



MINUTES OF MONTHLY MEETING OF THE BOARD OF CONTROL CONVENED ON  
FEBRUARY 17, 2010, AT COAST GUARD HEADQUARTERS, WASHINGTON, DC

monthly payments. His request had been disapproved by the CGMA Executive Director, primarily because the client did not appear to have a viable financial plan for the future. The applicant appealed to the Board. The Mutual Assistance Committee reviewed the request and forwarded it to the Board, recommending disapproval. After careful consideration, the Board disapproved the request, on the basis that, given the applicant's lack of a viable future financial plan, the funds requested would not effectively contribute to a long-term solution.

Audit Committee

Mr. Boisvere reported that the annual audit had been completed and that the Audit Committee would soon be briefed on the results. The audit results will be passed at the next Board meeting.

5. CGMA-HQ UPDATE:

Mr. Boisvere provided the following information of note:

- Regional Directors remain at six locations: Academy, District 14, TRACEN Petaluma, TRACEN Yorktown, ATC Mobile, and Sector San Juan.
- Preparations for the 2010 annual fundraising campaign are moving along on schedule and campaign materials should be on their way to Representatives early in March so they receive them in time for an April 1<sup>st</sup> start.
- Provision for client feedback via the CGMA Web site is still under development.
- The 2010 Annual Meeting is scheduled for Wednesday, April 21, 2010, at 9:30 to 10:30 am in the Headquarters Cafeteria.

6. NEW BUSINESS:

CGMA Strategic Plan

The Strategic Planning Committee presented an updated Strategic Plan for Board review and approval. CWO4 Baker made a motion to approve the Plan, SCPO Pankau seconded. After a brief discussion, the Board approved the motion unanimously. During the discussion, it was recommended that a business plan be developed with regard to the strategic goals listed. The revised Strategic Plan is attached.

Investment Policy

CWO4 Baker, Chairman of the Finance Committee, presented a revised investment policy for review and approval. SCPO Pankau made a motion to approve the revised policy. Mr. Tatu seconded and the motion passed unanimously. A copy of the revised investment policy is attached.

7. GOOD OF THE ORDER.

RADM Hewitt presented a letter to Mr. Barry Boisvere, commending him for exceptional service and accomplishments over the past two years.



# **COAST GUARD MUTUAL ASSISTANCE**



# **STRATEGIC PLAN**

March 2010

## **INTRODUCTION**

### **PURPOSE**

This Strategic Plan presents the vision and mission statements and outlines the long-range goals with corresponding business objectives for Coast Guard Mutual Assistance (CGMA).

### **BACKGROUND**

Coast Guard Mutual Assistance, as we know it today, has a long history of helping the men and women of the United States Coast Guard. Originally established in 1924 by the wives of several Coast Guard officers as the *League of Coast Guard Women*, the organization was to “minister to the general welfare of the commissioned officers, warrant officers, enlisted men and civilian employees of the Coast Guard and their immediate families.”

The League ended its first year of operating with a net worth of \$1,133.87, most of which was raised by annual dues of \$2.00. They gave out \$745.32 to assist members and help fund a World War I memorial. In 1941, *Coast Guard Welfare* was formally established and took over the mission from the League. By then the net worth had grown to over \$32,000 with \$11,500 provided in assistance that year. In 1979, the name was changed to *Coast Guard Mutual Assistance*. A net worth of over \$2.2 million enabled the organization to provide over \$1.5 million in grants and loans in 1979. By the end of 2009, the net worth had grown to \$17.9 million, enabling CGMA to provide over \$4.8 million in grants and loans. Since 1924 CGMA has provided over \$153 million in financial assistance.

CGMA incorporated in the Commonwealth of Virginia on January 1, 1998.

### **ACTION**

This plan provides guidance to CGMA employees, the BOC and Representatives in the performance of duties. It forms the basis for the development and implementation of new programs and the delivery of service under all programs. It also makes a commitment to our primary clients and provides information that they can use in deciding to support CGMA. It is not a rigid formula but rather a guide and a baseline to provide continuity and communicate between the BOC and its primary clients. We will attempt to update it annually.

## **MISSION**

CGMA strives to promote financial stability and general well being of the people it serves.

## **VISION**

Coast Guard Mutual Assistance is a recognized leader in promoting financial stability for its clients, empowering the Coast Guard family in meeting future financial challenges. Through partnerships with other assistance providers, we deliver innovative financial assistance in response to emerging Coast Guard family needs. Members of the Coast Guard know that CGMA is always ready and always there as the critical safety net in time of financial need. We truly look after our own.

## **GUIDING PRINCIPLES**

All actions of Coast Guard Mutual Assistance Board of Control members, Representatives and staff members are governed by the following principles:

1. CGMA seeks to help members of the Coast Guard family achieve autonomous financial well being.
2. CGMA fosters self-respect and self-worth.
3. We assure applications for financial assistance are treated confidentially.
4. We treat all members of the Coast Guard community in an honorable and respectful manner.
5. We provide assistance in a timely manner.
6. We consistently apply our guidelines and principles fairly and equitably to all.
7. We make decisions based on the merits of individual cases.

## **PRIMARY CLIENTS/CUSTOMERS**

The BOC considers these groups or individuals to be either primary clients or customers of CGMA:

### **INTERNAL**

- All Members of the Coast Guard Family (Primary Clients)
- Board of Control Members
- CGMA Representatives
- CGMA Staff Members

## EXTERNAL

- Unit Commanding Officers
- Work-Life Staff
- Other Military Aid Societies and Their Clients
- American Red Cross
- CGMA Contributors
- NFCC and Member Agencies
- Bank of America

## SWOT ANALYSIS

### **Strengths of the Organization:**

- Records of the corporation are open to full disclosure for BOC members to access
- Safeguarding of personal information
- Protection of funds
- Authority and responsibility are distributed locally
- Wide range of programs are provided
- Integrated automated financial systems
- Adequate positive net worth
- Active outreach initiatives
- Quick response for disaster relief
- Large amount of flexibility
- BOC represents a diverse cross section of the Coast Guard family
- BOC is willing to expand/enhance programs
- Well managed staff of professionals providing stability to organization
- Strong working relationship with other Military Aid Societies (MAS) and the American Red Cross
- Member, Armed Forces Relief Trust

**Weaknesses of the Organization:**

- BOC decision-making is subject to the make-up of the Board, with philosophy swinging as membership changes
- Outreach limitations
- Training and knowledge of CGMA Representatives
- Individual obligations and commitments prevent our volunteer BOC members from devoting more time to CGMA activities

**Opportunities for the Organization:**

- Use personal testimonies to stimulate greater interest and contributions
- Create new programs
- Expand parameters of current programs
- Develop training opportunities for Reps/AREps
- Increase the use of services
- Educate customers to existing programs

**Threats to the Organization:**

- CGMA financial reserves could become inadequate
- Changes in laws and regulations could severely impact the organization
- Customer pool could decrease
- The organization does not always meet customer's "expectations"
- Misperception and negative press could cause reduction in support

## **Coast Guard Mutual Assistance Strategic Goals**

### **SG1: Expand or Create Programs to Meet Our Client's Needs**

1. Respite Care
2. Education
3. Elder Care
4. Quick Loan
5. Childcare
6. Adoption
7. Re-Financing Closing Costs

### **SG2: Sustain the Long-Term Financial Health of CGMA**

1. Retain a proper balance between growing the portfolio and increasing benefits
2. Ensure prudent portfolio and cash management by actively monitoring the implementation of the CGMA Investment Policy by all parties in the process
3. Increase contributions
4. Review and update Investment Policy

### **SG3: Improve the Long-Term Organizational Health of CGMA**

1. Develop CGMA Rep training
2. Maintain proactive outreach initiatives
3. Enhance customer service processes

### **SG4: Improve Communications and Outreach**

1. All Coast Guard related websites
2. Social Networking Sites
3. Client category specific publications
4. Site Visits
5. Video

# **COAST GUARD MUTUAL ASSISTANCE STATEMENT OF INVESTMENT POLICY**

February 2010

**“We Look After Our Own”**

## **GENERAL INFORMATION**

Coast Guard Mutual Assistance (CGMA) is a non-profit organization established to provide aid in time of certain emergency, housing, or educational needs. It assists members of the Coast Guard family and strives to promote financial stability and the general well being of the people it serves.

## **PURPOSE**

The purpose of this investment policy as set forth by the CGMA Board of Control is to:

1. Define and assign the responsibilities of all involved parties
2. Establish a clear understanding of the investment goals and objectives of CGMA portfolio assets
3. Establish guidance and limitations for all investment managers regarding the investment of CGMA portfolio assets
4. Establish a basis for evaluating investment results

In general, the purpose of the Statement of Investment Policy is to outline a philosophy and attitude that will guide the investment management of the assets toward the desired goals of CGMA. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical.

## **DEFINITIONS**

1. “Portfolio assets” shall mean all securities managed by the investment manager
2. “Investment Manager” shall mean any individual or group of individuals, employed by CGMA to manage the investments of all or part of the portfolio assets
3. “Investment Management Consultant” shall mean any individual or organization that provides advisory services, including advice on investment objectives and/or asset allocation, manager search and performance monitoring
4. “Securities” shall refer to the marketable investment securities, to include cash, fixed income and equity instruments, that are defined as acceptable in this Statement of Investment Policy

5. “Investment Horizon” shall be the time period over which the investment objectives, as set forth in this statement, are expected to be met

## **DELEGATION OF AUTHORITY**

The CGMA Board of Control may delegate certain responsibilities to professional experts in various fields. These include, but are not limited to the following:

1. **Investment Management Consultant.** A consultant may assist in establishing investment policy, objectives and guidelines; selecting investment managers; reviewing such managers over time; measuring and evaluating investment performance; and other tasks deemed appropriate
2. **Investment Manager.** The investment manager may choose the specific securities that will be used to meet CGMA investment objectives. Such services may also include economic analysis, and deciding when to purchase, sell or hold individual securities
3. **Custodian.** The custodian will physically (or through an agreement with a sub-custodian) maintain possession of securities owned by CGMA, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as execute transfer of assets into and out of CGMA accounts
4. Additional specialists such as attorneys, auditors and others may be employed

The Board of Control will not reserve any control over investment decisions, with the exception of specific limitations described in this Statement of Investment Policy. The investment manager is responsible for achieving the objectives herein stated. While it is not believed that the limitations will hamper investment managers, each manager and/or consultant should request modifications that they deem appropriate.

## **GENERAL INVESTMENT PRINCIPLES**

1. CGMA portfolio assets shall be invested with in accordance with the Uniform Prudent Investor Rule
2. Investment of CGMA portfolio assets shall be so diversified as to minimize the risk of losses, unless under the circumstance, it is clearly not prudent to do so
3. CGMA is generally willing to sacrifice some opportunities for gain during rising markets in order to avoid large losses during declining markets
4. The Board of Control may employ one or more investment managers and/or consultants of varying styles and philosophies to attain CGMA investment objectives

## **INVESTMENT OBJECTIVES**

1. The primary investment objective is to preserve principal, adjusted for the rate of inflation as determined by the CPI
2. Provide current income from interest and dividends to supplement other CGMA income
3. Maintain liquidity in the portfolio sufficient to meet CGMA obligations as they come due

## **LIQUIDITY**

To minimize the possibility of loss occasioned by the sale of a security forced by the need to meet a required payment, the Board of Control will provide, via the CGMA Executive Director or Director of Finance, to the investment manager with an estimate of expected net cash flow requirements on a quarterly basis, or more frequently as sound management would dictate. The intent is to notify the investment manager in a timely manner to allow sufficient time to build up necessary liquid reserves.

## **INVESTMENT GUIDELINES**

### **Stock Exchanges**

To ensure marketability and liquidity, investment managers will execute equity transactions on a United States stock exchange, unless specifically agreed otherwise.

### **Permissible Investments**

1. Cash Equivalents
  - Treasury Bills, Commercial Paper, CDs
  - Money Market Funds
  - Repurchase Agreements
2. Fixed-Income Securities
  - U.S. Government and Agency Securities
  - Corporate Notes and Bonds
  - Mutual Funds
  - International Bonds
  - Mortgage-backed securities and collateralized mortgage obligations

3. Equity Securities
  - Common Stocks
  - Mutual Funds & ETF's
  - International Stocks
4. Alternative Investments
  - Real Estate (i.e. real estate investment trusts or REITs)

### **Prohibited Investments**

Direct investment in:

1. Commodities and Futures Contracts
2. Private Equity
3. Private Placements
4. Options
5. Hedge Funds
6. Real Property
7. Mortgages
8. Partnerships

### **Prohibited Transactions**

1. Short Selling
2. Margin Transactions
3. Trading on Foreign Exchanges

### **SPECIFIC INVESTMENT GOALS**

1. While avoiding excessive risk, achieve long-term growth through an annualized real rate of return of at least 6% on a total return basis over 5 year rolling periods; the real rate of return is defined as total return minus inflation as determined by the CPI
2. Over 5 year rolling periods it is the goal of the aggregate portfolio assets to meet or exceed the benchmarks outlined in the Asset Allocation Guidelines

## ASSET ALLOCATION GUIDELINES

Investment management of CGMA’s portfolio assets shall be in accordance with the following strategic asset allocation guidelines:

	<b>Strategic Asset Allocation Guidelines</b>	<b>Acceptable Range</b>	<b>Performance Benchmarks</b>
<b>Total Equity</b>	<b>60</b>	<b>40-70</b>	
Large-Cap U.S. Equity (Note: Includes 1.5 percent convertible securities)		<b>22-46</b>	S&P 500 Index, Russell 1000 Growth Index, Russell 1000 Value Index, Russell 1000 Index
Mid-Cap U.S. Equity		<b>2-10</b>	S&P Mid-Cap 400 Index, Russell Mid-Cap Growth Index, Russell Mid-Cap Value Index, Russell Mid-Cap Index
Small-Cap U.S. Equity		<b>2-10</b>	Russell 2000 Growth Index, Russell 2000 Value Index, Russell 2000 Index
Non-U.S. Equity		<b>5-20</b>	MSCI EAFE Index
Real Estate (REITs)		<b>0-10</b>	Morgan Stanley REIT Index
<b>Fixed Income</b>	<b>35</b>	<b>20-50</b>	
High Yield Bonds		<b>0-5</b>	Barclays Interm Govt/Corp. Barclays 1-3 yr. Govt/Corp. Barclays Aggregate Bond Index Barclays High Yield Corporate Bond Index

International Bonds		0-10	
<b>Cash or Equivalents</b>	<b>5</b>	<b>2-10</b> \$100,000 minimum	Lipper Institutional Money Market 91-Day T-Bills

### **GUIDELINES FOR FIXED INCOME AND CASH EQUIVALENTS**

1. The majority of Fixed Income assets shall be invested in investment grade bonds rated A or better. Up to 5% of Fixed Income assets may be invested in 'high yield' bonds rated below BBB.
2. Fixed income duration restrictions are as follows:
  - Maximum maturity duration for any single security is 20 years
  - Weighted average portfolio duration may not exceed 10 years
3. Commercial paper and Certificates of Deposit with maturity not exceeding 180 days will be considered cash for asset allocation.

### **DIVERSIFICATION FOR INVESTMENT MANAGERS**

The Board of Control does not believe it is necessary or desirable that securities held in the portfolio represent a cross section of the economy. However, in order to achieve a prudent level of portfolio diversification, the securities of any one company or government agency shall not exceed 10% of the total fund, except for government guaranteed issues, and no more than 25% of the total fund shall be invested in any one sector. Sectors are defined as the broad economic sections of the S&P 500 Index.

### **SELECTION OF INVESTMENT MANAGERS**

The Board of Control's selection of investment managers and/or consultants will be based on prudent due diligence procedures. A qualifying investment manager should be selected based on the following criteria:

1. Must be a registered investment advisor under the Investment Advisors Act of 1940
2. A minimum 5-year risk-adjusted performance against appropriate benchmarks

3. Competitive rolling periods analysis and favorable up/down market performance
4. Consistency of performance against the benchmarks
5. Peer universe comparisons
6. Evaluation of a firm's resources, operations and business model
7. Experience of staff and length of service of key executives or partners
8. Purity of investment style / attribution analysis
9. Growth of assets under management and, if a small independent firm, its willingness to close portfolios to new investors when appropriate
10. Number of accounts per investment manager
11. Management fee structure

## **PERFORMANCE REVIEW AND EVALUATION**

Performance reports generated by the investment manager shall be compiled at least quarterly and communicated to the Board of Control. With respect to CGMA, consolidated, monthly statements and transaction confirmations will be provided on a timely basis. The investment performance of the total portfolio, as well as asset class components, will be measured against the specific investment principles, objectives, and goals described above. The Board of Control will evaluate portfolio performance and investment manager performance semiannually at the end of the first and third calendar quarters. Although CGMA reserves the right to terminate any investment manager relationship at any time, it may do so under the following circumstances:

1. Investment performance is below established benchmarks and peer groups, and has been for an extended time period. Moreover, the reasons for under-performance are not convincing
2. Failure of a manager to follow his or her prescribed style
3. Violation of investment guidelines
4. Significant departures from the organization
5. Change in ownership of the organization where the change is not acceptable
6. Significant business growth or loss of clients
7. Change in CGMA's investment objectives and asset allocation strategy
8. Change in fee structure