

**BOARD OF TRUSTEES  
FINANCE, INVESTMENT, AND AUDIT COMMITTEE**

**REPORT SUMMARY**  
*(See appendix for supporting materials)*

**Date of Meeting:** January 26, 2017

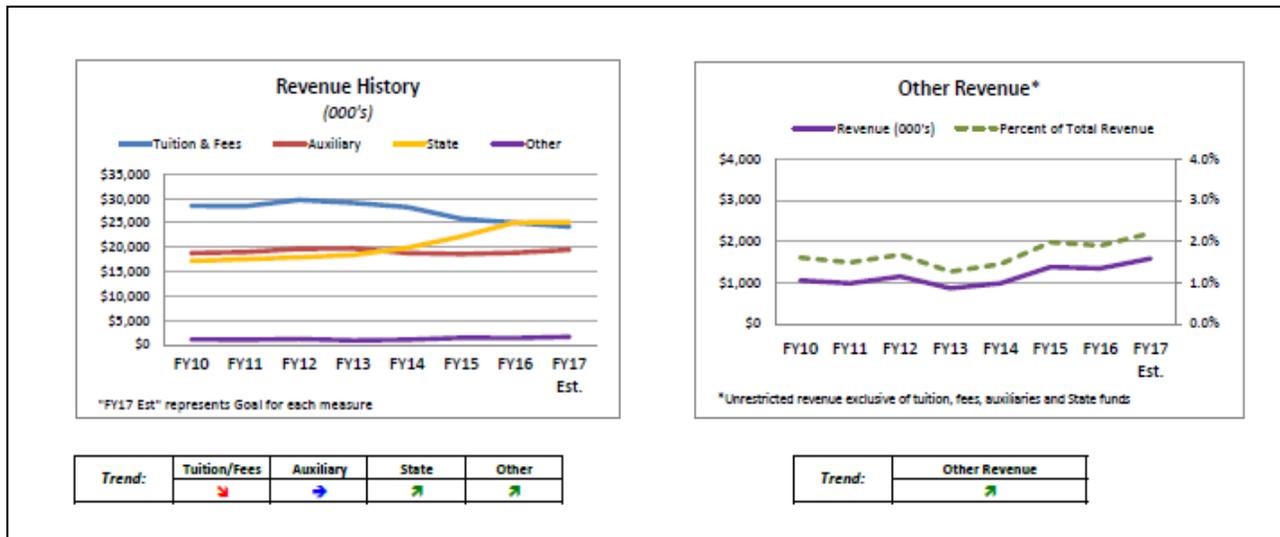
**Date of Next Meeting:** TBD

**Committee Chair:** John Wobensmith '93

**Committee Members:** Lex Birney, Donny Bryan '73, Asif Dowla, Sven Holmes, Tuajuanda Jordan, Mike O'Brien '68, Katharine Russell

**Staff Member:** Chip Jackson

**Dashboard Metrics:**



**Executive Summary:**

Discussion Items

**FY18 Operating Budget Development:** A preliminary review of anticipated revenues and expenses based on current assumptions are provided. Based on current assumptions, the preliminary Leadsheet projects a deficit of \$829 thousand. The internal budget process will be consistent with our practices to refine revenue and expense assumptions, identify reductions, and provide capacity for investing in strategic initiatives. A balanced budget will be prepared for approval by the Board at its May meeting.

**Five-Year Operating Budget Projections:** The five-year budget model has been updated for the period FY18 – FY22. The model incorporates various assumptions to predict fiscal conditions

and trends to help the institution understand the projected fiscal environment facing the College over the next five years.

**College Investment Policy:** The Committee will review current College (not Foundation) investments, including the quasi-endowment and other funds. In addition, the Committee will discuss investment strategies and fund managers, and processes for routine review of the investment portfolio.

**Compensation Plan:** The College implemented FY17 wage increases on January 1, 2017 in accordance with the Compensation Plan that was developed over the past year. Wage increases are consistent with the Strategic Plan Goal 3 to attract and retain faculty and staff by providing fair wage increases to employees with satisfactory performance, award merit increases, and make progress towards reducing market gaps that effect retention. Details of wage increases are provided.

**Risk Management:** The College will begin to develop a plan for developing a Risk Management program through planning, assessment, and implementation of best practices in high priority areas. The Committee will discuss establishing an *ad hoc* committee of trustees and executive staff to develop a plan of action.

**Update on Legislative Session:** The Governor's FY18 operating budget totals \$25 million, including the College's full block grant inflator. In addition, the Governor has proposed providing funds to buy down the proposed tuition increase from 4% to 2%. The Governor's FY18 capital budget includes funding as requested by the College for the new academic building and auditorium, as well as infrastructure improvements.

Information Items

October 13, 2016 meeting minutes are provided for informational purposes. FY17 financial results to date, reportable procurement items, and a joint investment activities update will be provided. Reports from the Foundation President and the Staff Senate President are included in the materials.

**Action Item(s) related to specific strategic plan goals as appropriate:**

**Action Item II.A.: Staff Salary Plan:** The Staff Salary Plan provides updated entry level salaries for non-exempt employees consistent with the Strategic Plan Goal 3 to attract and retain faculty and staff.

**Committee Action Taken/Action in Progress:**

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**Recommendation to the Board:**

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**FINANCE, INVESTMENT, AND AUDIT COMMITTEE**

**MEETING OF JANUARY 26, 2017**

**AGENDA**

- I. DISCUSSION ITEMS**
  - A. FY18 Operating Budget Development
  - B. Five-Year Operating Budget Projections
  - C. College Investment Policy
  - D. Compensation Plan Update
  - E. Enterprise Risk Management
  - F. Update on Legislative Session
  
- II. ACTION ITEMS**
  - A. Staff Salary Plan
  
- III. INFORMATION ITEMS**
  - A. Minutes from Meeting of October 13, 2016
  - B. FY17 Financial Results to Date
  - C. Reportable Procurement Items
  - D. Joint Investment Activities
  - E. Foundation President Report
  - F. Staff Senate President Report

*The Committee does not expect to close any portion of this meeting.*

**ST. MARY'S COLLEGE OF MARYLAND  
BOARD OF TRUSTEES  
FINANCE, INVESTMENT, AND AUDIT COMMITTEE  
MEETING OF JANUARY 26, 2017  
DISCUSSION ITEM I.A.  
STATUS OF FY18 BUDGET DEVELOPMENT**

The College's preliminary FY18 operating budget Leadsheet provides a review of revenues and expenses based on current assumptions. The preliminary estimates provided in the attached Leadsheet, and underlying assumptions from which they are based, are conservative at this time of the budget process and will be refined over the coming months. The current projection shows a deficit of \$0.83 million prior to refinement of assumptions and cost reduction efforts for FY18.

Revenues: The preliminary FY18 Leadsheet incorporates tuition and fee rates, currently anticipated student counts, and State support based on the Governor's proposed FY18 budget. Student counts are based on 1,497 full-time, on-campus undergraduates; a reduction of 26 from the current FY17 budget. New students for fall 2017 are estimated at 500 (380 first year students and 120 new transfer students). Enrollment models are for both overall undergraduate students and new fall 17 students are provided in the attached.

In-State tuition revenue is assumed to increase by 2%; State funds are anticipated to increase by the annual inflator plus additional funds equivalent to a 2% tuition buy-down. Revenue from the Foundation is undetermined at this time.

Expenses: Increases to wages include annualizing FY17 raises provided on January 1, 2017, plus FY18 wage increases effective January 1, 2018. Increased costs for continuing operations include health care costs for contractual employees (a cost the State has absorbed for the first two years of ACA), and increased dining costs. FY17 Strategic initiatives are brought forward, and additional capacity is provided for strategic initiatives to be determined during the budgeting process.

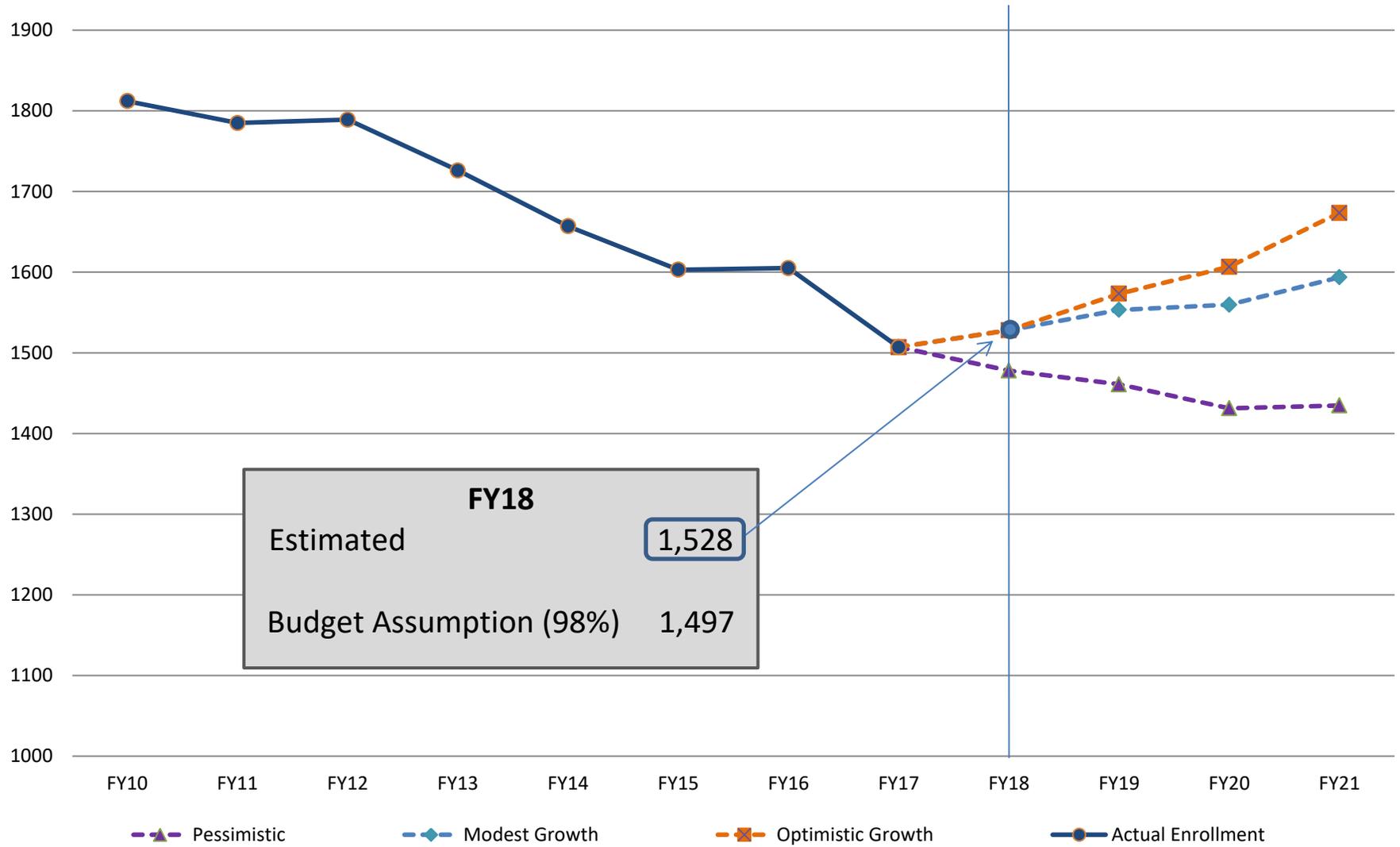
Process: The College Budget Committee will begin in February to review potential cost reduction measures towards balancing the FY18 budget. The internal budget process will be consistent with our practices to refine revenue and expense assumptions, identify reductions, and provide capacity for investing in strategic initiatives. A balanced budget will be presented to the Board in May.

**St. Mary's College of Maryland  
FY18 Budget Leadsheet - Preliminary  
Board of Trustees Summary**

1/19/2017

	<b>FY17</b>	<b>FY18 Start</b>	<b>FY18 Changes</b>	<b>FY18 Projected</b>
Tuition	20,946,117	20,946,117	(126,347)	20,819,770
Fees	3,263,464	3,263,464	(4,650)	3,258,814
State Appropriation - General Fund Grant	25,126,549	24,026,549	938,405	24,964,954
Sales & Services - Educational	611,820	611,820		611,820
Endowment / Investment Income	425,000	425,000		425,000
Foundation Unrestricted Support	35,000	35,000		35,000
Foundation rollover from FY16 - One Time	250,000	-		-
Auxiliary Enterprises	19,492,675	19,492,675	(544,300)	18,948,375
Other	255,600	255,600		255,600
<b>Total Current Fund Unrestricted Revenues</b>	<b>70,406,225</b>	<b>69,056,225</b>	<b>263,108</b>	<b>69,319,333</b>
<b>Expenditures:</b>				
Base Budgets Forward	27,119,204	27,125,539	(635,485)	26,490,054
Scholarships	6,175,524	6,129,424		6,129,424
Scholarship Reduction	(43,099)			-
<b>Total Base Budgets + Transfers</b>	<b>33,251,629</b>	<b>33,254,963</b>	<b>(635,485)</b>	<b>32,619,478</b>
Wages & Benefits	34,889,943	35,743,772		35,743,772
Foundation Endowed Chair Support				(100,000)
Instructional Wage Savings	(350,000)			(100,000)
Wage Pool + FICA and Retirement (annual FY17)	850,000	392,500		392,500
Wage Pool + FICA and Retirement (6 mos. FY18)			500,000	500,000
Implement wage changes 1/1/2018	(392,500)			-
Fringe Changes - 7% health + 88,500 pension	546,329		445,639	445,639
<b>Total Wages + Benefits</b>	<b>35,543,772</b>	<b>36,136,272</b>	<b>945,639</b>	<b>36,881,911</b>
<b>FY17 Additions / Reductions:</b>				
Anne Arundel Hall Operating Impacts	175,109			
Technology Grant	1,100,000			
Programatic and Initiative Changes - FY17	654,988			
Programatic and Initiatives from Strategic Planning - TBD			200,000	200,000
Continuing Operations - (health, utilities, dining)			162,498	162,498
Continuing Operations - annualize FY17 decisions			284,500	284,500
Reallocations	(319,273)			tbd
	1,610,824	-	646,998	646,998
<b>Total Expenditures</b>	<b>70,406,225</b>	<b>69,391,235</b>	<b>957,152</b>	<b>70,148,387</b>
<b>Surplus (Deficit)</b>	<b>0</b>			<b>(829,054)</b>

### Enrollment Projections FY17 Thru FY21 Updated 1-17-17



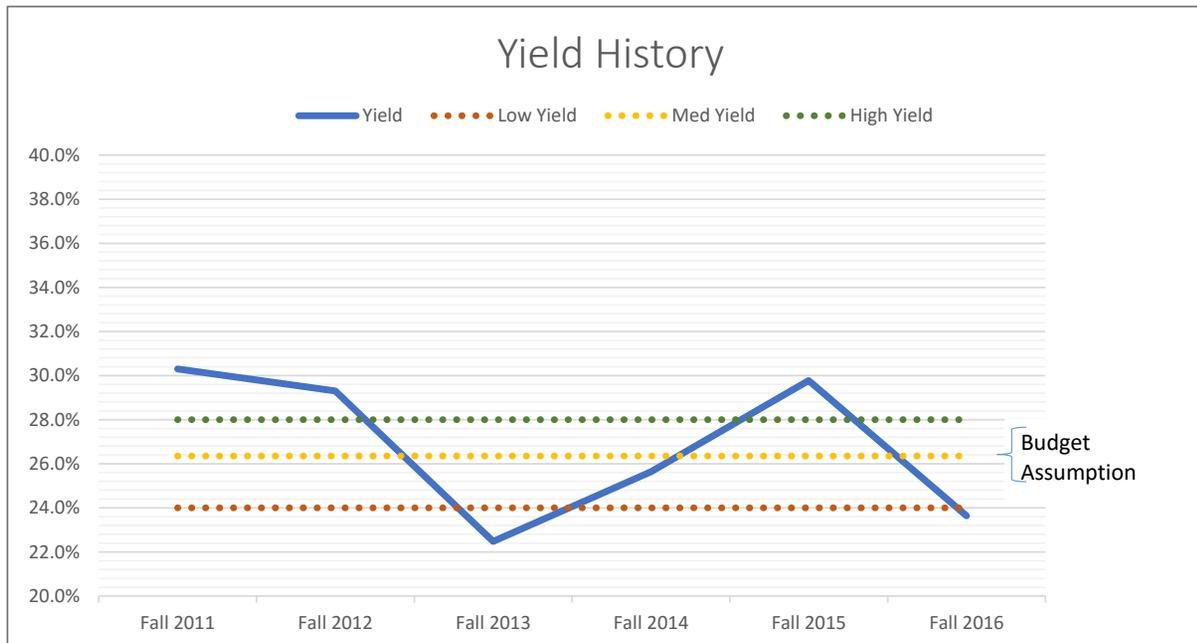
Fall 2017 Estimate for First Time First Year Undergraduate Students

1/17/2017

	Fall 2011	Fall 2012	Fall 2013	Fall 2014	Fall 2015	Fall 2016
Applied	2398	1985	2321	1874	1675	1767
Accepted	1472	1430	1704	1478	1320	1413
Acceptance Rate	61.4%	72.0%	73.4%	78.9%	78.8%	80.0%
Enrolled	446	419	383	379	393	334
Yield	30.3%	29.3%	22.5%	25.6%	29.8%	23.6%
				Three Year Average		26.4%

**Fall 2017 Estimate Range**

Fall 17 Low	Fall 17 Med	Fall 17 High
1750	1800	1850
1400	1440	1480
80%	80%	80%
336	379	414
24.0%	26.4%	28.0%



**BOARD OF TRUSTEES  
ST. MARY'S COLLEGE OF MARYLAND  
FINANCE, INVESTMENT, AND AUDIT COMMITTEE  
MEETING OF JANUARY 26, 2017  
DISCUSSION ITEM I.B.  
FIVE-YEAR BUDGET MODEL: FY17 – FY21**

**Overview**

The 5-year budget model has been updated for the period FY17 – FY21. The model incorporates various assumptions to predict fiscal conditions and trends to help the institution understand the fiscal environment facing the College over the next five years. Estimates of possible future revenue and expense scenarios support planning on many levels including setting tuition and fees, annual budgeting, strategic planning, and enrollment planning. Acknowledging that there are many factors that have significant influence on revenues and expenses, the 5-year budget model provides a range of scenarios to create a framework to inform future decision making.

**Model**

The 5-year budget model defines three enrollment scenarios, including a pessimistic outlook, a modest outlook, and an optimistic outlook, each based on the attached enrollment model. In all models, assumptions on tuition and fee rates, State funding, and expenses remain constant (see attached assumptions page). The modest scenario is consistent with the preliminary Leadsheet assumptions for FY18, including the currently estimated \$0.83M deficit due to lower enrollments.

The model presented is intended as a starting point for discussion with trustees and the campus community. Likewise, the goals and assumptions used to drive the scenarios should be considered as flexible and subject to further evaluation.

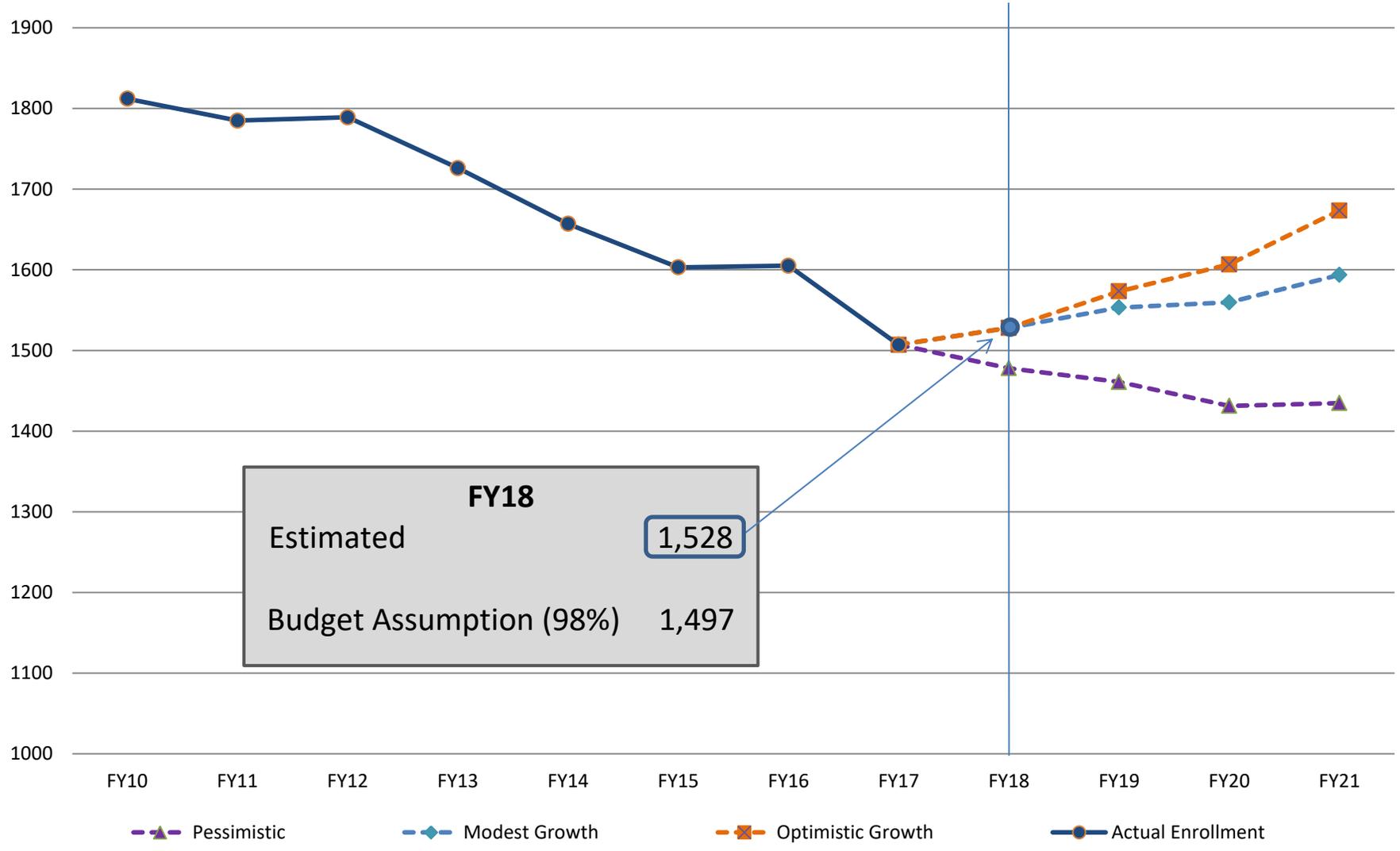
# Five-Year Budget Projection

I.B.

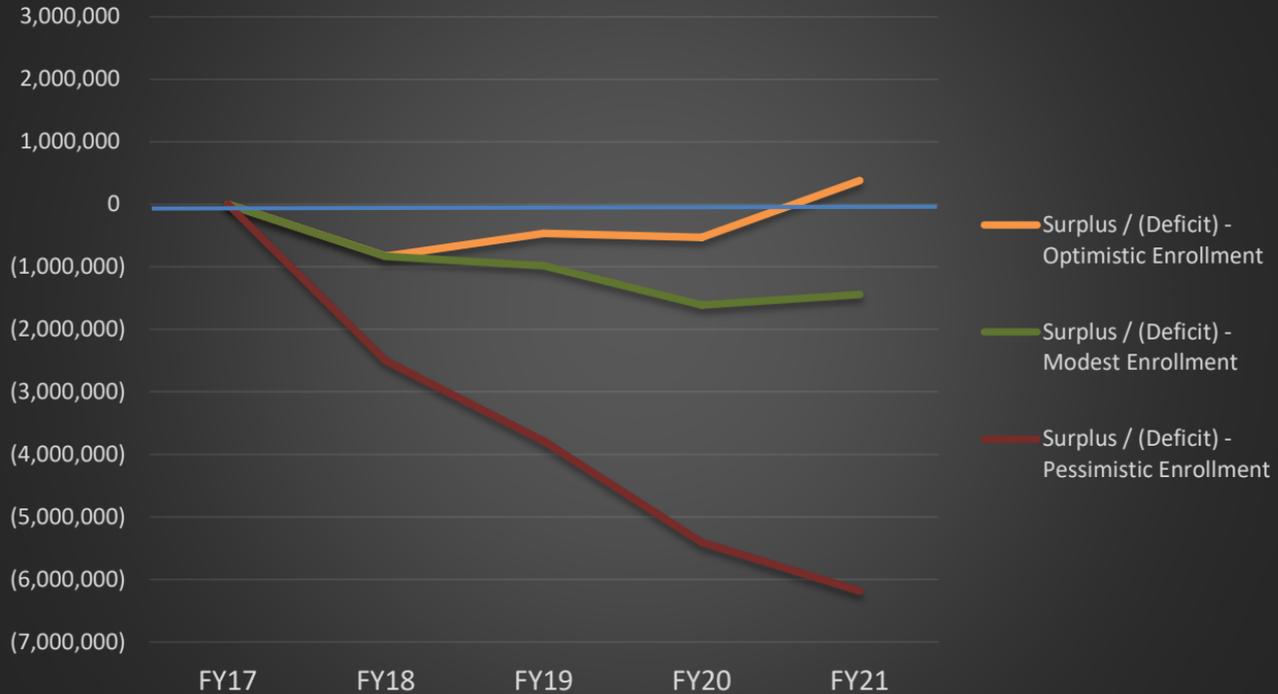
## Assumptions

- Revenue Assumptions
  - State: Block Grant + Inflator (2%)
  - Additional state support for wages & benefits excluded
  - Tuition & Fees: 2%
  - Room & Board Rates 3%
  - Other Revenue: unchanged - future opportunities TBD
  - Enrollment: per Enrollment Model (pessimistic, modest growth, optimistic growth)
- Expense Assumptions
  - Scholarship 2%
  - Wages 3% / Benefits vary 2% - 4%
  - Base Budgets: Utilities and Dining Increase
  - Modest funding for Strategic Initiatives

### Enrollment Projections FY17 Thru FY21 Updated 1-17-17



### 5-Year: Net Revenue Models



<b>Expenditures</b>		<b>FY17</b>		<b>FY18</b>		<b>FY19</b>		<b>FY20</b>		<b>FY21</b>
Personnel:										
Wages		25,970,902		26,720,902		27,220,902		28,160,023		29,131,544
Wage Pool	2.50%	750,000	3.00%	500,000	3.00%	939,121	3.00%	971,521	3.00%	1,005,038
Health	6.30%	5,101,984		5,547,623	4.00%	5,769,528	4.00%	6,000,309	4.00%	6,240,321
Retirement	4.00%	2,792,574		2,792,574	2.50%	2,862,388	2.50%	2,933,948	2.50%	3,007,297
Other Fringe	2.00%	1,180,293		1,320,293	2.00%	1,346,699	2.00%	1,373,633	2.00%	1,401,105
Total Full Time Personnel		<u>35,795,753</u>		<u>36,881,392</u>		<u>38,138,638</u>		<u>39,439,434</u>		<u>40,785,306</u>
Base Budgets Forward		27,119,204		27,125,539		27,137,052		27,987,052		28,842,052
Scholarships		6,132,425	0.00%	6,132,425	2.00%	6,255,074	2.00%	6,380,175	2.00%	6,507,778
Transfer to Plant		0		0		0		0		0
Total Base Budgets + Transfers		<u>33,251,629</u>		<u>33,257,964</u>		<u>33,392,126</u>		<u>34,367,227</u>		<u>35,349,830</u>
New Costs										
Annual FY17 Decisions		0		284,500						
Continuing Ops		0		162,498		250,000		255,000		260,100
Programtic and SFP Initiatives		0		200,000		400,000		400,000		400,000
Base changes - count related		0		(635,485)		0		0		0
Tech Grant		1,100,000				0		0		0
Misc Initiatives		654,988				200,000		200,000		200,000
Anne Arundel Replacement Op Impacts		175,109								
		(571,254)								
Total New Costs		<u>0</u>		<u>11,513</u>		<u>850,000</u>		<u>855,000</u>		<u>860,100</u>
Total Expenditures		<u><u>70,406,225</u></u>		<u><u>70,150,869</u></u>		<u><u>72,380,764</u></u>		<u><u>74,661,661</u></u>		<u><u>76,995,236</u></u>

**Pessimistic Enrollment - 2% Tuition**

	FY17	FY18	FY19	FY20	FY21					
Rate Changes										
Tuition	0.00%	4.00%	2.00%	2.00%	2.00%					
MAT	0.00%	4.00%	2.00%	2.00%	2.00%					
Fees	3.00%	4.00%	2.00%	2.00%	2.00%					
General Fund Grant	2.14%	2.00%	2.00%	2.00%	2.00%					
Room	3.00%	3.00%	3.00%	3.00%	3.00%					
Board	3.00%	3.00%	3.00%	3.00%	3.00%					
<b>Enrollment</b>	<b>1,507</b>	<b>1,448</b>	<b>1,432</b>	<b>1,403</b>	<b>1,406</b>					
<b>Rates:</b>										
Tuition										
In State	11,195	16,555,815	11,643	16,149,746	11,876	16,287,490	12,113	16,287,897	12,355	16,652,579
Out of State	26,045	3,162,018	27,087	2,881,893	27,629	2,907,091	28,181	2,908,262	28,745	2,973,243
MAT	15,270	404,976	15,881	412,901	16,198	421,159	16,522	429,582	16,853	438,174
Summer	195	235,173	195	200,070	195	200,070	195	200,070	195	200,070
Part Time	195	224,800	195	219,180	195	219,180	195	219,180	195	219,180
Waiver Recoveries		268,853		268,853		268,853		268,853		268,853
Total Tuition		<u>20,851,635</u>		<u>20,132,642</u>		<u>20,303,843</u>		<u>20,313,844</u>		<u>20,752,098</u>
Mandatory Fee										
SGA	270		270		270		270		270	
College	1,218	1,773,236	1,267	1,891,707	1,292	1,907,870	1,318	1,907,969	1,344	1,950,682
College - CFU Facility	475	692,954	494	738,227	504	744,535	514	744,573	525	761,242
Plant - Facility	909		946		964		984		1,003	
Total Mandatory Fee	<u>2,872</u>	<u>2,466,190</u>	<u>2,976</u>	<u>2,629,934</u>	<u>3,031</u>	<u>2,652,405</u>	<u>3,086</u>	<u>2,652,543</u>	<u>3,142</u>	<u>2,711,924</u>
Other Fees		<u>891,756</u>		<u>659,816</u>		<u>659,816</u>		<u>659,816</u>		<u>659,816</u>
Total Fees		<u>3,357,946</u>		<u>3,289,750</u>		<u>3,312,221</u>		<u>3,312,359</u>		<u>3,371,740</u>
Total Tuition and Fees		<u>24,209,581</u>		<u>23,422,392</u>		<u>23,616,064</u>		<u>23,626,202</u>		<u>24,123,838</u>
State Appropriation		25,126,549		24,572,000		25,063,440		25,564,709		26,076,003
Misc. (Gifts & Grnt., Sales & Serv., Interest)		1,036,820		1,036,820		1,036,820		1,036,820		1,036,820
Foundation Support		285,000		35,000						
Auxiliaries										
Residence Halls		10,959,678		10,232,050		10,416,971		10,513,049		10,854,588
Dining		6,200,660		6,082,605		6,192,534		6,249,649		6,452,683
Other		2,332,337		2,147,459		2,147,459		2,147,459		2,147,459
Total Auxiliary		<u>19,492,675</u>		<u>18,462,114</u>		<u>18,756,965</u>		<u>18,910,158</u>		<u>19,454,730</u>
Other		255,600		117,000		117,000		117,000		117,000
Total Revenues		<u>70,406,225</u>		<u>67,645,326</u>		<u>68,590,289</u>		<u>69,254,889</u>		<u>70,808,391</u>

**Current Enrollment Model - 2% Tuition**

	FY17	FY18	FY19	FY20	FY21					
<b>Rate Changes [INPUTS]</b>										
Tuition	0.00%	4.00%	2.00%	2.00%	2.00%					
MAT	0.00%	4.00%	2.00%	2.00%	2.00%					
Fees	3.00%	4.00%	2.00%	2.00%	2.00%					
General Fund Grant	2.14%	2.00%	2.00%	2.00%	2.00%					
Room	3.00%	3.00%	3.00%	3.00%	3.00%					
Board	3.00%	3.00%	3.00%	3.00%	3.00%					
<b>Enrollment</b>	<b>1,507</b>	<b>1,497</b>	<b>1,522</b>	<b>1,528</b>	<b>1,562</b>					
<b>Rates:</b>										
<b>Tuition</b>										
In State	11,418	16,555,815	11,875	17,012,573	12,112	17,631,554	12,354	18,046,143	12,602	18,810,162
Out of State	26,566	3,162,018	27,629	3,034,308	28,181	3,143,807	28,745	3,217,534	29,320	3,352,477
MAT	15,576	404,976	16,199	421,175	16,523	429,599	16,853	438,191	17,191	446,954
Summer	200	235,173	200	235,173	200	235,173	200	235,173	200	235,173
Part Time	200	224,800	200	224,800	200	224,800	200	224,800	200	224,800
Waiver Recoveries		268,853		268,853		268,853		268,853		268,853
Total Tuition		<u>20,851,635</u>		<u>21,196,882</u>		<u>21,933,786</u>		<u>22,430,693</u>		<u>23,338,419</u>
<b>Mandatory Fee</b>										
SGA	270		270		270		270		270	
College	1,172	1,773,236	1,219	1,880,118	1,243	1,948,484	1,268	1,994,292	1,293	2,078,668
College - CFU Facility	458	692,954	476	734,722	486	761,438	496	779,339	505	812,312
Plant - Facility	874		909		927		946		965	
Total Mandatory Fee	<u>2,774</u>	<u>2,466,190</u>	<u>2,874</u>	<u>2,614,840</u>	<u>2,926</u>	<u>2,709,922</u>	<u>2,979</u>	<u>2,773,631</u>	<u>3,034</u>	<u>2,890,980</u>
Other Fees		<u>891,756</u>		<u>659,816</u>		<u>659,816</u>		<u>659,816</u>		<u>659,816</u>
Total Fees		<u>3,357,946</u>		<u>3,274,656</u>		<u>3,369,738</u>		<u>3,433,447</u>		<u>3,550,796</u>
Total Tuition and Fees		<u>24,209,581</u>		<u>24,471,538</u>		<u>25,303,524</u>		<u>25,864,140</u>		<u>26,889,215</u>
State Appropriation		25,126,549		24,572,000		25,063,440		25,564,709		26,076,003
Misc. (Gifts & Grnt., Sales & Serv., Interest)		1,036,820		1,036,820		1,036,820		1,036,820		1,036,820
Foundation Support		285,000		35,000						
<b>Auxiliaries</b>										
Residence Halls		10,959,678		10,718,663		11,222,650		11,600,278		12,217,309
Dining		6,200,660		6,082,253		6,368,238		6,582,521		6,932,652
Other		<u>2,332,337</u>		<u>2,147,459</u>		<u>2,147,459</u>		<u>2,147,459</u>		<u>2,147,459</u>
Total Auxiliary		<u>19,492,675</u>		<u>18,948,375</u>		<u>19,738,347</u>		<u>20,330,258</u>		<u>21,297,420</u>
Other		255,600		255,600		255,600		255,600		255,600
Total Revenues		<u>70,406,225</u>		<u>69,319,333</u>		<u>71,397,730</u>		<u>73,051,527</u>		<u>75,555,058</u>

**Optimistic Enrollment Model - 2% Tuition**

	2.00%	FY17	FY18	FY19	FY20	FY21
<b>Rate Changes [INPUTS]</b>						
Tuition		2.00%	4.00%	2.00%	2.00%	2.00%
MAT		2.00%	4.00%	2.00%	2.00%	2.00%
Fees		3.00%	4.00%	2.00%	2.00%	2.00%
General Fund Grant		2.14%	2.00%	2.00%	2.00%	2.00%
Room		3.00%	3.00%	3.00%	3.00%	3.00%
Board		3.00%	3.00%	3.00%	3.00%	3.00%
<b>Enrollment</b>		1,507	1,497	1,542	1,575	1,640
<b>Rates:</b>						
<b>Tuition</b>						
In State	11,419	16,557,120	11,876	17,013,914	12,113	17,853,743
Out of State	26,566	3,162,006	27,629	3,034,297	28,181	3,182,460
MAT	15,575	404,960	16,198	421,159	16,522	429,582
Summer	200	235,173	200	235,173	200	235,173
Part Time	200	224,800	200	224,800	200	224,800
Waiver Recoveries		268,853		268,853		268,853
Total Tuition		<u>20,852,912</u>		<u>21,198,196</u>		<u>22,194,610</u>
<b>Mandatory Fee</b>						
SGA	270		270		270	
College	1,172	1,773,236	1,219	1,880,118	1,243	1,972,852
College - CFU Facility	458	692,954	476	734,722	486	770,961
Plant - Facility	874		909		927	
Total Mandatory Fee	2,774	2,466,190	2,874	2,614,840	2,926	2,743,812
Other Fees		890,479		659,816		659,816
Total Fees		<u>3,356,669</u>		<u>3,274,656</u>		<u>3,403,628</u>
Total Tuition and Fees		<u>24,209,581</u>		<u>24,472,851</u>		<u>25,598,239</u>
State Appropriation		25,126,549		24,572,000		25,063,440
Misc. (Gifts & Grnt., Sales & Serv., Interest)		1,036,820		1,036,820		1,036,820
Foundation Support		285,000		35,000		
<b>Auxiliaries</b>						
Residence Halls		10,959,678		10,718,663		11,367,150
Dining		6,200,660		6,082,253		6,450,234
Other		2,332,337		2,147,459		2,147,459
Total Auxiliary		<u>19,492,675</u>		<u>18,948,375</u>		<u>19,964,843</u>
Other		255,600		255,600		255,600
Total Revenues		<u>70,406,225</u>		<u>69,320,647</u>		<u>71,918,942</u>
						<u>74,134,370</u>
						<u>77,372,607</u>

**BOARD OF TRUSTEES  
ST. MARY'S COLLEGE OF MARYLAND  
FINANCE, INVESTMENT, AND AUDIT COMMITTEE  
MEETING OF JANUARY 26, 2017  
DISCUSSION ITEM I.C.  
COLLEGE INVESTMENT POLICY**

**Overview**

The College holds investments totaling \$3.74 million consisting of Endowment and Quasi-Endowment; \$2.73 million are funds functioning as endowment (Quasi) and \$1.02 million represents the Blackistone Endowment. Over the past few years, the fund has grown as new funds have been added in each of the previous 3 years at year end; totaling \$750 thousand (FY14 + 300, FY15 + 100, FY16 +350).

The College endowment funds, which are separate from the Foundation endowment, are primarily used to provide income to the College to be used in operations. In FY17, the College endowments are budgeted to contribute \$95 thousand in earnings to support current unrestricted revenues.

The invested Endowment funds are currently managed by 19/19 Investment Council of Baltimore (\$2.45 million as of 12/31/16). Attachment A is a report on the account as of December 31, 2016. Endowment funds not with 19/19 are currently held in the State Treasurers cash investment pool (\$1.22 million).

**Issues**

Investment Policy: The current investment policy (Attachment B) was approved by the Board of Trustees in 1998. In 2003, the Board revised the asset allocation guidelines (Attachment C). Specific areas of interest in reviewing the policy include:

- The investment allocation guidelines may be outdated and consideration given to updating the allocations.
- We are currently following that portion of the policy which pertains to fixed income investment, we have not had equity investments since the 2008-11 time period when the College experienced a loss, cashed out the equity investment and later used those funds to retire the 2007 Bond Anticipation Note.

Fund Manager: 19/19 Investment Council became the manager in November 2014 when Legg Mason sold their advisory services to Stifel Financial. The College may choose to consider a single account manager for both the Foundation and College endowments – a practice that was followed in the early 2000's. The issue: should the College have a single manager for both the College and Foundation endowments? Having a single manager for both endowments may streamline management and oversight, and be more efficient overall.

Distribution of Funds between invested vs. Funds held by the State Treasurer: The funds in the State Treasurer currently represent about a third of the endowment. Issue: what is the preferred approach to determine the amount of funds held in the State treasury versus in the invested funds managed by the fund manager and over what time period should any changes be implemented?

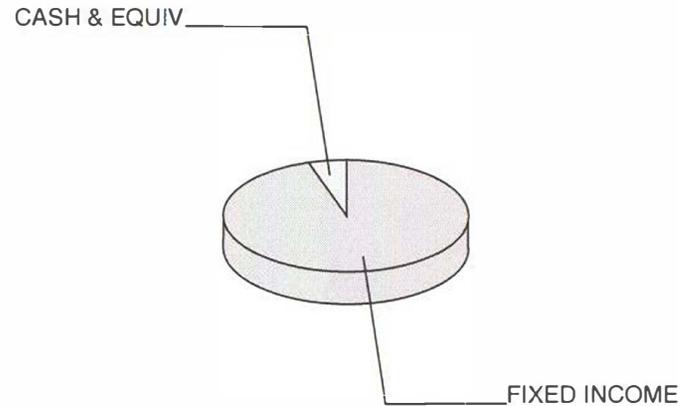
**Management and Oversight: The Issue:** currently, no one at the College consistently provides oversight and management of its endowment. Review of the College endowment's performance, allocation strategy, and overall management may benefit from being added to the agenda for the Joint Investment Advisory Group between the College and the Foundation (JIAC).

ST. MARY'S COLLEGE FIXED ACCOUNT

ACCOUNT NUMBER:  
STATEMENT PERIOD:

61-A583-01-4  
12/01/16 - 12/31/16

**PORTFOLIO SUMMARY**



**VALUE OF PORTFOLIO**

DESCRIPTION	MARKET VALUE	% OF ACCOUNT
CASH & EQUIV	113,001.29	4.6%
FIXED INCOME	2,323,698.88	95.4%
<b>TOTAL PORTFOLIO</b>	<b>\$ 2,436,700.17</b>	<b>100.0%</b>
ACCRUED INCOME	22,642.50	
<b>TOTAL VALUATION</b>	<b>\$ 2,459,342.67</b>	

**MARKET RECONCILEMENT**

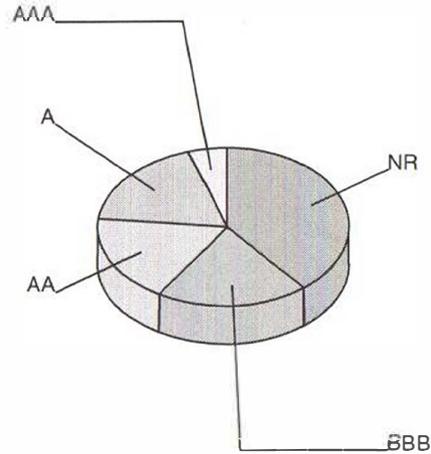
	CURRENT PERIOD	YEAR TO DATE
<b>BEGINNING MARKET VALUE</b>	<b>\$ 2,456,997.88</b>	<b>\$ 2,397,794.96</b>
RECEIPTS		
INTEREST.....	2,514.51	91,956.82
PURCHASED INCOME.....	0.00	-3,631.95
CASH TRANSFERS.....	0.00	0.00
REALIZED GAINS/(LOSSES).....	28.68	1,244.68
CHANGE IN ACCRUED INCOME BALANCE.....	5,052.47	-645.76
UNREALIZED APPRECIATION/(DEPRECIATION).....	-5,342.82	-17,212.44
NON-CASH ACTIVITY.....	91.95	-10,163.64
<b>ENDING MARKET VALUE</b>	<b>\$ 2,459,342.67</b>	<b>\$ 2,459,342.67</b>

ST. MARY'S COLLEGE FIXED ACCOUNT

ACCOUNT NUMBER:  
STATEMENT PERIOD:

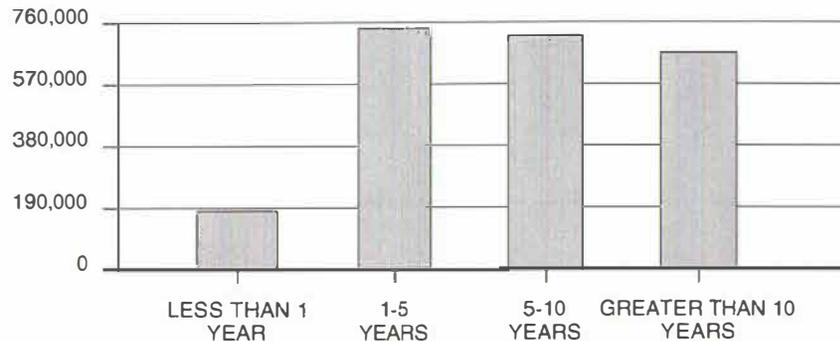
61-A583-01-4  
12/01/16 - 12/31/16

## BOND QUALITY SUMMARY



QUALITY RATING	MARKET VALUE	PERCENT
AAA	109,208.51	4.7%
AA	412,997.37	17.8%
A	413,936.63	17.8%
BBB	472,250.21	20.3%
NR	915,306.16	39.4%
<b>TOTAL</b>	<b>\$ 2,323,698.88</b>	<b>100.0%</b>

## BOND MATURITY



YEARS TO MATURITY	MARKET VALUE	PERCENT
LESS THAN 1	184,769.43	8.0%
1-5	747,160.50	32.2%
5-10	723,807.43	31.2%
GREATER THAN 10	667,961.52	28.8%
<b>TOTAL</b>	<b>\$ 2,323,698.88</b>	<b>100.0%</b>
<b>AVERAGE TIME TO MATURITY: 8.8 YEARS</b>		<b>CURRENT YIELD: 3.86%</b>





**St. Mary's  
College of Maryland  
Endowment Fund**

**December 31, 2016**

Aimee M. Eudy  
1919 Investment Counsel  
Principal, Portfolio Manager  
410.454.5622  
[AMEudy@1919ic.com](mailto:AMEudy@1919ic.com)

## Investment Review

- 2016 proved to be a volatile year despite the 10-year Treasury yielding 2.27% at the beginning of the year and ending only slightly higher at 2.44%. In between, the yield reached a record low of 1.36% following the surprising Brexit vote before proceeding to climb to 2.60% post the U.S. election.
- Throughout the year, the portfolio was positioned accordingly for rising rates which benefited performance. However, we had expected a flatter Treasury curve with the Fed raising rates in the short-end and strong global demand keeping yields in the long-end tamped down.
- Instead, the curve steepened slightly so the barbell strategy we had been utilizing was not additive to performance. It did however provide dry powder to deploy as rates spiked late in the year.
- The overweight to corporates contributed positively but the portfolio could have benefitted from longer BBB-rated bonds, which contributed to the outperformance of the benchmark.
- Given the high level of domestic and geopolitical uncertainty, we chose to be more defensive and did not believe the risk-reward equation supported greater risk.

## Market Outlook & Strategy

- Our forecast is for GDP growth in the mid 2% area for 2017 and a higher 10-year Treasury yield. We are anticipating a year-end yield around 3.25% for the ten-year Treasury as the Fed communicated they expect to tighten three times in 2017.
- Continued lower interest rates abroad should keep US Treasury yields from rising too rampantly.
- We have modified our views following the US election and believe the yield curve is more likely to steepen than flatten. As such, we will shift to a more laddered term structure rather than the barbell strategy that was previously utilized.
- We will manage interest rate risk by keeping duration below that of the benchmark.
- Going forward, our focus will be to maintain the overweight to corporates, as global demand and modest growth are supportive of the sector.

# Performance

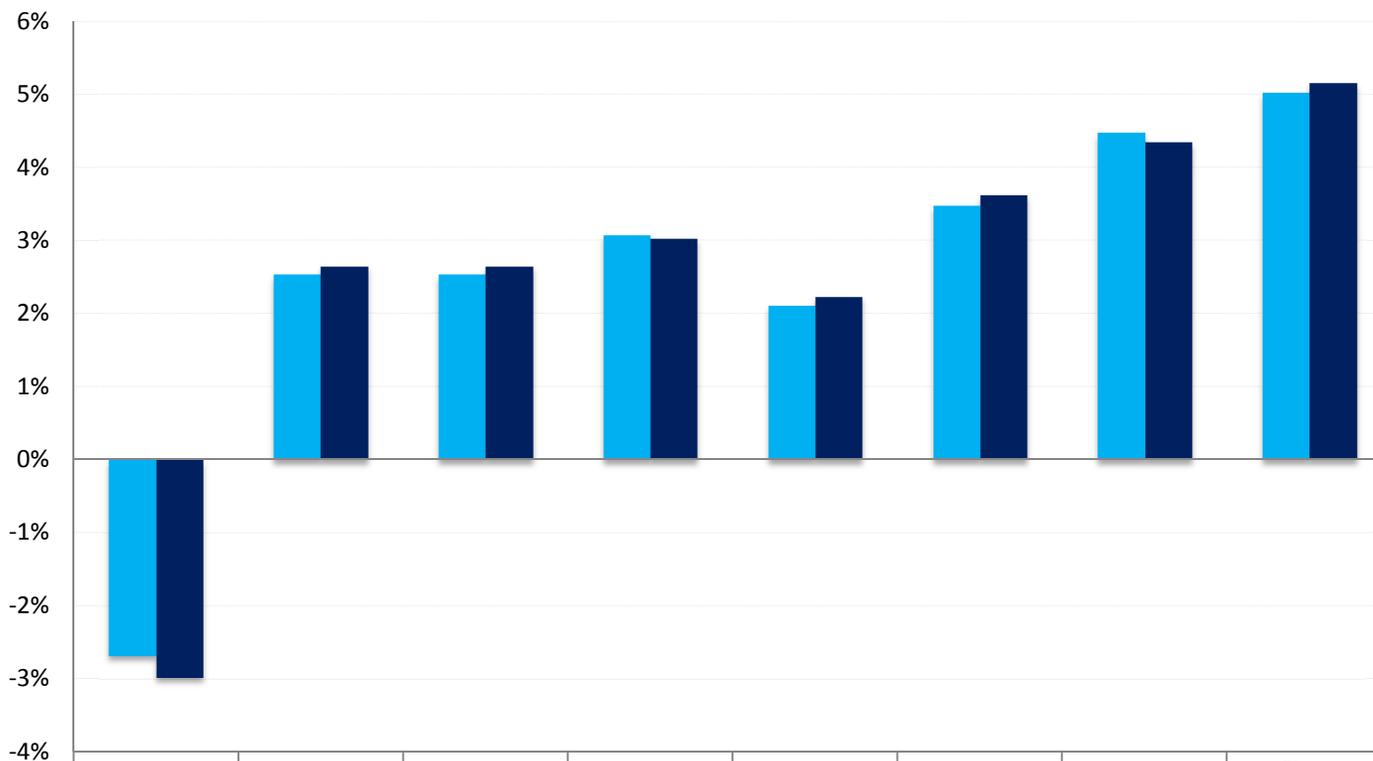
## As of 12/31/2016

Contributors to Performance:

- Duration shorter than the benchmark
- Overweight to corporates, specifically the financial sector
- Longer-dated Treasuries

Detractors from Performance:

- Underweight to MBS
- Longer-dated Agencies



	QTD	YTD	1-Year	3-Years	5-Years	7-Years	10-Years	Since Inception (3/31/00)
St. Mary's College of MD	-2.68%	2.53%	2.53%	3.08%	2.11%	3.47%	4.47%	5.02%
Barclays US Aggregate	-2.98%	2.65%	2.65%	3.03%	2.23%	3.62%	4.34%	5.15%

Past performance is not indicative of future results. Performance shown is gross of fees.

Source: Advent Portfolio Exchange

# Fixed Income Characteristics

## As of 12/31/2016

	St. Mary's College of Maryland Endowment Fund	Barclays US Aggregate
Average Quality	AA-	AA
Average Coupon	4.01%	3.08%
Average YTW	2.45%	2.59%
Average Life (Years)	6.94	7.95
Average Effective Duration	5.08	5.75

- The average quality of the portfolio is very high and only one notch lower than the benchmark.
- The higher average coupon is indicative of our emphasis on higher cash flows with which to reinvest at higher rates.
- The relatively low duration reflects our conservative positioning in advance of higher interest rates.

*Average quality is determined using the lower of S&P and Moody's ratings.*

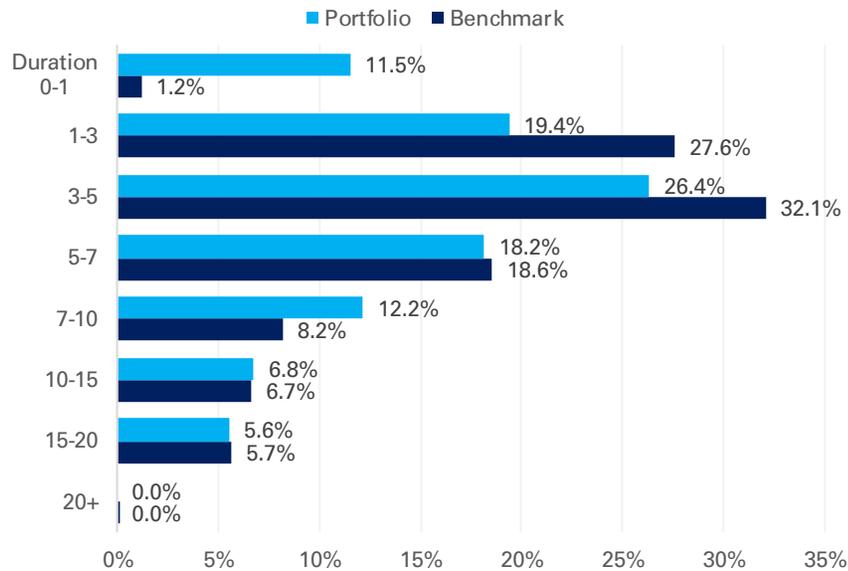
*Index – Barclays US Aggregate*

*Source: FactSet*

# Portfolio Characteristics

## Term Structure as of 12/31/2015

Market Value Weighted



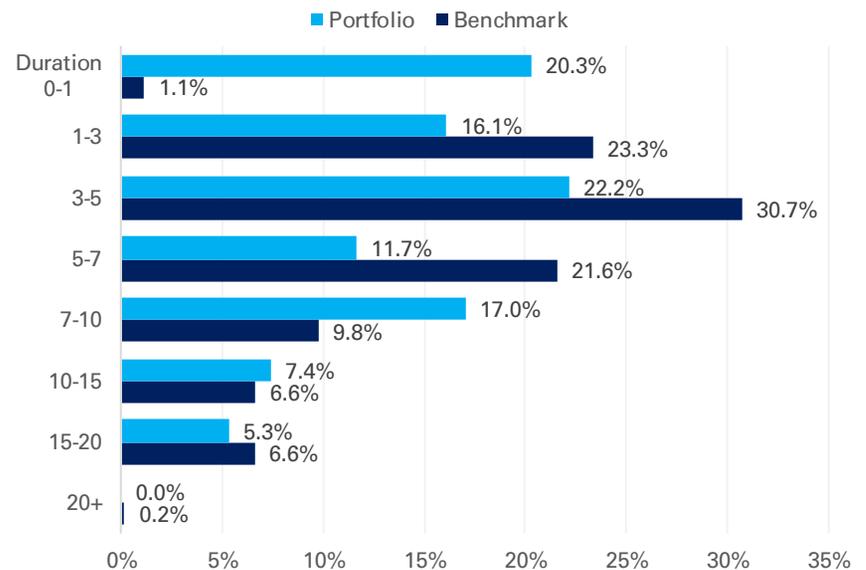
Index – Barclays US Aggregate

Source: FactSet

- The Fed remains committed to a data-dependent approach to raising the target federal funds rate. With the labor market near full employment and a reflationary fiscal policy expected under the Trump administration, we expect the Fed to continue tightening in 2017 while remaining relatively accommodative.
- In light of the election results and upcoming fiscal and monetary policy, we are considering changes in the shape of the yield curve and the appropriate term structure strategy.

## Term Structure as of 12/31/2016

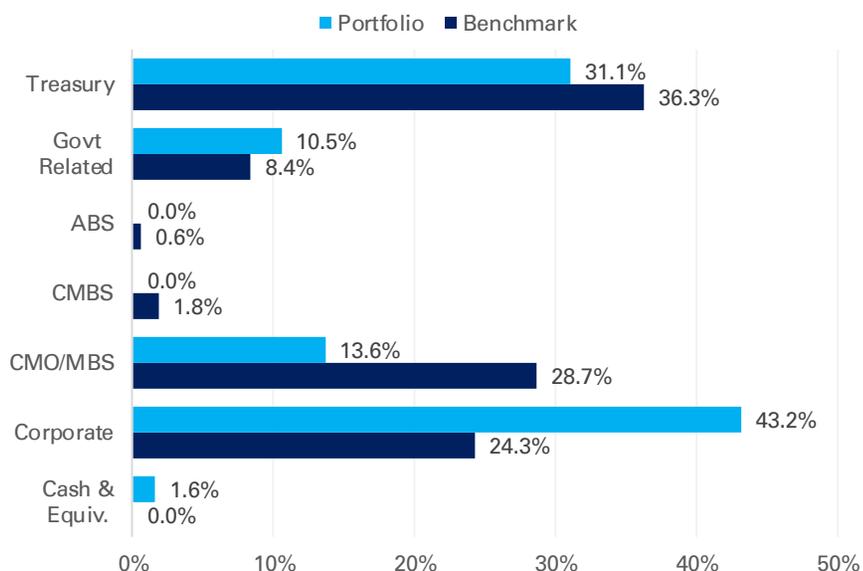
Market Value Weighted



# Portfolio Characteristics

## Sector Allocation as of 12/31/2015

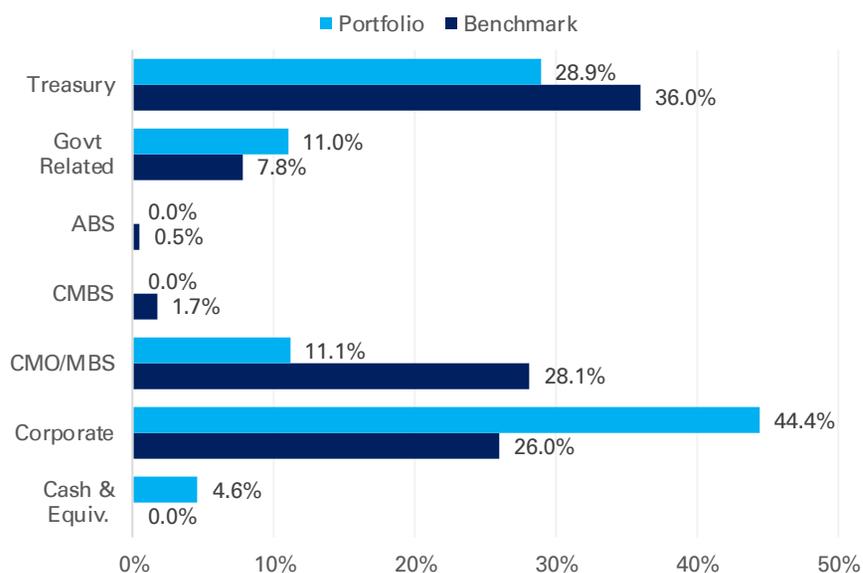
Market Value Weighted



- We increased exposure to spread product, specifically corporates.
- Recent corporate purchases include:
  - Exxon Mobil (Aaa/AA+)
  - Statoil ASA (Aa3/A+)
  - Toronto-Dominion Bank (Aa1/AA-)
  - Citigroup FRN (Baa1/BBB+)
  - Bank of Nova Scotia (Baa1/BBB+)
  - Gilead Sciences (A3/A)
  - Goldman Sachs (A3/BBB+)
  - Southern Power Co (Baa1/BBB+)
  - Bank of America (Baa3/BBB)
  - JPMorgan Chase (A3/A-)
  - Ford Motor Co (Baa2/BBB)

## Sector Allocation as of 12/31/2016

Market Value Weighted



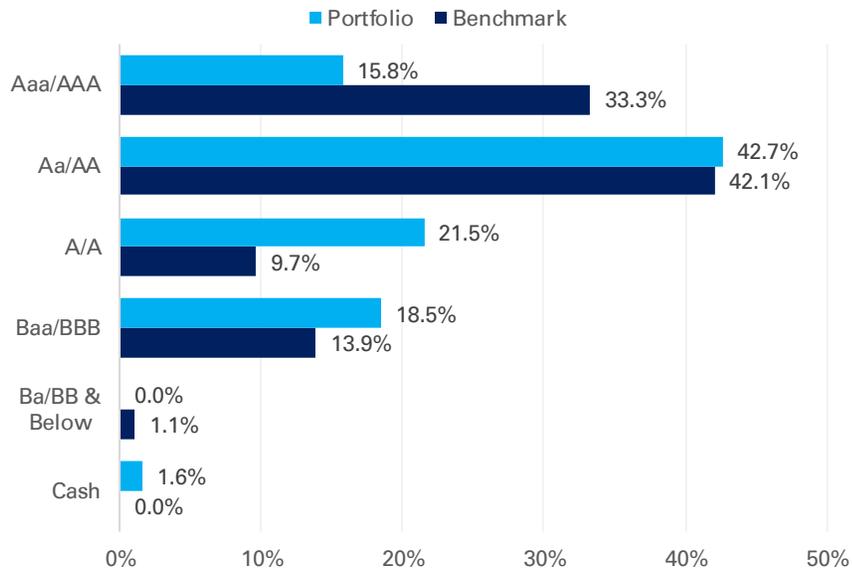
Index – Barclays US Aggregate

Source: FactSet

# Portfolio Characteristics

## Quality Distribution as of 12/31/2015

Market Value Weighted

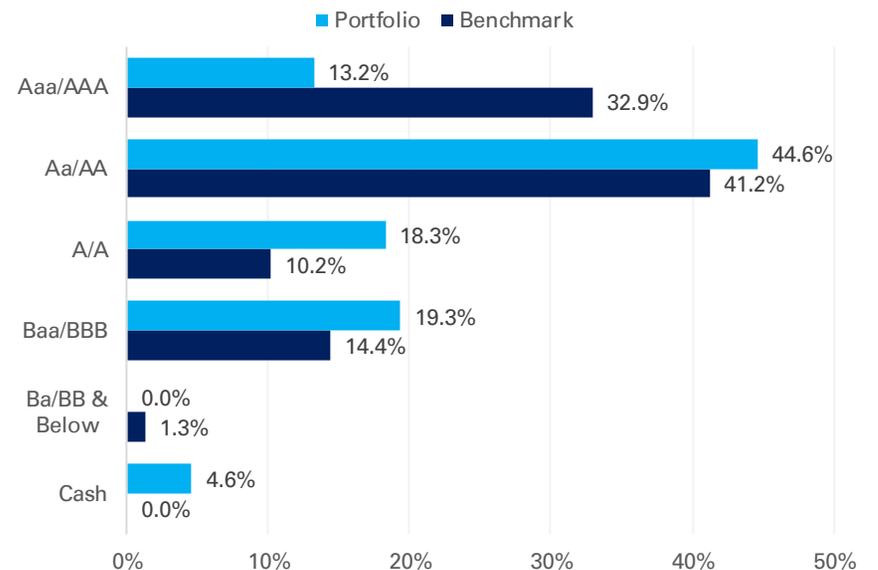


Average quality is determined using the lower of S&P and Moody's ratings.  
Index – Barclays US Aggregate  
Source: FactSet

- Given the uncertainty surrounding the Trump Administration and further tightening by the Fed, there is likely to be more volatility in 2017.
- Going forward, we will selectively consider adding eligible corporates as demand should persist and they offer additional spread over Treasuries.

## Quality Distribution as of 12/31/2016

Market Value Weighted



**Approval recommended by consent of the Board of Trustees of St. Mary's College of Maryland on June 6, 1998 and by the Directors of the St. Mary's College of Maryland Foundation on June 16, 1998.**

**St. Mary's College of Maryland**

**St. Mary's College of Maryland Foundation**

**INVESTMENT POLICY**

**Preamble**

All funds of St. Mary's College of Maryland ("College") are held by the Board of Trustees as a fiduciary. Similarly, all funds of St. Mary's College of Maryland Foundation ("Foundation") are held by the Board of Directors as a fiduciary. Therefore, even the legally unrestricted funds of these organizations (collectively the "Organizations") are held by these organizations as a steward for carrying out the mission and purpose of the College. The following investment objectives and directions are to be judged and understood in light of that overall sense of stewardship. Furthermore, the adoption of a unified investment policy is in no way intended to constrain the independence of either governing body. Its intent is to insure an appropriate level of coordination in the portfolio management of the assets of each organization.

**Delegation**

The Board of Trustees of the College and the Board of Directors of the Foundation have delegated supervisory authority over their financial affairs to the Finance, Investment and Audit Committee of the Board of Trustees and to the Finance Committee of the Foundation, respectively. While both committees are responsible for regularly reporting on investments to their respective boards, the deliberative work of both committees, as it pertains to the coordination of investment practice, has been delegated to the Joint Investment Advisory Committee whose membership is made up of representatives of both committees and the College.

The Joint Investment Advisory Committee was approved at the June 6, 1997 meeting of the St. Mary's College of Maryland Board of Trustees; and at the June 20, 1997 meeting of the St. Mary's College of Maryland Foundation. The approved language follows:

***Rationale***

*This proposal creates a joint investment advisory committee to the College and the Foundation.*

*A joint committee would support the following three major objectives:*

*1) the development of a comprehensive asset management strategy and policy based upon the programmatic needs of the College and the development of strategies to direct the appropriate balance between investment income for annual expenditure and funds to be retained for reinvestment;*

*2) the development of a coherent, complementary investment plan that balance income, growth, and risk in the investment portfolios of both the College and the Foundation; and*

*3) the selection, direction and supervision of an external portfolio manager.*

***Composition***

*The committee will comprise five voting members: the President of the College, two members from the College's Board of Trustees and two members from the Foundation. The chair will be selected on a rotating basis from the members of the committee. The term of office for the chair shall be two years.*

In carrying out its responsibilities, the Joint Investment Advisory Committee has adopted the policies herein (the "Policies") with the intent that the organizations will conform and adopt these Policies. The Boards of the Organizations may also grant exceptions to the Investment Policy when appropriate.

The Joint Investment Advisory Committee will recommend to the Organizations one or more Investment Managers to direct the investment of funds and assets owned or administered by the Organizations.

The funds and assets of the Organizations shall not be co-mingled and shall be managed as separate entities. In discharging its responsibility, the Joint Investment Advisory Committee will act in concert with its Board committees and will receive reports from such Managers. Compensation paid to such Managers shall be paid by each Organization on a proportional basis.

**Objectives**

The primary investment objective of the Organizations is to preserve and protect their assets, by earning a total return for each fund (e.g. Operating Reserves, Restricted Endowed Funds, Annuity Reserves, etc.) appropriate to each fund's time horizon, liquidity needs, donor restrictions, and risk tolerance. The scope of this objective as it pertains to the College covers endowed funds and may include

unobligated plant fund balances, but not operating funds. The performance of the Manager will be measured against this primary objective as well as other mutually agreed upon benchmarks.

**The specific objective for endowed funds is to achieve a long term rate of return on assets that is at least the planned spending rate of the endowment, plus inflation as measured by the CPI, plus a minimum of 1 percent real growth.**

### Asset Allocation Constraints

The Manager is responsible for providing adequate liquidity to meet the Organization's cash flow requirements. The Organization(s) shall prepare anticipated cash flow requirements for each disbursement period and communicate these disbursement requirements to the Manager with as much notice as possible. The Committee believes that the Organizations' risk and liquidity posture are, in large part, a function of asset class mix. The Committee has reviewed the long-term performance characteristics of various asset classes, focusing on balancing the risks and rewards of market behavior. The following asset classes were selected:

- X Domestic Equities
- X International Equities
- X Fixed Income
- X Cash Equivalents

Based on the Organizations' time horizons, risk tolerances, performance expectations and asset class preferences, an efficient or optimal portfolio has been identified for each.

While the assets of the Organizations must not be co-mingled, the asset allocation for the entire portfolio should be invested as follows:

### Asset Allocation

	Lower <u>Limit</u>	<b>Target</b> <u>Allocation</u>	Upper <u>Limit</u>
Domestic Equities	50%	60%	70%*
International Equities	0	10%	15%
Fixed Income or Cash Equivalents	30%	30%	50%**

\*not more than 15% of equities may be small and mid-cap companies

\*\*not more than 15% may be in A rated bonds

### Re-balancing of Allocation

At least annually, the Manager shall make recommendations to the Joint Investment Advisory Committee regarding the current status of the portfolio with regard to the asset allocation mix. The

percentage allocation to each asset class may vary as much as plus or minus 5% depending upon market conditions.

When necessary and/or available, cash inflows/outflows will be deployed in a manner consistent with the asset allocation of the Fund.

If the Organization(s) judge cash flows to be insufficient to bring the Fund within the strategic allocation ranges, the Committee shall decide whether to effect transactions to revise the allocation within the threshold ranges of the allocation schedule.

### **Asset Diversification**

As a general policy, the Manager will maintain reasonable diversification at all times. The Manager may not allow the investments in the equity securities of any one company to exceed 5 percent of the portfolio nor the total securities position (debt and equity) in any one company to exceed 10 percent of the portfolio. The Manager shall also maintain reasonable sector allocations and diversification. In that regard, no more than 25 percent of the entire portfolio may be invested in the securities of any one sector.

### **Asset Quality**

1. Common Stocks - The role of domestic and international equities is to maximize and diversify returns. The quality rating of at least 80 percent of common stocks should be B+ or better, as rated by Standard & Poor's or another equivalent rating service. The Manager may use non rated common stocks at his or her discretion within the foregoing guideline. It may also be permissible to invest in equities through mutual funds if it achieves a performance objective of the portfolio and complies with these quality provisions.

2. Convertible preferred stock and convertible bonds - The Manager may use convertible preferred stocks and bonds as equity investments. The quality rating of convertible preferred stock and convertible bonds must be BBB or better, as rated by Standard & Poor's, or Baa or better, as rated by Moody's. The common stock into which both may be converted must be rated as specified in Section 1. It may also be permissible to invest in convertibles through mutual funds if it achieves a performance objective of the portfolio and complies with these quality provisions.

3. Fixed-income securities - The quality rating of bonds and notes must be A or better, as rated by Standard & Poor's or Moody's. The portfolio may consist of only traditional principal and interest obligations (no derivatives) with average maturities of seven years or less. It may also be permissible to invest in fixed-income securities through mutual funds if it achieves a performance objective of the portfolio and complies with these quality provisions.

4. Short-term reserves - By providing liquidity, this asset class will provide for necessary operating reserves of the Organizations. The quality rating of commercial paper must be A-1, as rated by Standard & Poor's, P-1, as rated by Moody's, or better. The assets of any money market mutual fund must comply with the quality

provisions for fixed-income securities or short-term reserves.

### **Transactions**

All purchases of securities will be for cash and there will be no margin transactions, short selling, or commodity transactions.

### **Investment Criteria Based on Mission or Social Responsibility**

The Organizations desire to invest in companies whose business conduct is consistent with the goals and beliefs of St. Mary's College of Maryland.

### **Reporting Requirements**

1. Monthly - The Manager will provide the Joint Investment Advisory Committee with a monthly written statement containing all pertinent transaction details for each separately managed portfolio (College and Foundation) for the preceding month, including:

- the name and quantity of each security purchased or sold, with the price and transaction date;
- an analysis for each security of its description, percentage of total portfolio, purchase date, quantity, cost basis, current market value, unrealized gain or loss, and indicated annual income.

2. Quarterly - The Manager shall provide the Joint Investment Advisory Committee detailed information about 1)asset allocation, 2)investment performance including the time-weighted rate of return calculations - from inception, year-to-date, and most recent quarter, 3)performance of relevant indexes over the same period of time, 4)future investment strategies, and 5)any other matters of interest to the Committee.

3. Annually - The Manager shall provide a fiscal year summary of all transactions in each fiscal year including interest, dividend, and capital gain distributions, including unrealized and realized gains and losses.

4. In the event that there is more than one Manager, each shall agree to produce composite reports, including but not limited to, the total investments of the College and the Foundation.

**BOARD OF TRUSTEES  
FINANCE, INVESTMENT, AND AUDIT COMMITTEE  
ST. MARY'S COLLEGE OF MARYLAND  
MEETING OF MAY 1, 2003  
ACTION ITEM III.E.  
INVESTMENT POLICY REVISION**

**St. Mary's College of Maryland Foundation**

**RECOMMENDED ACTION:**

The Joint Investment Advisory Committee, at its meeting on October 15, 2002, recommended that asset allocation guidelines in the Investment Policy (Adopted by consent of the Board of Trustees of St. Mary's College of Maryland on June 6, 1998 and by the Directors of the St. Mary's College of Maryland Foundation on June 16, 1998) be amended in order to accommodate investments in real estate investment trusts.

Current Asset Allocation:

	<u>Lower Limit</u>	<u>Target Allocation</u>	<u>Upper Limit</u>
Domestic Equities	50%	60%	70%*
International Equities	0	10%	15%
Fixed Income or Cash Equivalents	30%	30%	50%**

\*not more than 15% of equities may be small and mid-cap companies  
\*\*not more than 15% may be in A rated bonds

Proposed Asset Allocation:

	<u>Lower Limit</u>	<u>Target Allocation</u>	<u>Upper Limit</u>
Equities	50%	60%	70%*
Fixed Income or Cash Equivalents	25%	35%	45%**
Real Estate Investment Trusts	0	5 %	10 %

\*not more than 15% of equities may be: a) small and mid-cap companies; or b) international equities  
\*\*not more than 15% may be in A rated bonds

**RATIONALE**

The Joint Investment Advisory Committee recommends approval of the revision to the asset allocation formula within the Investment Policy as described above. The approval is sought from both the St. Mary's College of Maryland Foundation and the St. Mary's College of Maryland Board of Trustees.

Approved by the St. Mary's College of Maryland Foundation, March 4, 2003.

**BOARD OF TRUSTEES  
ST. MARY'S COLLEGE OF MARYLAND  
FINANCE, INVESTMENT, AND AUDIT COMMITTEE  
MEETING OF JANUARY 26, 2017  
DISCUSSION ITEM I.D.  
COMPENSATION PLAN UPDATE**

**Status**

The development of a Compensation Plan has continued over the past several months. The *ad hoc* Compensation Committee, and separate faculty and staff working groups, developed recommendations to the President that established allocation guidelines for FY17 wage increases. Overall, FY17 wage increases are consistent with the Strategic Plan Goal 3 to attract and retain faculty and staff as well as the Board of Trustees desire for merit to be a component of wage increases.

Faculty and staff performance evaluations were completed in December to provide the basis for the merit component of wage increases. Wage increases were effective January 1, 2017.

Determination of FY17 Wage Increases: For each group below, the FY17 wage pool included a base amount equivalent to approximately 2% of wages, plus additional funds to address market and retention issues. The methodology for awarding wage increases is as follows:

- Non-Bargaining Staff: Wage increases were determined according to a framework that includes both merit and market factors. The method is described in the attached information page.
- Collective Bargaining Unit Staff: Wage increases, based on negotiations with the union, include 0.6% increase to current base pay, plus \$585 flat increase to current base pay. The 0.6% increase is applied prior to adding the \$585 to base pay. In addition, market increases were provided to public safety officers in the fall.
- Faculty: Wage increases include a base increase of 1.89% to all performing solidly plus a merit increase. Merit increases were awarded as a fixed amount per rating category. The method is described in the enclosed information page. FY17 recommendations were intended as an interim measure to begin addressing merit and market issues. The Provost and faculty are working this spring to develop a more comprehensive merit program for future wage increases.

**FY17 WAGE INCREASE INFORMATION**  
**Staff (non-bargaining)**

Wage increases for FY17 were determined according to a framework that includes both merit and market factors. The methodology for awarding increases was developed through consultation with the *ad hoc* Compensation Committee made up of Faculty and Staff. The plan described below is consistent with the Strategic Plan Goal to attract and retain faculty and staff as well as the Board of Trustees desire for merit to be a component of wage increases.

**Wage Increase Allocation Model**

The model to award wage increases to staff (non-bargaining) is based on the goal to reward performance (Merit) and to address wages gaps (Market). The Merit component is based on the current (Fall 2016) employee performance evaluations, with higher percentage increases provided for higher performance. The Market component is based on a comparison of each employee's wage to the median wage for the position based on the College's Peer institutions. Wage increases are higher for those individuals whose wages are further behind the median.

The table below provides the specific percentage of wage increase for individual staff that incorporates both the Merit and Market factors. The percentages in each cell of the table are calculated based on a mathematical model to allow implementation of wage increases within the allocated budget.

**FY17 Staff (non-bargaining) Wage Increase Table**

Performance Rating	----- Percent Below Market* -----			
	< 3%	3 - 8%	9 - 14%	> 14%
Failed to Perform	0%	0%	0%	0%
Performed Minimally	0%	0%	0%	0%
Performed Well	1.00%	1.31%	1.77%	2.22%
Performed Very Well	2.00%	2.22%	3.12%	4.03%
Performed Exceptionally	3.00%	3.12%	4.48%	5.84%

\* Employee's wage compared to Peer median, grouped in ranges as shown

**Examples**

Employee A: Performance Rating = Well; Current wage 11% below Market: 1.77% raise

## FY17 WAGE INCREASE INFORMATION Faculty

The methodology for awarding FY17 wage increases to faculty was developed through consultation with the *ad hoc* Compensation Committee made up of Faculty and Staff and consultation with the faculty senate. The plan described below is consistent with the Strategic Plan Goal 3 to attract and retain faculty and staff as well as the Board of Trustees desire for merit to be a component of wage increases.

### **Wage Increase Allocation Model**

The model to award wage increases to faculty includes a base increase to all performing solidly plus a merit increase. Two-thirds of the wage pool is allocated on a percentage basis equally to all eligible faculty who submitted a performance report. The Merit component is based on the Fall 2016 faculty assessment. Merit awards are based on a fixed dollar amount per rating category and represent one-third of the wage pool.

The table below provides the specific percentage of wage increase for eligible faculty. The amounts are calculated based on a mathematical model to allow implementation of wage increases within the allocated budget.

**FY17 Faculty Wage Increase Table**

Performance Rating	Base Increase	Merit Increase
Performed Solidly	1.89 %	\$0
Performed Well	1.89 %	\$515
Performed Very Well	1.89 %	\$1,030
Performed Exceptionally	1.89 %	\$1,544

\*the base increase is applied prior to adding the merit increase

### **Example**

Faculty A: Performance Rating = Well; current wage = \$70,000  
 $\$70,000 \times 1.89\% + \$515 = \$1,323 + 515 = \$1,838$  (2.63% raise)

**BOARD OF TRUSTEES  
ST. MARY'S COLLEGE OF MARYLAND  
FINANCE, INVESTMENT, AND AUDIT COMMITTEE  
MEETING OF JANUARY 26, 2017  
DISCUSSION ITEM I.E.  
ENTERPRISE RISK MANAGEMENT**

Colleges and Universities are increasingly approaching risk management with a broadened focus on critical issues that can affect the institution. Current past practices involve a holistic and proactive risk management program that includes strategic, operational, financial and reputational aspects of the institution.

In accordance to the bylaws, the College Board of Trustees has expressed the need for the College to develop a comprehensive risk management program. Key elements of risk identified by the Board include:

- Enrollment: attraction, recruitment and enrollment of a high performing, diverse student body;
- State Funding: maintenance of State funding through the legislative appropriations process;
- Reputation with the diverse community we want to serve;
- DeSousa Brent Scholars Program: ensuring that the requirements imposed by the State are satisfied;
- Compliance: a compliance program that effectively identifies, investigates and remediates behaviors and activities that are inconsistent with law and College policies;
- Competition from other institutions of higher education in Maryland, particularly those in close geographical proximity;
- Title IX compliance;
- Middle States accreditation

In addition to the above, an Enterprise Risk Management program may also include financial stewardship and stability, emergency preparedness and safety, attracting and retaining faculty and staff, and other aspects of the College.

Implementing an Enterprise Risk Management program will require a long term approach that involves planning, assessment, and implementation of best practices, initially covering high priority areas identified above. Developing a structure, responsibilities, and clear process are key components of the planning process that may require dedicated staff oversight (funding allocation).

In order to assist in the development of a risk management program, the Board of Trustees will create an *ad hoc* working group of trustees and executive staff to develop a plan of action, establish milestones, and identify resources and responsibilities. The working group, reporting through the Finance Investment and Audit Committee, will include trustees Ann McDaniel, Glen Ives, and Larry Leak and the five vice presidents on the president's executive council.

**BOARD OF TRUSTEES  
ST. MARY'S COLLEGE OF MARYLAND  
FINANCE, INVESTMENT, AND AUDIT COMMITTEE  
MEETING OF JANUARY 26, 2017  
DISCUSSION ITEM I.F.  
UPDATE ON LEGISLATIVE SESSION**

**Overview**

In preparation for the spring 2017 legislative session, College leadership has been very active meeting with officials in Annapolis regarding the College and its funding. Since September 2016, the College has held or attended 35 meetings/events with legislators and members of the Governor's staff.

Governor Hogan released his FY18 Operating and Capital budgets on January 18<sup>th</sup>, 2017 as shown below: The College will work through the legislative session to defend the budgets in the House and Senate.

**FY18 Operating Budget Request**

For FY18, the Governor included the College's full request of \$24.0 million in State funds, which includes our block grant inflator of \$0.55 million, a 2.3% increase from last year. In addition, the Governor has proposed providing an additional \$0.40 million in tuition-relief funding, equivalent to a 2% increase to in-state tuition. The College's operating budget hearings are tentatively scheduled as follows:

- Senate: February 9 at 1:00 p.m.
- House: February 15 at 1:00 p.m.

**Capital Budget Request**

The Governor's capital budget includes our request for continuing funding for the design of the new academic building/auditorium/athletic stadium. Construction funding for the Jamie L. Roberts Stadium was accelerated one year as we requested. Funding for infrastructure improvements, totaling \$13.1 million over the next 4 years, remains in the Governor's 5-year capital improvement plan as requested. The attached compares the College request and the Governor's five-year Capital Improvement Plan.

The College capital budget hearings are tentatively scheduled as follows:

- Senate: March 7 at 4:00 p.m.
- House: March 8 at 4:30 p.m.

**State Funding Formula**

Legislation has been submitted that seeks to reset the College's State funding formula to a) enhance funding for wages and benefits of College employees, b) provide funds to support the operating cost of new academic facilities, and c) provide tuition buy-down funds similar to funding provided from time to time to the University System of Maryland. Hearings on the bill are anticipated in February. If passed, the changes to the funding formula will go into effect in FY19.

# FY18 – FY22 College Capital Budget Request

**New Academic Building & Auditorium**

**Relocation of Athletic Fields**

- Design
- Construction
- College Match

**New Academic Building and Auditorium**

- Design
- Construction (building)
- Capital Equipment

**Campus Infrastructure Improvements**

(see attached)

College Request		Governor's 5-Year Budget Plan	
FY17/18	\$1.5 million	FY17/18	\$ 1.5 million
FY18	\$7.7 million	FY18	\$ 7.7 million
FY18	\$2.5 million	FY17/18	\$ 2.5 million
FY17-FY22	\$ 7.9 million	FY17-FY21	\$ 7.9 million
FY20-FY22	\$54.8 million	FY20-FY22	\$54.6 million
FY21	\$ 2.0 million	FY21	\$ 2.0 million
FY17-FY21	\$14.0 million	FY17-FY22	\$14.0 million

# Infrastructure Projects

LF.

Year	Projects	Funding
FY17	Match to Federal Grant for Rt. 5 Traffic Calming Phase II Trinity Church Road Sidewalk	\$ 0.9M
FY18	NO PROJECTS FUNDED	
FY19	Calvert Hall Window Replacement Library HVAC Control Replacement Montgomery Hall Elevator Replacement Repair Campus Roads Phase 1	\$ 2.4M
FY20	Replace Calvert Hall HVAC Montgomery Hall HVAC Control Upgrade Montgomery Hall Window & Door Replacement Schaefer Hall Membrane Roof Replacement	\$ 3.0M
FY21	Replacement of O'Brien ARC Roof Replacement of Montgomery Hall Air Handler Replacement of Schaefer Hall Chiller North Campus Nodal Loop Expansion Repair Campus Roads Phase 2 Storm Water and Living Shoreline improvements Automated Door Security Upgrades	\$ 4.3M
FY22	O'Brien ARC HVAC Montgomery Hall HVAC and Underground Storage Tank	\$ 3.4M
	<b>TOTALS</b>	<b>\$14.0 M</b>

**BOARD OF TRUSTEES**  
**ST. MARY'S COLLEGE OF MARYLAND**  
**FINANCE, INVESTMENT, AND AUDIT COMMITTEE**  
**MEETING OF JANUARY 26, 2017**  
**ACTION ITEM IIA.**  
**STAFF SALARY PLAN**

**RECOMMENDED ACTION**

The Finance, Investment, and Audit Committee recommends that the Board of Trustees approve the Staff Salary Plan, effective April 1, 2017.

**RATIONALE**

**Background:** The College has maintained a Staff Salary Plan that provides entry and maximum salaries for non-exempt positions. Past practice had been to increase, each year, the maximum salaries in the Plan by the percentage amount of the College's annual State block grant inflator.

The College acknowledges the need for the Staff Salary Plan to be consistent with the Strategic Plan Goal to attract and retain faculty and staff. Accordingly, the plan has been reviewed against market wages through utilization of the compensation data source, PayScale. Current compensation data supports the need for the Staff Salary Plan to be comprehensively revised.

The inclusion of a Maximum Salary has been removed from the Plan. The rationale to eliminate maximum salaries includes the following:

- there is not reliable benchmark data for maximum salaries,
- maximum salaries are inconsistent with the College goal to reward excellence through merit increases, and
- historically, the effect of raising of the maximum each year has made the application of a maximum theoretical, not practical.

**Goals:** The proposed Staff Salary Plan utilizes benchmarking from PayScale to determine Minimum Entry and Maximum Entry salaries. The guidelines to establish these salaries are as follows:

- Minimum Entry level salaries based on PayScale entry level experience
- Maximum Entry level salaries based on PayScale 8-13 year experience

**Implementation** The Staff Salary Plan (attached) will be implemented effective April 1, 2017 to provide the College time to plan for the financial impact, notify the appropriate stakeholders (campus community, collective bargaining unit) and to provide payroll updates to the State of Maryland. In implementing the Plan, any staff member whose current salary is below the new Minimum Entry level will receive a raise to match the new minimum entry level. The annualized net impact to implement the plan is \$22,000.

<b>St. Mary's College of Maryland Non-Exempt Staff Salary Hiring Plan -- FY17 Effective April 1, 2017</b>		
<b>Title</b>	<b>Minimum Entry Level</b>	<b>Maximum Entry Level</b>
<b><u>Clerical</u></b>		
Office Associate I	28,159	32,515
Office Associate II	31,198	38,644
<b><u>Public Safety</u></b>		
Officer - non-commissioned	28,842	33,367
Officer - Shift Supervisor/Sergeant	30,140	35,355
Dispatcher	28,769	36,727
<b><u>Fiscal</u></b>		
Accounts Receivable Specialist	32,707	38,232
Fiscal Associate I	29,977	37,309
Fiscal Associate II	34,036	37,710
<b><u>Physical Plant</u></b>		
Caretaker	24,500	25,970
Groundskeeper	26,367	29,564
General Trades Mechanic	30,740	40,712
HVAC Mechanic	32,969	45,112
Lead Caretaker	29,859	34,197
General Support Staff	24,500	30,485
<b><u>Supervisory Positions</u></b>		
Assistant Supervisor/Trades	35,000	46,998
Assistant Supervisor/Grounds	31,000	40,759
Assistant Supervisor/Housekeeping	32,581	38,604

- Minimum Entry level salaries based on PayScale entry level experience
- Maximum Entry level salaries based on PayScale 8-13 year experience



**BOARD OF TRUSTEES  
FINANCE, INVESTMENT, AND AUDIT COMMITTEE  
MINUTES**

**Date of Meeting:** October 13, 2016

**Status of Minutes:** Approved January 16, 2017

**Committee Members Present:** Chair John Wobensmith '93, Lex Birney, Donny Bryan '73, Sven Holmes, Mike O'Brien '68

**Committee Members Absent:** Katharine Russell, Asif Dowla

**Others Present:** Tuajuanda Jordan, Chip Jackson, Carolyn Curry, Michael Wick, Chris True, Chris Burch, Mary Grube, Shannon Jarboe, Kathy Grimes, Anna Yates, Tommy Cable, Allison Boyle

**Executive Summary:**

The meeting was called to order at 2:12 p.m.

**DISCUSSION ITEMS**

**FY16 Operating Budget Closing and Status of Financial Statement Audit**

Vice President Jackson reviewed year-end adjustments. Draft financial statements are currently under final review and will be presented to the Finance, Investment, and Audit Committee for approval in December.

**Compensation Plan**

Conversations are taking place to develop a compensation plan to provide wage increases that include merit pay and market adjustments. The Ad Hoc Compensation Committee, along with faculty and staff groups, has been developing recommendations to the President. Wage increases for bargaining unit employees will be subject to negotiations.

**IT Infrastructure / Enterprise Resource Planning System**

Upgrades to the College's network architecture have been completed and all buildings now have wireless capability and improved coverage, capacity and bandwidth. Planning for replacement of the Enterprise Resource Planning System project is underway.

**State of Maryland Audit (Department of Legislative Services)**

The final audit report reflected five findings: three related to information technology, one in the business office, and one in human resources. Plans for addressing the findings were discussed. The College values input received from the audit team as it assists us in finding areas that need improvement. This audit produced fewer findings than the College has had in several years.



### Expanding Revenue

Overall, revenue from other sources (revenue excluding tuition and fees and State appropriations) is projected to increase in FY17 by \$234,000 over the FY16 budget from a variety of sources. The faculty/staff housing program initiated this fall has been a success with leases in place for all eight possible units including bedrooms in two HSMC houses and the Howard property. Vice President Jackson thanked Mary Grube for her work with the property rental initiative.

### Dashboards

Current Dashboard data pertaining to student characteristics in enrollment, student retention and persistence, revenue, and fundraising was discussed. Board Chair Holmes asked that the Dashboard be provided to the Board of Trustees at its next meeting.

### **INFORMATION ITEMS**

Joint Investment Activities The Foundation continues to work with JP Morgan to manage endowed funds. An overview of FY16 was provided along with current FY17 information.

### **ACTION ITEMS**

#### Revision of the FY17 Current Fund (Operating) Unrestricted Budget

The proposed revision to the FY17 current fund budget was brought to the Committee for approval. Carry-forward balances were provided and discussed. The revision incorporates carry-forward authorization from the prior year in the amount of \$3.58 million not expended as of June 30th. The Committee voted to recommend approval.

#### Reconciliation of the FY 17 Plant (Capital) Budget

The reconciled FY16 plant fund activity was reviewed. The FY17 active project budget totals nearly \$3.4 million. The projected unencumbered plant fund balance is \$1.6 million. Revisions to the FY 17 capital budget, including activity and approved new projects, were reviewed the Committee. The Committee voted to recommend approval.

#### 2016 Performance Accountability Report

The Performance Accountability Report (PAR) requires endorsement from both the Student Affairs Committee and the Academic Affairs Committee, prior to approval by the Finance, Investment, and Audit Committee. The Finance, Investment, and Audit Committee met earlier than the Student Affairs and Academic Affairs Committees, therefore it was agreed that approval would be contingent on the endorsement by those Committees. The PAR provides an assessment of the College's progress on a variety of goals and objectives including academics, enrollment, retention and graduation, financial aid, and student outcomes. Maryland law requires institutions' Board of Trustee approval prior to submission of the PAR to the Maryland Higher Education Commission for review, after which the report will be submitted to the Governor and General Assembly. The Committee voted to recommend approval of the PAR contingent upon endorsement from the Student Affairs and Academic Affairs Committees.



#### Financial Conflict of Interest Policy and Procedures in Sponsored Research

The policy presented was designed to ensure the College's compliance with National Science Foundation provisions and Public Health Service regulatory requirements. The Committee recommended approval of the policy and procedures.

#### Art Deaccession

Ms. Mary Jane Rowe, daughter of late faculty member and artist William Thomas Rowe, requested that the painting entitled *Vale* be returned to the family. The painting was gifted to the College in 2004. The Board discussed returning the piece to the family pursuant to College policy regarding the deaccession of art, and agreed to recommend doing so.

**Committee Action Taken/Action in Progress:** The proposed action items were approved by the Finance, Investment, and Audit Committee at its meeting on October 13, 2016.

**Recommendation to the Board:** The Finance, Investment, and Audit Committee approved the action items as presented and recommend approval by the Board of Trustees at its October 15, 2016 meeting.

The meeting adjourned at 2:40 p.m.

**ST. MARY'S COLLEGE OF MARYLAND  
BOARD OF TRUSTEES  
FINANCE, INVESTMENT, AND AUDIT COMMITTEE  
MEETING JANUARY 27, 2017  
INFORMATION ITEM III.B.  
FY17 FINANCIAL RESULTS TO DATE**

Results for the FY17 Unrestricted Operating Budget are presented as of January 17, 2016.

**REVENUES**

Total revenue is 0.7% lower year-to-year. Tuition & Fees include the spring billing and are at 97.6% of budget for the year. Compared to budget, tuition and fee revenues, as well as auxiliary revenue, are lower reflecting 16 fewer students than budgeted (1,507 vs. 1,523). State Appropriations reflect the January payment from the state and are at expected levels for this time which is 75% of budget. Overall, as of the report preparation date we have achieved 86% of budgeted revenue for the year.

**EXPENDITURES**

Overall, expenditures in fiscal year 2017 are running 7.4% lower than the reporting period last year, primarily due to a timing difference created by 1 missing pay period which will occur in January but was not included as of the preparation date. For comparison purposes, factoring an additional pay period indicates expenditures in fiscal 2017 are running approximately 3% lower than fiscal year 2016.

**St. Mary's College of Maryland**  
**Board of Trustees**  
**Finance, Investment and Audit Committee**  
**Meeting of January 26, 2017**  
**Information Item III.B.**  
**FY17 Current Fund Unrestricted Results**

	FY17 Budget	FY17 Actual	FY16 Actual	FY17 Actual to Budget	FY17 to FY16 % Change
<b>REVENUES:</b>					
Tuition & Fees	24,209,581	23,623,801	24,711,299	97.6%	-4.60%
State Appropriations	25,126,549	18,869,662	17,628,131	75.1%	6.58%
Federal Grants & Contracts	0	1,611	150	0.0%	90.69%
State Grants & Contracts		0			
Private Gifts, Grants		0			
Endowment Income		0			
Sales/Serv Educ Dept	611,820	513,319	647,252	83.9%	-26.09%
Sales/Serv Auxiliary Enter	19,492,675	17,010,585	17,752,161	87.3%	-4.36%
Interest Income Other	615,000	410,351	109,948	66.7%	73.21%
Additions to Fund Balance - End. Income	95,000	170	90		47.06%
Other Sources	255,600	98,596	79,370	38.6%	19.50%
<b>TOTAL CURRENT REVENUES</b>	<b>70,406,225</b>	<b>60,528,095</b>	<b>60,928,401</b>	<b>86.0%</b>	<b>-0.66%</b>
<b>EXPENDITURES</b>					
Instruction	21,199,981	7,775,918	9,214,282	36.7%	-18.50%
Research	0	0			
Public Service	98,404	42,864	135,881	43.6%	-217.00%
Academic Support	2,386,134	1,505,963	1,489,354	63.1%	1.10%
Student Services	6,313,263	3,189,270	3,459,031	50.5%	-8.46%
Institutional Support	17,230,880	6,860,687	6,423,835	39.8%	6.37%
Operation & Maintenance	5,110,166	2,398,236	2,636,301	46.9%	-9.93%
Scholarships & Fellowships	6,035,280	5,552,091	5,297,717	92.0%	4.58%
Auxiliary Enterprises	13,181,115	5,422,133	6,518,364	41.1%	-20.22%
<b>TOTAL CURRENT EXPENDITURES</b>	<b>71,555,223</b>	<b>32,747,162</b>	<b>35,174,765</b>	<b>45.8%</b>	<b>-7.41%</b>
<b>Transfers In (Out)</b>					
P & I Debt Requirements	2,440,806	2,440,806	2,613,132	100.0%	-7.06%
Non Mandatory Transfers					
Transfer to Plant	0	0			
Renewal/Replacement/Other		(3,911)			
Support to Other Departments	0	0			
	2,440,806	2,436,895	2,613,132	99.8%	-7.23%
	73,996,029	35,184,057	37,787,897	47.5%	-7.40%
<b>Total Increase (Decrease) Fund Balance</b>	<b>(3,589,804)</b>	<b>25,344,038</b>	<b>23,140,504</b>		
Carry Forward from Prior Year	3,589,804				
Change over 2 years	0				

**BOARD OF TRUSTEES  
ST. MARY'S COLLEGE OF MARYLAND  
FINANCE, INVESTMENT, AND AUDIT COMMITTEE  
MEETING OF JANUARY 26, 2017  
INFORMATION ITEM III.C.  
REPORTABLE PROCUREMENT ITEMS**

<b>\$119,000</b>	<u>Shine Brite Finishing</u> Janitorial service in the Michael P. O'Brien Athletic and Recreation Center and in the Campus Center
<b>\$9,724,000</b>	<u>RAD Sports</u> Design/build team for the athletic field and the Jamie L. Roberts Stadium
<b>\$169,025</b>	<u>The Registry for College &amp; University Presidents</u> Placement of interim vice president for enrollment
<b>\$181,899</b>	<u>SE Davis Construction</u> Chancellors Point Accessibility Improvements Project
<b>\$295,935</b>	<u>James River Solutions</u> Price for 50% of oil for FY18 has been locked in

**BOARD OF TRUSTEES  
ST. MARY'S COLLEGE OF MARYLAND  
FINANCE, INVESTMENT, AND AUDIT COMMITTEE  
MEETING OF JANUARY 26, 2017  
INFORMATION ITEM III.D.  
JOINT INVESTMENT ACTIVITIES**

The Foundation continues to work with JP Morgan to manage the majority of the endowed funds. The Joint Investment Advisory Committee met on November 18, 2016 to review financial information on the endowment.

**FY17 Information**

For the current fiscal year 2017, as of December 31, 2016 the endowed funds held within JP Morgan totaled \$28.9m as compared to \$28.4m on July 1, 2016.

On a fiscal year basis, the net year to date increase in market value of \$500k includes \$59k in contributions, \$277k in income, \$1.1m increase in investment value and \$934k of withdrawals. There is also \$348k from donations received in December which are yet to be transferred into the endowment.

As of December 31, 2016 the value of the Morgan Stanley investment was \$245k, compared to \$231k on July 1, 2016. The increase of \$14k is due to \$11.5k increase in investment value and \$2.5k in investment income.

As of December 31, 2016, the Old Line Bank shares were worth \$242k compared to \$181k on July 1, 2016, based on the NASDAQ share price.

St Mary's College of Maryland Foundation, Inc  
 Consolidated Investment Statement  
 for the period July 1, 2016 to December 31, 2016

	<u>Beginning Market Value</u>	<u>Ending Market Value</u>
	<u>7/1/2016</u>	<u>12/31/2016</u>
<b><u>JP Morgan Portfolio</u></b>		
Endowed Accounts		
A82968008	22,820,794	23,384,329
A85469004	924,712	998,344
S57678005	1,199,800	1,019,964
S57698003	1,790,804	1,421,149
W72363000	364	366
W72408003	1,342,494	1,714,278
N95987009	310,934	368,831
Donations awaiting transfer to pool	-	316
Total Endowed Accounts held within JP Morgan***	28,389,901.45	28,907,574
Gift Annuity		
V91738001	995,429	946,565
Current Funds	1,840,503	2,033,313
Accrued Interest		15,827
<b>Total Investment Accounts Market Value</b>	<b>31,225,833</b>	<b>31,903,279</b>
Endowed Funds Allocated Spending Account	1,027	1,041
Gift Annuity Cash Account		
JP Morgan 424629884	21,988	46,597
<b>Total JP Morgan Portfolio</b>	<b>31,248,849</b>	<b>31,950,916</b>
<b><u>Other Assets</u></b>		
Perpetual Trust, PNC (Landers Chair)	1,373,929	1,426,482
Old Line Bank Shares, Common Stock ***	181,350	241,599
Morgan Stanley - SGA Investment ***	230,693	244,525
<b><u>Cash</u></b>		
Old Line Bank Checking Account	2,363,316	2,793,098
Old Line Bank Endowment Spending Account	690,796	879,081
<b>Total</b>	<b>36,088,932</b>	<b>37,535,700</b>

\*\*\* In addition to the JP Morgan Portfolio, the Foundation Endowment includes the Old Line Bank Shares, and the Morgan Stanley Investment

\*\*\* The College holds a quasi-endowment in addition to the above funds

Client Name ST MARYS COLLEGE OF MD FDN INC, HGP-AXXXX8008\*

**Portfolio Facts**

Market Value \$28,943,536

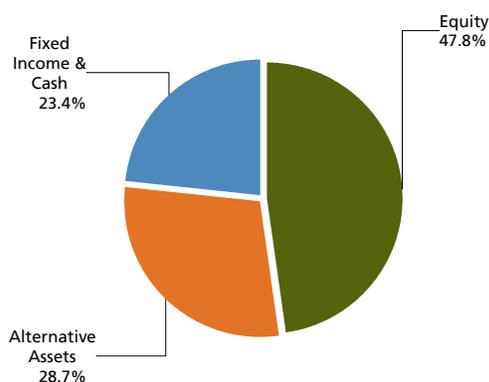
**Objective**

The portfolio is designed to deliver a high return to risk while maintaining a moderate allocation to global public equities.

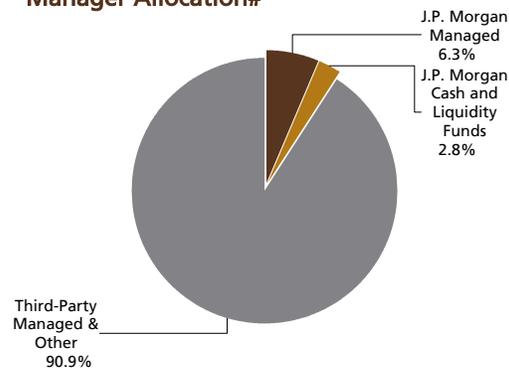
**Portfolio Positioning**

The portfolio maintains a high degree of liquidity while still exposing the portfolio to potentially higher alpha opportunities in private equity/debt and real estate.

**Asset Allocation**



**Manager Allocation#**



**J.P. Morgan Managed** includes mutual funds, other registered funds and hedge funds managed by J.P. Morgan and structured products issued by J.P. Morgan. **J.P. Morgan Cash & Liquidity Funds** includes cash, J.P. Morgan deposit sweeps and J.P. Morgan money market mutual funds.

**Third-Party Managed & Other** includes mutual funds, exchange traded funds, hedge funds, and separately managed accounts managed by parties other than J.P. Morgan; separately managed accounts managed by J.P. Morgan where a party other than J.P. Morgan is the appointed investment advisor; structured products and exchange traded notes issued by parties other than J.P. Morgan; investment conduits investing in non-J.P. Morgan managed hedge funds, where J.P. Morgan is solely administrator to the conduit; and other investments not managed or issued by J.P. Morgan.

**Performance Summary as of December 31, 2016**

Period	Current (%)	Returns (%)						Inception Date
		1M	3M	FYTD	1YR	3YR	SI†	
<b>Total Portfolio (Net of Fees)</b>	100.0	1.2	1.2	4.9	6.6	3.1	5.3	12/31/12
Equity	47.8	1.7	3.3	9.7	10.4	4.6	9.4	12/31/12
Alternative Assets	28.7	1.1	-0.6	1.2	3.8	3.0	3.5	12/31/12
Fixed Income & Cash	23.4	0.6	-0.7	1.2	4.4	1.7	1.5	12/31/12
<b>Comparative Indices</b>								
Composite Benchmark		1.2	-0.1	2.3	4.7	1.6	3.5	12/31/12
MSCI AC World USD Net Index		2.2	1.2	6.6	7.9	3.1	7.7	12/31/12
HFRI FOF: Diversified CM ARR		-	0.0	1.8	-0.6	0.9	2.8	12/31/12
Bloomberg Commodity Total Return		1.8	2.7	-1.3	11.8	-11.3	-10.8	12/31/12
BB U.S. Aggregate Index		0.1	-3.0	-2.5	2.6	3.0	1.7	12/31/12

†Since Inception Performance

**Global Macro and Market Theme**

During December, global markets continued to digest Trump's U.S. election win and react to a second Fed rate hike. There was an uptick in economic growth and inflation expectations, which contributed to the outperformance of stocks over bonds.

Equities rallied led by European Large Cap (MSCI Europe, +5.2%), EAFE (MSCI EAFE, +3.4%), and U.S. Small Cap (+2.8%). Meanwhile, Asia ex-Japan closed the month in negative territory (MSCI Asia ex-Japan, -2.0%) due to concerns around Trump's protectionist campaign rhetoric. Promises of deregulation and lower taxes helped financials outperform with the S&P 500 Banks rallying 3.9%. Meanwhile, the MSCI Japan in local currency rose 3.4% as investors priced-in the corporate benefits of a weaker yen.

The trade-weighted US dollar strengthened against major currencies as markets contemplated the potential for higher US growth, fiscal stimulus, and 2-3 Fed hikes in 2017. These expectations were priced into Treasury markets vis-à-vis higher rates. U.S. High Yield spreads tightened and the asset class appreciated 1.8%, outperforming core bonds (Barclays US Aggregate) that returned 0.1%.

In the Alternative Investments space, Hedge Funds (HFRI FoF Diversified) returned 0.8% for the month, led by Event-Driven managers (HFRI Event-Driven, +1.5%). Brent crude rose 12.6% and outpaced broad commodities (Bloomberg Commodity Total Return), which returned 1.8%. Meanwhile, gold fell 2.2% on the back of higher interest rates and a stronger U.S. dollar.

# Discretionary accounts(s) are comprised of NXXXX7009, AXXXX9004, SXXXX8003, AXXXX8008, SXXXX8005.  
\* Please refer to Additional Information disclaimer section for a listing of all included accounts

**Past performance is no guarantee of future results.**

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Client Name ST MARYS COLLEGE OF MD FDN INC, HGP-AXXXX8008\*

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Structured products involve derivatives. The investment decision is yours but you should not invest in any structured product unless you fully understand and are willing to assume the risks associated with it.

**IMPORTANT INFORMATION ABOUT YOUR INVESTMENTS AND POTENTIAL CONFLICTS OF INTEREST**

Conflicts of interest will arise whenever JPMorgan Chase Bank, N.A. or any of its affiliates (together, "J.P. Morgan") have an actual or perceived economic or other incentive in its management of our clients' portfolios to act in a way that benefits J.P. Morgan. Conflicts will result, for example (to the extent the following activities are permitted in your account): (1) when J.P. Morgan invests in an investment product, such as a mutual fund, structured product, separately managed account or hedge fund issued or managed by JPMorgan Chase Bank, N.A. or an affiliate, such as J.P. Morgan Investment Management Inc.; (2) when a J.P. Morgan entity obtains services, including trade execution and trade clearing, from an affiliate; (3) when J.P. Morgan receives payment as a result of purchasing an investment product for a client's account; or (4) when J.P. Morgan receives payment for providing services (including shareholder servicing, recordkeeping or custody) with respect to investment products purchased for a client's portfolio. Other conflicts will result because of relationships that J.P. Morgan has with other clients or when J.P. Morgan acts for its own account.

Investment strategies are selected from both J.P. Morgan and third-party asset managers and are subject to a review process by our manager research teams. From this pool of strategies, our portfolio construction teams select those strategies we believe fit our asset allocation goals and forward looking views in order to meet the portfolio's investment objective.

As a general matter, we prefer J.P. Morgan managed strategies. We expect the proportion of J.P. Morgan managed strategies will be high (in fact, up to 100 percent) in strategies such as, for example, cash and high-quality fixed income, subject to applicable law and any account-specific considerations.

While our internally managed strategies generally align well with our forward looking views, and we are familiar with the investment processes as well as the risk and compliance philosophy of the firm, it is important to note that J.P. Morgan receives more overall fees when internally managed strategies are included. We offer the option of choosing to exclude J.P. Morgan managed strategies (other than cash and liquidity products) in certain portfolios.

**Benchmarks and Definitions:**

**Note: Indices are for illustrative purposes only, are not investment products, and may not be considered for direct investment. The information provided herein is with respect to a number of indices and not the portfolio and does not accurately reflect the performance of any individual fund or the effects of relevant fees and charges. Indices are inherently weak predictive or comparative tool.**

**S&P 500 Index** is a capitalization-weighted index of 500 stocks from a broad range of industries. The component stocks are weighted according to the total market value of their outstanding shares. The impact of a component's price change is proportional to the issue's total market value, which is the share price times the number of shares outstanding. "S&P 500" is a trademark of Standard and Poor's Corporation

**Barclays Capital Aggregate Index** represents securities that are SEC-registered, taxable, and dollar denominated; it covers the U.S. investment grade fixed rate bond market (generally rated Baa3/BBB-or higher), with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities.

**MSCI All Country World Index** is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global developed and emerging markets.

**Dow Jones UBS Commodity Index** A rolling commodities index composed of futures contracts on 20 physical commodities traded on U.S. exchanges. The index serves as a liquid and diversified benchmark for the commodities' asset class.

**HFRI Fund of Funds Diversified Index** is an equally-weighted, unmanaged index comprised of domestic and offshore hedge fund of funds. FOFs classified as "Diversified" exhibit one or more of the following characteristics: invests in a variety of strategies among multiple managers; historical annual return and/or a standard deviation generally similar to the HFRI Fund of Fund Composite index; demonstrates generally close performance and returns distribution correlation to the HFRI Fund of Fund Composite Index.

**Blended Benchmark** is comprised of one or more indices, based upon the J.P. Morgan model portfolio that has been selected to reflect the overall asset allocation for your accounts, and may change over time if you change your selection. If the benchmark is not available (n/a), a return cannot be calculated for the period because the index for a given asset class does not have enough historical data.

**Composite Benchmark** = From 01/31/2014 to 9/30/2014: 30.0% Barclays Global Aggregate, 5.0% Barclays T-Bill 1-3 month TR, 5.0% Bloomberg Commodity Total Return, 20.0% HFRI FOF: Diversified Index, 40.0% MSCI AC World USD Net Index.

From 10/1/2014 to Present: 30.0% Barclays Capital Aggregate, 5.0% Barclays T-Bill 1-3 month TR, 5.0% Bloomberg Commodity Total Return, 20.0% HFRI FOF: Diversified Index, 40.0% MSCI AC World USD Net Index.

**\*Additional Information:**

Client Number	Client Name
HGP-AXXXX8008	ST MARYS COLLEGE OF MD FDN INC
WXXXX0000	ST MARYS COLLEGE OF MD FDN INC
WXXXX3008	ST MARYS COLLEGE OF MD FDN INC
MND-AXXXX8008	ST MARYS COLLEGE OF MD FDN INC
AXXXX8008	ST MARYS COLLEGE OF MD FDN INC
AXXXX9004	ST MARYS COLLEGE OF MD FDN, INC- FMI
NXXXX7009	SMCM - TRIBUTARY
MND-SXXXX8005	SMCM - PRIVATE EQUITY PROXY ACCT
SXXXX8005	SMCM - PRIVATE EQUITY PROXY ACCT
MND-SXXXX8003	SMCM - REAL ESTATE PROXY ACCT
SXXXX8003	SMCM - REAL ESTATE PROXY ACCT
WXXXX3000	SMCM ENDOWMENT CS
WXXXX8003	SMCM- ENDOWMENT MAIN

**Mandate (MND):** The Mandate is an outline of the philosophy and investment principles that will guide the investment management of the Client's assets and is part of the Guidelines, as defined in the JPMorgan Private Bank General Terms for Accounts and Services or Investment Management Agreement(s).

**Holistic Group (HGP):** The Holistic Group provides a consolidated view of a Client's wealth, including accounts managed by J.P. Morgan or third parties such as investment management, advisory, and separately managed accounts as well as accounts managed by the Client, such as brokerage accounts.

**Past performance is no guarantee of future results.**

Additional information is available upon request.

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**ST. MARY'S COLLEGE OF MARYLAND FOUNDATION  
AND JOINT INVESTMENT ADVISORY COMMITTEE (JIAC)**

**Date of Meeting:** January 27, 2017

**Reporter:** Harry Weitzel, President, SMCM Foundation Board and Chair of the Joint Investment Advisory Committee

**Executive Summary:**

**SMCM Foundation, Inc.**

The St. Mary's College Foundation Board of Directors and the Foundation's Joint Investment Advisory Committee (JIAC) met on November 18, 2016.

The Directors, with input from the JIAC, revised its Foundation Investment Policy from its last review in September 2016. Among the new provisions—a requirement that the Foundation put out to bid external portfolio management services at least every seven years in accordance with industry best practices.

JP Morgan, the investment portfolio manager, presented current market trends and reported the current portfolio market value at \$28.2M (as of October 31, 2016 and in comparison to the market value of \$28.4M on June 30, 2016). JP Morgan is now working with the College to help Career Services do some career/internship student training and will provide a workshop during the Foundation's May meeting on ways to grow the endowment.

The Directors are currently fine-tuning criteria for Foundation Directors and are working with Executive Director Carolyn Curry on ways Directors can “give or get” throughout the annual giving cycle.

The Foundation Directors voted to approve the nominations of four new members: Nick Abrams '99, Christopher Holt '86, Paul Schultheis '98, and Michael O'Brien '69, the latter who will join the Foundation Board after his Board of Trustees term ends this summer. The Foundation has a goal of filling 5-8 vacancies by its May meeting and will consider more nominees at its March 2017 meeting.

### **Staff Senate Report**

**Date of Meeting: January 28, 2017**

**Reporter: Mary Grube, President**

#### **Executive Summary:**

The Staff Senate had a successful fall semester. In partnership with Human Resources, myself and three other staff members provided representation on the Compensation Committee, which was created to ensure a proper merit plan would be instituted to our non-bargaining unit staff. Our Professional Development Committee hosted professional development opportunities for the staff which included: MS Excel (beginner, and intermediate levels); Event Management System (EMS) training; and a campus wide Shred- It event. Also, they implemented the Career and Professional Award to help a current SMCM staff member excel in studies outside of the campus community. The Social Connections Committee hosted our annual Fall Festival lunchtime gathering at the River Center on November 10<sup>th</sup> and then spread holiday cheer to offices across campus in the form of cookies and candy on December 16<sup>th</sup>. The Staff Senate continues to engage with the SGA to keep up to date on current events evolving from the student organization.

The spring semester promises to keep us busy. The Staff Senate executive committee is working on gathering ideas from senators to implement/promote during Random Acts of Kindness Week in February and has plans to begin an on-the-spot recognition program as part of that initiative. Also, the executive committee is working with Human Resources to re-implement the staff mentoring program and offer additional professional development opportunities for the staff to help meet Strategic Planning goals. The Bylaws Committee will review the current bylaws as there is always room for improvement and clarification. The Elections Committee will be preparing to conduct the executive committee elections which will take place in April and preparing for the regular election cycle which will take place in May-June. The Professional Development Committee has plans to continue to offer professional development opportunities, to include: FASFA training; and Procurement and Accounts Payable training. The Social Connections Committee will host a staff appreciation night at a February home basketball game. Also, they have begun planning for the annual spring staff appreciation gathering. The Awards and Recognition Committee will continue to celebrate the accomplishments of our staff with the monthly staff recognition award and the Joe Carroll award. Finally, the Communications Committee will produce quarterly newsletters that highlight the professional accomplishments and personal milestones of our staff.

In addition to the various programs we implement for the staff, we strive to ensure open communication between the staff in various departments and the transparency of the senate.

Please visit the site to stay updated on the development of the senate: [www.smcm.edu/staff](http://www.smcm.edu/staff)