

Tidewater EMS Council, Inc.
Audit and Finance Committee
Minutes, February 15, 2017

Present

Wayne Shank, Chair
Russell Blow
Jim Chandler

Absent

Marie Markham

1. Mr. Shank (who joined by telephone conference call) called the meeting to order at 10:00 am in the council office. A motion passed to approve the committee minutes of February 10, 2016 as distributed.
2. Review 1/31/17 financial reports – members reviewed the FY17 financial statements ended January 31, 2107. Mr. Chandler pointed out the main checking balance and indicated there would be a need to transfer cash from the reserve funds to checking to cover the declining balance primarily because of continued MMRS fund balance drawdowns as previously discussed.
3. Review 12/21/16 investment report – members reviewed the December 31, 2016 summary of investments and noted the great 2016 return for the small cap value fund and overall very good returns across all of the mutual funds compared to the previous several years. Members noted that changes in federal interest rates and other national market trends may impact returns in the year ahead, and investments may need to be rebalanced at some point.
4. Discuss/consider recommendations from review of council investments and Reserve and Investment Policy – Mr. Chandler reviewed the previous discussions regarding the committee’s desire to obtain independent reviews of our Reserve and Investment Policy as well as of our actual investments. Two firms provided reviews: Towne Investment Group (local) and Midsummer Wealth Management (based in Roanoke, also provides investment services for the Western Virginia EMS Council). Representatives from Towne visited the council office to discuss the current policy and investments which resulted in a more thorough report; the Midsummer Wealth Management representative corresponded by email and provided higher level comments and recommendations.

Both reviews agreed that our investments represent a lot of overlap among stocks included in the fund groups and both pointed to the Spectrum Growth Fund as the overall weakest performer that also included overlaps. Both noted that all of the funds have generally low expenses and overall our investment portfolio is very conservative.

The Midsummer report noted that our brokered CDs (Raymond James) have resulted in above market yields and that the 6-month laddering allows us to take advantage of rising interest rates. The Midsummer report also added an alternate investment strategy (an Advisory Account) represented by an Ameriprise Model Portfolio example, provided.

The Towne report analyzed each of the funds in detail concluding that overall the funds are solid (with the Spectrum Growth as the weak performer) and that while the short term bond fund is below average, it is low risk and low volatility. They also noted that with our plans to slowly draw down fund balances (related to MMRS) then the current allocations are understandable and appropriate.

Regarding our Reserve and Investment Policy, the Towne report recommended adjusting the allocation categories to match a more traditional breakdown of assets used by Morningstar and others such as Cash, Bonds/Fixed Income, US Stocks, Non-US Stocks and Other. They noted that there is virtually no difference between CDs and money market funds, which should be combined into the category of Cash. They also suggested using specific target percentages for each allocation category along with a range. They also suggested renaming the policy to make it clear that the funds are reserve funds and not long term investment such as an endowment, and they suggested the committee approve investment changes (versus discretion of an officer) and that the policy be reviewed annually.

The committee discussed the two reviews and agreed to various changes to the Policy. Regarding changes to the allocation categories, the committee agreed to combine the CDs and money market funds into one cash category, to retain the Short Term Bonds category and to combine all other mutual funds into a third category representing the US, Non-US and Other funds, all with targets and ranges as recommended in the Towne report. Mr. Chandler will draft a "mark-up" of the policy as discussed and distributed it to the committee for review. If the mark-up accurately represents the committee's recommendation, then it will be presented to the Board of Directors as a recommended policy revision. Mr. Chandler will also revised the December 31, 2016 investment summary to reflect the allocation categories and targets, as a comparison to the original investment summary, for committee review.

5. With no additional business, Mr. Shank adjourned the meeting at 11:15 am.

Minutes prepared by Jim Chandler

Tidewater EMS Council, Inc.
AUDIT AND FINANCE COMMITTEE
February 15, 2017
TEMS

Printed Name	Signature	E-Mail	Agency
Russell Boor		RBB001@Acc.com	VBEMS
Jim Chandler		chandler@VAEMS.org	TEMS
Wayne Stone	via telephone		
Ill: Marie Markhan			