



GVR Mission Statement: *“To provide recreational, social and leisure education opportunities that enhance the quality of our members’ lives.”*

MINUTES

INVESTMENTS COMMITTEE SPECIAL MEETING

Wednesday, November 20, 2019
10:30am MST – Las Campanas Ironwood Room

Committee Approved – January 13, 2020

Attendees: Roger Myers (Acting Chair), Carol Crothers, Gene Kasper, Mark Kelley, Cheryl Moose (CFO), Charlie Sieck (ex officio), David Webster (Liaison/Accounting Supervisor)

Absent: Rob Brown, Tom Sadowski, Kent Blumenthal (CEO)

Staff: Marie Wilbur, Meeting Scribe

Guests: 2

Call to Order: Acting Chair Myers called the meeting to order at 10:30am MST.

Old Business: **CPM Changes**

R. Myers made a motion to recommend to the Board of Directors to:

- **add a new Paragraph 6 to GVR’s Corporate Policy Manual (the “CPM”) Section VI, Subsection 4 – Board Committees’ Duties and Responsibilities, paragraph C – Duties and Responsibilities entitled Investment Committee;**
- **delete existing paragraph b.6., from Section VI, Subsection 4 – Board Committees’ Duties and Responsibilities, paragraph C – Duties and Responsibilities, subparagraph 2. –Fiscal Affairs Committee;**
- **delete paragraph 8 – Review and Monitoring from Appendix 1, Subsection 3 as it is replaced by new paragraph 6 as contained in Exhibit 1.**

(See Exhibits 1-3)

Motion was seconded. Motion passed unanimously.

EXHIBIT I

INVESTMENT COMMITTEE

Section VI, Subsection 4, paragraph C of the Green Valley Recreation, Inc. Corporate Policy Manual shall be amended to add the following sub-paragraph 6:

6. Investment Committee Membership and Board, Staff, and Committee Responsibilities

- a. **Membership.** The Investment Committee ("IC") shall consist of at least two Green Valley Recreation Inc. ("GVR") members in addition to the IC Chairperson. The IC Chairperson is appointed by the President of the Board of Directors ("BoD"). The IC chairperson and IC members should be knowledgeable in the investment of financial assets and, to the extent practical, experienced in investment management and/or investment oversight.
- b. **Responsibilities.** The responsibilities of GVR's Chief Executive Officer and Chief Financial Officer (collectively, the "CEO/CFO"), IC, and BoD with respect to the GVR's Investment Accounts ("IAs") are delineated as follows:

i. Preamble

1. The purpose of this document is to identify the specific ownerships, responsibilities, and duties of the CEO/CFO, IC, and BoD with respect to the administration and management of GVR's IAs.
2. The IAs (as of November 2019) consist of the:
 - a. Operating Cash Investments Account.
 - b. Initiatives Reserve Fund.
 - c. Maintenance Repair/Replace Reserve Fund.
 - d. Emergency Reserve Fund.

ii. Generalized Approach to the Assignment of Duties

1. In a general sense and at the highest level, the:
 - a. CEO/CFO are responsible for delivering proactive leadership and forward looking effective management of the IAs. Such leadership and management are expected to be in full alignment with the decisions made and communicated by the BoD and IC to the CEO/CFO.
 - b. IC is responsible for:
 - i. Making recommendations to the BoD concerning how the IAs should be structured and managed.
 - ii. Deciding what information and analysis the IC requires in order to fulfill their duties.
 - c. BoD is responsible for making decisions concerning the structure and management of the IAs. The BoD will make their decisions in alignment with the full range of overarching GVR needs, objectives, and resource limitations.

iii. Investment Committee

1. The IC has the following specific ownerships, responsibilities, and duties with respect to the

IAs:

- a. Make timely recommendations to the BoD concerning:
 - i. The hiring, termination, and replacement of the Investment Manager and/or Investment Adviser (collectively, the "IM/IA") for each of the accounts that comprise the IAs.
 - ii. The terms and wording for any contract between GVR and an IM/IA.
 - iii. The specific wording and specifications for the Investment Policy Statement ("IPS") that governs each of the accounts that comprise the IAs.
 - iv. Changes to the wording and specification of any already existing IPS.
 - b. Perform the following ongoing functions:
 - i. Complete due diligence and evaluation of each IM/IA once each year, and more frequently if required.
 - ii. Monitor the IM/IAs to confirm compliance with the applicable IPS.
 - iii. When non-compliance with the IPS is identified, issue appropriate remedial instructions to the CEO/CFO designed to eliminate said non-compliance within a time period not to exceed 60 calendar days.
 - iv. Measure and evaluate the IM/IA's actions and results, in the context of the applicable IPS, in order to determine if modifications to the relationship are warranted.
 - c. Report to the BoD if:
 - i. An IPS is in serious and meaningful violation.
 - ii. The IC is considering the possible replacement of an already existing IM/IA.
 - iii. The BoD requests an update from the IC.
 - d. Communicate to the CEO/CFO concerning:
 - i. What information and analysis the CEO/CFO will provide to the IC for the purpose of enabling the IC to perform its duties. This communication may specify format (paper or electronic and associated layout), frequency, timeliness, and delivery mechanism (in person, telephone, or live-video).
 - ii. The specific actions the CEO/CFO are required to take in order to bring an IM/IA back into compliance with its applicable IPS.
2. When executing its duties and responsibilities, the IC will consider the full range of fiduciary investment criteria. However, the IC will place special emphasis on the following six criteria (for each of the accounts that comprise the IAs):

- a. **Cost.**
- b. **Investment Time Horizon.**
- c. Probability or likelihood of loss when measured over the applicable rolling **Investment Time Horizons.**
- d. **Measures and metrics** tracked by the IC to alert the IC that modifications to an IM/IA relationship or to its associated IPS might be warranted.
- e. **Sustainability and anti-fragility** of a particular investment approach.
- f. **Continuity in investment approach over the span of years.**

iv. Chief Executive Officer and Chief Financial Officer

- 1. The CEO/CFO have the following specific ownerships, responsibilities, and duties with respect to the IAs:
 - a. Deliver proactive leadership and forward-looking effective management of the IAs.
 - b. Demonstrate initiative in their ongoing daily management of the IAs.
 - c. Faithfully execute and implement the instructions received from the IC and BoD within a timely and prudent time period.
 - d. Serve as the primary (and at times exclusive) point of contact and coordination with all IM/IAs.

v. Board of Directors

- 1. The BoD has the following specific ownerships, responsibilities, and duties with respect to the IAs:
 - a. Based, in part, upon the recommends that the BoD receives from the IC, make decisions concerning:
 - i. Who the IM/IA will be for each of the accounts that comprise the IAs.
 - ii. The terms and wording of any investment management contract between an IM/IA and GVR.
 - iii. The terms and wording of the IPS that govern each of the accounts that comprise the IAs.
 - iv. Replacement of any existing IM/IA with a new IM/IA.
 - b. Oversee the CEO/CFO to confirm that their execution and implementation of IC and BoD decisions concerning the IAs are consistent with the full range of overarching GVR's overarching needs and objectives.
 - c. Communicate to the IC the BoD's requirements and expectations concerning periodic reporting by the IC to the BoD.

c. Associated Documents (held separately from the Corporate Policy Manual)

- i. In the process of completing its duties, the IC will generate the following documents:
 1. An IPS for each of the accounts that comprise the IAs.
 2. An investment management contract for each IM/IA hired by GVR.
 3. Minutes of each meeting of the IC.
- ii. These associated documents will be archived by both the IC and the CEO/CFO and will not be a part of (or otherwise be included within) GVR's Corporate Policy Manual.

d. Definitions and Clarifications

- i. The following terms are used above. The following provides additional definition and/or clarifications regarding the intended meaning of these terms:
 1. **Cost** is defined as the direct and indirect costs (both hidden and revealed) resulting from the use of a specific investment. For example, for a daily access mutual fund these would include the internal expense ratio, trading fees, custody charges, and advisory fees.
 2. **Investment Time Horizon** is defined as the specific number of years or months that a portfolio will be invested before withdrawals are made from it. For example, a particular account might have a very short Investment Time Horizon such as one month. In such a circumstance, one would want to avoid investing in higher risk securities because with just a one-month investment time period, there is no opportunity to recover from market declines. In contrast, if a different account had a very long Investment Time Horizon such as twenty years, then one could consider holding riskier investments. In such a circumstance, with this long twenty-year time horizon, one could recover from significant market declines. The specific Investment Time Horizon for each of the accounts that comprise the IAs will be identified in the applicable Investment Policy Statement.
 3. **Sustainability and anti-fragility of a particular investment approach.** Not all investment approaches or investment instruments will survive or thrive over time. Some investments are as yet unproven or overly susceptible to failure during severe market declines. For example, a new embryonic mutual fund with just \$25 million of assets is highly susceptible to closure during a significant market decline. Similarly, new burgeoning securities such as cryptocurrencies and cannabis are as yet unproven and untested. It remains unclear as to the viability much less the durability of such niche areas of the marketplace. The IC is expected to consider issues of sustainability and anti-fragility as it decides what Investment Managers to hire and how to construct the associated Investment Policy Statements.

4. Continuity in investment approach over the span of years. Every investment management approach takes time to prove itself. Moreover, the longer the associated Investment Time Horizon, the longer the time period required for the investment approach to prove itself out. Successful investing requires that approaches to investing be given the time they require to grow, mature, and bear fruit. Moreover, by its inherent structure, the IC experiences a continuous turnover of membership. This high pace of turnover presents a potential challenge. It may make it difficult for the IC to have the required patience required to give each investment approach the time it requires to mature and bear fruit. For this reason, the IC is expected to apply particular attention to issues of continuity in investment approach across an ever-changing composition of the IC membership.

EXHIBIT 2

INVESTMENT COMMITTEE

SECTION VI - BOARD/BOARD COMMITTEES

Section VI was approved by the GVR Board of Directors January 28, 2014; except as amended

SUBSECTION 1. POWERS, DUTIES, AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS

SUBSECTION 2. BOARD OFFICERS: NOMINATIONS AND ELECTIONS

SUBSECTION 3. BOARD MEETINGS updated 5/24/2016

SUBSECTION 4. BOARD COMMITTEES' DUTIES AND RESPONSIBILITIES

C. Duties and Responsibilities of Board Committees

2. Fiscal Affairs Committee

b. Responsibilities:

1. Review and assist in presenting the annual budgets to the Board. Such review will consist of recommending Reserve, the disposition of the Revenue/Expense Adjustment, and the amount of the Capital Fund Cash Account.

2. Monitor progress toward achievement of annual fiscal objectives.
3. Review financial statements (operations, capital analysis and balance sheet), and report to the Board, as appropriate.
4. Coordinate with the GVR Audit Committee
5. Review and recommend policy to assure financial control.
- ~~6. Review and recommend guidelines for corporate investment policy.~~
- 7 6. Recommend the establishment and the amount of tenant fees, membership dues, initial fees, transfer fees, and assessments.
- 8 7. Recommend the financing method to be adopted for specific major projects recommended by the Planning and Evaluation Committee for Board approval.
- 9 8. Coordinate with the Planning and Evaluation Committee as it relates to proposed expenditures for capital improvements.

EXHIBIT 3

Investment Committee

Corporate
Policy
Manual
Appendix 1,
Subsection 3

8. Review and Monitoring

~~a. GVR's Board of Directors is responsible for GVR's Investment policies, activities, and performance.~~

~~b. The Chief Executive officer (CEO) shall have oversight of and the Chief Financial officer (CFO) is responsible for: a) Monitoring the activities of GVR's financial advisor(s) b) Day to day coordination with Advisor regarding investment activity and decisions.~~

~~c. The Investments Committee's Responsibilities are listed below.~~

~~1. Select, hire and terminate professional outside investment advisor(s) with notice to the CEO~~

~~2. Revise GVR's Investment Policy Statement subject to Board approval~~

~~3. Monitor, measure, and report on investment advisor's or advisors' performance(s)~~

~~a) For Equities the following benchmark shall be considered:~~

- ~~i. Russell 1000 (large cap equities) ii. Russell 2000 (small cap equities) iii. MSCI EAFE (international equities)~~

~~b) For Fixed Income the following benchmark shall be considered:~~

- ~~i. Bloomberg Barclays US Intermediate Govt/Credit Index~~

~~4. Ensure CVR management implements and complies with GVR's Investment Policy Statement~~

~~Meet at least once each calendar quarter to perform its assigned duties and report to the Board~~

R. Myers made a motion to recommend to the Board of Directors: To tie the investment of the Initiatives Reserve Funds to the Investment Policy Statement in Appendix 1, Subsection 3, the Investment Committee recommends adding back the Investment Parameters language as new paragraph 5 to Section V, Subsection 2 – Reserve Policy, paragraph F – Initiatives Reserve Fund.

(See Exhibit A)

Motion was seconded. Motion passed unanimously.

EXHIBIT A INVESTMENT COMMITTEE

Recommendation:

Add a new paragraph 5 - Investment Parameters as shown below to CPM Section V - Fiscal/Account, Subsection 2 - Reserve Policy, paragraph F- Initiatives Reserve Fund.

F. Initiatives Reserve Fund (previously Initiatives & Innovations Reserve Fund)

1. Purpose:

The fund shall be used to support new initiatives and innovation opportunities that add value to member services and facilities and/or significantly improve GVR's position in the marketplace.

2. Target Balance:

This fund reserve shall be of sufficient size as determined by the Board of Directors to make opportunistic investments in real property, facilities and infrastructure but not less than \$500,000.

3. Funding Source:

At the close of each fiscal year, the Board of Directors shall determine the amount, if any, to contribute from excess Revenue-Over-Expenses plus Depreciation Expense less Reserve Contributions to the Maintenance, Repair & Replacement Reserve Fund. In determining such amount, the Board of Directors shall first repay any withdrawals from this fund and second an amount, if any, towards its target balance of not less than \$500,000.

In any case, withdrawals from this fund shall be repaid from operations as determined by the Board of Directors but not to exceed five (5) fiscal years.

4. Authorization:

The Board of Directors shall authorize any monies spent from this fund.

5. Investment Parameters: Monies contributed to this fund shall be invested in accordance with GVR's Investment Policy Statement.

Mark Kelley noted that the Revised Investment Policy Statement was put in place by unanimous consent vote and is currently in use.

Member Comments: None

Adjournment: The meeting adjourned at 10:45am MST.