

# ASSOCIATION OF GRADUATES

## UNITED STATES AIR FORCE ACADEMY



### BOARD OF DIRECTORS MEETING 6 December 2013 APPROVED Meeting Minutes

**Board Members Present:** Roger Carleton,'67, Chair; Vic Andrews,'66, Vice Chair; Bebe O'Neil,'83, Secretary; Jack Fry,'67, Treasurer; Steve Beasley,'93; Mike Torreano,'70; Larry Fariss,'75; Kevin Chilton,'76; Dick Sexton,'60, President, Class Advisory Senate.

**Board Members Attending via Teleconference** Bruce Wright,'73; Kathleen Rock, '98; Drew Miller,'80; Mark Rosenow,'03

**AOG Staff Present:** William 'T' Thompson, '73, President & CEO; Gary Howe, '69, Exec. VP; Alton Parrish, CFO and Senior Vice President for Finance; Marty Marcolongo, '88, Senior Vice President for Business Development; Megan Mulligan, Director of Constituent Relations; Bob McAllister, Senior VP for Communications; Corrie Grubbs, Vice President, Alumni Affairs; Jack Mueller, '70, Director of Information Systems; Hadassa Muñoz, Executive Assistant.

**Members and Invited Guests Present:** Lt Gen Michelle D. Johnson'81, Superintendent USAFA; Mr Greg Knedler, USAFA Endowment; Brian Binn,'72 USAFA Chief, Development and Alumni Affairs; Garry W. Dudley'68; Dick Rauschkolb'70; Andy Biancur'60; Terry Storm'61; Mike Christy'63; Dave York'84; Jay Kelly'64; Randy Cubero'61; Wade Thompson'85; Donald S. Branum, USAFA/PA; Maj Abizer Tyabji, Superintendent's CAG; Skip Morgan'72; Col Evan M. Miller'88, Vice Superintendent, USAFA; Capt William D. Sanders, Aide-de-Camp to the Superintendent.

#### **I. Call to Order**

The Chairman called the meeting to order at 0830 hours MDT, Friday, 6 December 2013.

#### **II. Moment of Silence & Pledge of Allegiance**

#### **III. Notified Absences & Introductions**

The Board Chair welcomed each member of the Board and notified the Board that Directors, Wright, Rock, Rosenow and Miller would be joining via teleconference; however Director Rosenow would not join for the entire meeting due to working on a trial. The Board Chair also notified the board that Greg Papineau would be giving the Audit Report via teleconference and Richard Abramson from the Investment Sub-Committee will also be presenting to the Board the Investment Report via teleconference. Board chair welcomed guests and requested they introduce themselves. He also instructed Directors to please submit all motions in writing.

**IV. Consent Agenda Approval**

Board Chair presented 2 August Meeting Minutes (Atch: 1), 21 September Electronic Vote (Atch: 2) and 29 October Special Meeting Minutes (Atch 3) for approval.

Director Andrews moved and Director Torreano seconded to approve the 2 August Meeting Minutes, 21 September Electronic Vote and 29 October Special Meeting Minutes.

MOTION to approve 2 August Meeting Minutes, 21 September Electronic Vote and 29 October Special Meeting Minutes passed unanimously.

**V. Approve Agenda**

There were no changes offered by the Board to the Chair's agenda.

Director Munson moved and Director Beasley seconded.

MOTION to approve agenda passed unanimously.

**VI. Secretary Report**

Secretary O'Neil informed the board that there was nothing to report however thanked the Committee Chairs for their synopses.

Director Munson also directed the Board to please provide motions in written form to accurately include in the meeting minutes.

**VII. Committee Updates**

**A. Finance & Investment Committee**

**i. Investment Report..... Richard Abramson'68, Committee Chair**  
Board Treasurer Fry gave the Board background and introduced Richard Abramson to the Board. Mr. Abramson gave a brief introduction of each committee member and presented the FY 2013 Annual Report on Investments. (Atch 4)

Richard Abramson, Chairman, Investment Sub-Committee  
Rod Hennek  
William Jennings, PhD  
Lou Kingsland  
Jack Fry  
William Thompson, Ex-Officio  
Alton Parrish, Ex-Officio

Another good year: began the year with \$26.4M, taken out \$1.6M and gained \$3.2M.  
The fiscal year ending June, but the market continues to do well.  
In November - showed a 3% improvement equating to a \$.5M gain.  
We continue to lose in real estate, currently off \$400K but will eventually liquidate.

Stocks did well and International continues to do well  
Fixed income holdings are not performing and we continue to look for a fixed income alternative that will be less affected in a rising rate environment with prudent risk.

Compared with other Universities AOG **FY2013 - 15.2%**  
(U Penn-14.4%, Brown-12.6%, Yale-12.5%, Dartmouth-12.1%, Princeton-11.7%,  
Columbia-11.5%, Cornell-11.4%, Harvard-11.3%)  
**U.S. educational endowments (461 reporting) returned an average 11.7% net of fees for fiscal 2013 ended June 30**

Investment Decisions – Areas to monitor  
Bond Portfolio - Shorten Duration  
Underweight Bonds Relative to its Long-Term Target

International  
Added Dreyfus as Growth Manger, replacing Driehaus

Investment Performance Consultant  
Moved from Compass Advisors (Closed their business) to Greenhill and cost went from \$30K to \$7.2K

Built up the Board Designated Fund – Goal of \$1.5M currently at \$1.15M with a plan for additional \$50K/quarter to reach goal.

Short Term Assets Including Cash held for operations, money market and superintendent Discretionary Funds.

Board Chair thanked Mr. Abramson

**ii. Review FMIP** – Director Fry will present to the board at the February Board Meeting.

**A. Audit Committee..... Mike Torreano’70, Committee Chair**

**i. Recommendation - Approval of the Audit for FY 2013**

The Audit Committee recommends approval of the FY 2013 Audit, recently completed. The Audit report uncovered no significant findings and has been reviewed by the Committee. To this end, Chairman Torreano moves, and Director Fariss seconds, that the FY 2013 Audit be approved.

**Approval of the members of the Audit Committee**

Per the Bylaws, Art VIII Section 6b, the Chairman of the Audit Committee is pleased to offer the following candidates to fill committee positions:

MOTION: Chairman Torreano moved, and Director Fariss seconded, that the Board approve the following individuals for the 2013-2015 Audit Committee:

Mike Torreano, Col, USAF retired. Chair  
Larry Fariss, Col, USAF retired, Vice-Chair  
Barry Blackman, CPA, Class of 1965  
Ev Vaughn, PA, Class of 1963  
Glenn Strebe, Pres and CEO, AAFCU

MOTION passed unanimously.

Committee Chair Torreano presented to the Board the idea of having the flexibility to allow non AOG members to be members of the Audit Committee

Director Munson clarified that IAW Bylaws, AOG membership is not a requirement in order to sit in the Audit Committee.

**ii. Audit Report.....CPA Greg Papineau, BiggsKofford**

Greg Papineau, head of the audit department of Biggs Kofford, met with the AOG Audit Committee and conducted an independent audit of AOG financial statements. He is pleased to issue an ‘Unqualified opinion’ – highest level of assurance that can be given on a set of financials according to GAAP. The audit found no weakness in internal control, and is in compliance with standard financial and investment policies. Greg thanked ‘T’ and Alton and his staff for all the support.

(See attached audit report, Atch: 4)

MOTION to approve financial Audit as written.  
Director Torreano moved and Director Fariss seconded.  
Motion passed unanimously.

**B. Awards & Recognition Committee**

Committee Chair Rock informed the board they the Committee continues to move forward in the Alumni Achievement Award and will have nominations in the near future. Committee Chair will discuss with EVP ways to increase interest in the Alumni Achievement Award from the graduate committee and will report back to the board at the February Board Meeting

**C. Distinguished Graduate Award Committee**

Committee Chair O’Neil informed the board that nominations had been received and scores had been reviewed. Final selection will be made at the next Committee Meeting which is scheduled for 10 December 2013.

**D. Heritage & Traditions Committee**

**i. POW Plaque Update**

Committee Chair Wright informed the Board that Jim Nance continues to work on the image of the POW and has gotten support from the Superintendent's office to use cadets as models. Making good progress and will present the image at the February Board Meeting.

Also putting together an organized guidance that the graduate community can use as a longer term plan for the Distinguished Graduate Recognition as well as other ideas to honor the American Airmen.

## **E. Nominating Committee**

### **Approval of the members of the Nominating Committee**

Per the Bylaws, Art VIII Section 2, the Director-members of the Nominating Committee are pleased to offer the following AOG-member candidates to fill the committee positions:

MOTION: Director Munson moves, and Director Beasley seconds, that the Board approve that the 2013-2015 Nominating Committee consist of the following:

Robert Munson, '73 (Director, Chair)  
Col Steve Beasley, (Director)  
Bruce Wright, '73 (alternate Director)  
Jennifer Cummings '93  
Christopher Miller '80  
Elizabeth Durham-Ruiz, '82  
Chad Polumbo, '06  
Richard Schlosberg, '65  
Edwin Montgomery, '59 (alternate)  
MOTION passed unanimously.

## **F. Governance Committee**

### **i. Current Chapter 3 Policies (reformatted)**

Director Chilton proposed some changes to Chapter 3 (Board/Staff Linkage) of the Policy Manual. The changes are to improve the effectiveness of the Board. The impetus for change was highlighted when the Board had difficulty during the annual CEO's performance evaluation. The goal for the Board is to adequately represent the 'stock holders' of the AOG. The AOG Board currently follows the Carver model of governance wherein the Board develops 'ends' and the CEO determines the 'means' to reach those ends within established executive limitations. A change to current policy may be needed to better define 'ends' as they are generally broad in scope which makes for a difficult process to effectively evaluate the CEO.

The Carver model of governance is popular among non-profit organizations and no two Boards execute Carver in the same way. The proposed changes include a process whereby the BOD and the CEO agree on a Strategy that defines where the AOG is heading (ends), how

it intends to get there (ways) and what it intends to do (means). The strategy is linked to the annual budget; it is measurable, and the CEO performance metrics are definable.

The Governance Committee Chair, Director Andrews, provided a review of the proposal:

1. The proposal does not seem to conflict with, or impact, the Bylaws.
2. The proposal is in the appropriate format for the Policy Manual.
3. The changes would drive changes in Chap 2 and 4 of the Policy Manual.
4. The proposal does change our current governance model:
  - a. CEO takes over as the lead agent for developing the ends which is currently the sole responsibility of the Board.
    - i. Under the Carver model, the Board is the sole link of the membership to the organization and this responsibility cannot be delegated.
    - ii. The Board does retain responsibility for approving these Ends, thus retaining that measure of control.
  - b. Board takes responsibility for approving the CEO's means to achieve the Ends (referred to as AOG Strategy/Business Plan), which under our current model is the sole responsibility of the CEO.
    - i. The Carver model intends that the CEO have as much flexibility, using whatever means he chooses within Executive Limitations. This proposal would limit the CEO's means to whatever the Board has approved.
    - ii. The proposal replaces the concept of 'Means' with 'Ways and Means' which would need to be defined.
  - c. This proposal would change the evaluation dictum of policy governance under which the Board evaluates the CEO's achievements of the Ends and remaining with Exec Limitations.
    - i. The evaluation would instead be against "expected CEO outputs: development of the AOG Strategy, organizational execution of the Strategy, and organizational operation within the boundaries of the Executive Limitations." The important change is that the CEO's evaluation would include the ways and means of strategy execution.
5. The proposal does shift the 'boundary between Board and CEO domains' which is permissible under the Carver governance model.
  - a. In addition to reporting on compliance with Exec Limitations, the CEO would regularly report on (be monitored) on achievement of the ends.
6. The proposal generates the requirement for the CEO to develop an AOG Strategy and Business Plan.
  - a. Though these concepts aren't defined, Policy 2.9.1 already requires the CEO to have a plan.

Further discussion is necessary to ensure we have appropriate definitions of ends, means, strategy, business plan, etc. to avoid a change when it may be an issue of semantics. The Carver model empowers the CEO and avoids micromanaging but the Board may need more defined ends, (wherein the CEO is involved in establishing) and metrics in which to effectively evaluate

the CEO. It was offered that a committee of the Board, with the CEO as a member, works on an 'Ends Statement' and the Governance Committee to determine the 'Means.'

Current Ends: Graduates, cadets and friends are connected to the Academy and each other.

The Academy and its cadets receive enthusiastic, strong support.

Graduates have loyalty to and camaraderie with each other.

The heritage and traditions of the Academy and accomplishments of its graduates are promoted to increase awareness within the graduate community and the nation.

The Academy community values and respects the AOG and its members.

**ii. Policy & Procedures Chapter 4**

Director Andrews informed the board of the very minor changes and updates to Chapter 4. The changes are mostly editorial in order to minimize content. Board Chair reiterated that at the August meeting it was recommended to change or update Chapter 4. Director Andrews also asked Committee Chairs from all Committees to review their charters and get back to him with any updates or changes. These changes will then be presented at the February 2014 meeting.

Director Fry recommended Board Calendar be updated to reflect FMIP update in the month of August on Even Years after the end of Fiscal year.

**iii. Board Self-Assessment**

Director Andrews thanked those that took the time to fill out the board assessment and presented slides that reflected responses from 13 directors. Board Assessment provided areas of strengths and areas for improvement.

Board Chair will make greater efforts to communicate to the graduate community on all matters and will pre-coordinate articles with the Board.

**VIII. Director Submitted Topic**

Director Miller presented his proposal of a new line of business through the internet and social media.

1. Grad Mentoring Program
2. Focused Excellence Program
3. AOG Committee to cut costs

Director Miller will provide the Board with additional information regarding the proposal and will also share with Brian Binn to discuss future ideas of programs to support the Academy.

**IX. Guest Speaker - Lt Gen Michelle D. Johnson'81, Superintendent, USAFA**

The Superintendent had a frank and candid discussion with the AOG Board of Directors. Due to the high level of interest, the Superintendent permitted the meeting to be open so other graduates could attend. The Superintendent was forthright in taking and answering questions from everyone in the room. Discussions lasted more than an hour and those present articulated multiple views and concerns regarding the OSI case. Gen Johnson said that she hears and feels the graduate community's concern. She has still not received clarification as to her Command Authority regarding approval of OSI activities at USAFA; she does not approve the use of cadet confidential informants. At the present time there are no cadet CI's. She is very aware of the honor code implications and conflicts with the OSI using cadet CI. Attendees at the meeting recounted stories of OSI processes which included lying, bullying and threatening cadets into agreeing to be CI's going back to at least early 70's. The OSI program has existed at the Academy for decades. The Superintendent's research shows that there have been 30 cadet CI's since 2002. West Point does not permit cadet CI's; they use MP's. Navy uses midshipmen CI's on a very limited basis in conjunction with the NCIS authorities.

Class Advisory Senate President, Dick Sexton, '60, reported that the consensus within the senate is divided. Some grads are adamantly against use of cadet CI's; others are just as adamant we need CI's; and a much larger middle group wants to step back and allow the Superintendent to do her job.

As background, the new Superintendent says she is trying very hard to "keep her eye on the ball", even as she is hit with a new crisis every few weeks. In addition she is fighting budget cuts imposed by USAF. USAFA budget in FY 2010 was \$390M; FY 2013 - \$278M; FY 2014 - \$173M. USAF - directed "deep" personnel cuts are around the corner. She has told the Air Staff that USAFA will do their part, but that she will also tell them when the cuts threaten the "essence" of USAFA.

Other issues presented by the Superintendent:

-The Honor Oath, "So Help Me God" issue. The Honor Oath was adopted in 1984. A newspaper article last year raised concern about the inclusion of "So Help Me God". The Supt informed the Board that the cadets on the Honor Committee made the decision to make the words optional and she supported their decision.

-Dr. Rosebush, is an operations research analyst in the Plans and Programs Department at USAFA. One of our graduates, while working on a research project, discovered and made public that Dr. Rosebush had written a book on "Reparation Therapy," a method of therapy addressing homosexuality. Gen Johnson is fielding four congressional inquiries, including one signed by every member of the House Armed Services Committee.

The Superintendent also touched on the status of the CCLD completion in October of 2014. The iconic structure will welcome nationally recognized speakers and academic forums. She also had kudos for the AF Cyber Ops Club that placed 10<sup>th</sup> out of 349 teams at an NYU International competition, the Men's Cross Country team for their success in the NCAA Championship meet, and the Forensics team for their win in a highly competitive debate at Colorado College in November.



## **X. Executive Session – Appointed Director**

### **Board Consideration for Appointment of a new Director for the Board**

Chairman Carleton has approved the Nominating Committee's recommendation for a qualified candidate appointment to the Board of Directors. The Bylaws direct that discussion around appointments was done in Executive session.

MOTION: Director Munson moves, and Director Beasley seconds, that the Board go into Executive Session to consider a nomination for Director, IAW Bylaws Art V Sec 8c

MOTION: Director Munson moved, and Director Beasley seconded, that the Board approve the nomination of Cathy McClain as Director to fill the available 2013-2017 term.

Motion passed 10-1.

## **XI. Endowment Update**

### **Greg Knedler, Associate Vice-President, Development Svcs - USAFA Endowment**

The UE just hired Jennifer Bateman as Vice President - Development. There are vacancies in the positions of Director of Annual Giving and Director of Communications currently. The UE focus is on building a culture of philanthropy. There has been a 39% increase in Sabre Society members from 2010 - 2012. Highlights include over 4500 graduate gifts this year, including 720 first time donors, a fully developed for process for reporting funds, and 13 active class projects. The 'Cash Mob' (i.e. Giving Tuesday) was a very successful event with a record number of donors in one day.

## **XII. Senate Update**

CAS President Sexton reported on how the CAS felt the AOG was meeting their needs and expectations. Three separate groups tend to populate the CAS and related discussions: those with less than 20 years since graduation, the 20-40 years post graduation group, and the 40+ years since graduation. Each group has its own identity and priorities but agree that they need more metrics to accurately determine if the AOG is meeting grad community needs. One recommendation would be to add a sixth end relating to long term financial stability including measurable criteria.

## **XIII. AOG/USAFA Endowment Joint Coordinating Committee**

The JCC met and clarified issues related to bequests/donor intent for all types of donations. The MOU is very close to being completed.

**XIV. Staff Report**

**A. CEO Monitoring Report: Policies 2.8 & 2.10**

The CEO briefed the Board on the following quarterly monitoring items: Monitoring Report 2.8 Compensation & Benefits and Monitoring Report 2.10 Programs and Events (Atch: 6, & 7). He summarized the reports as saying he remained within the Executive Limitations set by the Board in its Policy Manual.

**B. Quarterly Financial Update**

See AOG Quarterly Financial Report (Atch: 5)

**XV. Admin Items**

**XVI. Unscheduled Business**

**Adjourn**

The Chair thanked the Board directors and AOG staff for their efforts. The CEO, on behalf of the AOG staff, thanked the Chair for his service over the past years. The Board will next meet on February 7, 2014. The meeting adjourned at 1650 hours (MDT).

Note: Portions of the minutes have been rearranged from time sequence to topical sequence.

Respectfully submitted,

Hadassa Muñoz, Recorder  
Bebe O'Neil, Secretary

1. Provisional Minutes of the 2 August 2013 Board meeting
2. 21 September Electronic Vote
3. 29 October Special Meeting Minutes
4. Audit/Investment Report
5. AOG Quarterly Financial report
6. CEO Policy Compliance Report 2.8
7. CEO Policy Compliance Report 2.10