members engaged in section-by-section review and discussion of the draft Investment Policy. Topics discussed included annual distribution limits, asset class ranges and clarification of the separate provisions for endowments, non-endowed investments and the Mason Fund.

Motion: Brenda Combs moved to recommend the draft policy to the full Board for approval, with the changes agreed upon during review.

Second: Mary O'Doherty
Action: Approved unanimously

Rich said he would finalize the document and circulate it to the members for their review and then to the board for approval. John thanked the members of the committee for their participation.

Reported by:

Richard J. Seckel, Director
July 11, 2017