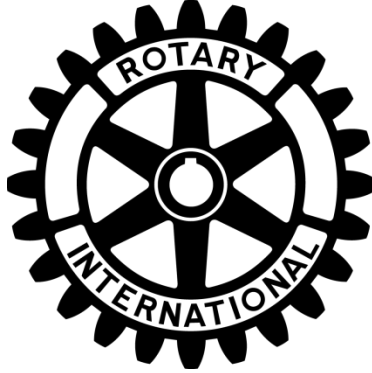

ROTARY INTERNATIONAL



MINUTES

of the

MAY 2016

RI BOARD OF DIRECTORS MEETING

**GENERAL OFFICERS
2015–16**

President

K. R. Ravindran (tea bag pkg.) One Rotary Center, 1560 Sherman Avenue, Evanston, IL 60201, USA (Rotary Club of Colombo, Sri Lanka)

Vice President

Greg E. Podd (certif. pub. acctg.) 4942 Snowberry Lane, Evergreen, CO 80439, USA (Rotary Club of Evergreen)

President-elect

John F. Germ (mechanical eng.) University Tower, 651 E. 4th St., Ste. 600, Chattanooga TN 37403 (Rotary Club of Chattanooga)

Treasurer

Per Høyen (graphic production) Kingstrupvej 130, 5591 Gelsted, Denmark (Rotary Club of Aarup)

Executive Committee Chair

Şafak Alpay (info. & comm. tech.) Siracevizler Cad. Esen Sok., No:6/6 Saruhan Plaza-Bomonti, Istanbul, 34380, Turkey (Rotary Club of Istanbul-Sisli)

General Secretary

John Hewko, One Rotary Center, 1560 Sherman Avenue, Evanston, IL 60201, USA (Member, Rotary Club of Kyiv, Ukraine)

Other Directors

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Guiller E. Tumangan (chartered accountant) 413 Agoncillo St., Ayala Alabang Village, Alabang, 1780 Muntinlupa City, Phillipines (Rotary Club of Makati West)

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Julia D. Phelps (education admin.) 195 Portsmouth Ave., Greenland, NH, 03840, USA (Rotary Club of Malden)

Karen K. Wentz (higher education admin.) 8673 Belle Mina Way, Knoxville TN 37923 USA (Rotary Club of Maryville-Alcoa)

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* Filed only with the official copy of these minutes.

MINUTES

of the

MAY 2016

Rotary International Board of Directors Meeting

The Rotary International Board of Directors held its fifth meeting of the year on 26 May 2016, in Seoul, Korea

Present were: President K. R. Ravindran, President-elect John F. Germ, Vice President Greg E. Podd, Treasurer Per Høyen, Executive Committee Chairman Şafak Alpay, other directors Manoj D. Desai, Robert L. Hall, Bradford R. Howard, Jennifer E. Jones, Hsiu-Ming Lin, Peter L. Offer, Julia D. Phelps, Saowalak Rattanavich, Eduardo San Martín Carreño, Takanori Sugitani, Guiller E. Tumangan, José Ubiracy Silva, Giuseppe Viale, Karen K. Wentz, and General Secretary John Hewko.

At the Board's invitation, also present were President-nominee Ian Riseley, Directors-elect Mikael Ahlberg, Gérard Allonneau, Jorge Aufranc, Corneliu Dincă, Joseph Mulkerrin, Dean Rohrs, Tadami Saito and Noel Trevaskis.

Andrew McDonald served as secretary of the meeting with assistance from Jennifer Faron and Matt Hohmann. Other staff present were David Alexander, Jim Barnes, Michele Berg, Joseph Brownlee, Lori Carlson, Bernadette Knight, Peter Markos, Steve Routburg, and Eric Schmelling. Nobuko Andrews, Dora Calkins, Alain Drouot, Sandra LeBlanc, Ligia Lima, and Eiko Terao served as staff interpreters.

Under the guidance of the president, the general secretary had prepared an advance memorandum for this meeting containing items for consideration with background information and analyses. Those items, along with others initiated during this meeting, constituted the agenda of the meeting as reflected in the remainder of these minutes.

* * * * *

191. Petition to the Board

Statement: The Executive Committee considered a petition from District 3100 requesting reconsideration of the Board's decision to place the district in non-districted status.

DECISION: The Executive Committee acting on the Board's behalf, requests the general secretary to follow-through on the petition received at this meeting, in accordance with discussion at this meeting.

192. ABC Island Clubs

Statement: In decision 77, October 2015, the Board, noting the significant advantages that clubs in Aruba, Bonaire, and Curaçao (the ABC islands) would have if they were transferred to a Caribbean district, approved a two-year exemption to District 4370 (Venezuela)—where the clubs are currently located—from meeting the minimum district size if the clubs transferred to a different district. Director Hall reported that a majority of clubs in the ABC islands feel that for cultural and linguistic reasons they share a greater affinity to clubs in District 7030 in the Caribbean and would be stronger clubs if they were part of that district. The Board discussed the effect this change would have on both districts.

DECISION: The Board approves the transfer of the Rotary Clubs of Aruba, Bonaire, Curaçao, and Willemstad from District 4370 to District 7030, effective 1 January 2017, provided that either the majority of clubs in District 4370 do not object to the clubs' transfer request by 4 June 2016 or the district falls below 1,100 Rotarians on 30 June 2016.

As a result of this transfer, the new boundary descriptions for the two districts would be:

District 4370

Venezuela, that portion east of the western boundaries of the states Aragua, Guarico and latitude 70° in the state Apure. (Effective Date: 1 January 2017)

District 7030

Antigua and Barbuda, Aruba, Barbados, Bonaire, Curaçao, Dominica, Grenada, Guadeloupe, Guyana,

Martinique, Montserrat, St. Kitts-Nevis, St. Lucia, St. Vincent and The Grenadines, Suriname, and Trinidad and Tobago. (Effective Date: 1 January 2017)

DECISIONS 195–199
Finance Committee Report
Meeting on 27–29 April 2016 in
Evanston, Illinois, USA

193. UNESCO-IHE Partnership

Statement: In its April 2016 report to the Trustees, the Joint Committee on Partnerships recommended renewal of the Memorandum of Understanding with UNESCO-IHE. The Trustees, in their decision 123, April 2016, did not agree to renew this Memorandum of Understanding but encouraged interested Rotarians to use the Global Grant process to award scholarships to appropriate candidates for the UNESCO-IHE program. The Board at its April meeting agreed with the Trustees decision. Following that meeting, the chairman of the Joint Committee on Partnerships offered additional information to the Trustees and asked that they reconsider renewing the MOU. The Trustees, in decision 165, June 2016, agreed to renew the MOU with UNESCO-IHE.

DECISION: The Board

1. authorizes the general secretary to renew the Memorandum of Understanding with UNESCO-IHE for five years, with the understanding that the MOU could be adjusted based on the outcome of a program evaluation;
2. requests the general secretary to conduct an evaluation of the UNESCO-IHE strategic partnership and scholarship program, for report to the Board at its May 2017 meeting.

194. Investment Governance Working Group Update

Statement: In decision 188, April 2016, the Board supported the establishment of an investment office at Rotary International that would assume authority, responsibility, and accountability for the investment programs of The Rotary Foundation and Rotary International. The general secretary provided an update on the search for a chief investment officer.

DECISION: The Board receives the report from the Investment Governance Working Group.

195. Prioritization of Enterprise Projects

Statement: In decision 137, January 2016, the Board approved a preliminary list of enterprise projects (subject to budget constraints and further review) for inclusion in the 2016–17 draft budget. Due to legislation passed at the 2016 Council, it became necessary to further adjust this list. The Finance Committee presented its final recommended adjustments to the 2016–17 enterprise project list to the Board.

DECISION: The Board

1. receives the 2016–17 prioritized enterprise projects update as shown in Appendix A;
2. acknowledges that the current capacity of the Secretariat is not sufficient to move forward with the prioritized enterprise projects;
3. requests the general secretary to increase the capacity of the Secretariat (to include staffing resources, consulting, or outsourcing options) to move forward on prioritized enterprise projects and approves a contingency of up to US\$2 million from the general surplus fund to begin this increase during 2016–17, with the understanding that reserves will be replenished when the additional revenues from the dues increase are realized;
4. requests the general secretary to provide a comprehensive plan to the Finance Committee at its next in-person meeting to achieve point 3. above that includes costs, staffing, and timeline implications, for report at the January 2017 Board meeting;
5. requests the general secretary to provide detailed reports and success metrics for each project at the next in-person Finance Committees meeting.

196. RI/TRF Allocation

Statement: The Finance Committee annually reviews the allocation methodology for services paid by The Rotary Foundation to Rotary International and recommends any necessary changes to the Board.

DECISION: The Board

1. receives the update on the allocation of expenses between Rotary International and The Rotary Foundation;
2. approves the Administrative Services Agreement dated 7 May 2015 and updated schedules, as shown in Appendix B, filed only with the official copy of these minutes.

197. Asset Allocation and Investment Policy Statement

Statement: The Finance Committee regularly reviews RI’s investment policy statement and asset allocations and recommends any necessary changes to the Board.

DECISION: The Board

1. approves the following strategic asset class/strategy allocations and ranges for the RI general surplus fund:

Asset Class/Strategy	RI General Fund		
	Min	Target	Max
Cash	0%	5%	10%
Public Equity	25%	39%	60%
Global Equity	10%	14%	20%
US Equity	5%	10%	15%
Non-US Equity	5%	10%	15%
Emerging Market Equity	0%	5%	10%
Fixed Income	0%	20%	40%
Core Fixed Income	0%	12%	20%
Non-Core Fixed Income	0%	8%	20%
Real Assets	0%	8%	15%
Real Assets (Liquid)	0%	8%	15%
Multi Asset	0%	28%	35%
Hedge Funds	0%	10%	15%
Global Asset Allocation	0%	18%	25%
Total		100%	

2. amends its Investment Policy Statement (reflecting these strategic asset allocations) and related asset class definitions and performance measurement standards as well as clarifying the RI Finance Committee’s role in overseeing investments reflected in Appendix C, filed only with the official copy of these minutes.

198. Five-Year Financial Forecast

Statement: The RI Bylaws require the Board to annually consider a five-year forecast and further require Rotary institute conveners to present the forecast for discussion at their institutes. The Finance Committee recom-

mended a five-year forecast through 2021 for the Board’s approval.

DECISION: The Board

1. approves the assumptions for the five-year financial forecast for 2016–17 through 2020–21;
2. requests the general secretary to update the 2015–16 financial projections with actual results when available;
3. in accordance with RI Bylaws section 17.060.4., agrees that the five-year financial forecast should be presented for discussion at each 2016–17 Rotary institute.

199. Adoption of 2016–17 Budget

Statement: The RI Bylaws require the Board to annually adopt a budget for the succeeding fiscal year, subject to review by the Board at any time. The Finance Committee considered detailed budget estimates based on membership dues, forecasted net investment returns, staffing costs, enterprise project requirements, and other factors.

DECISION: The Board

1. adopts the fiscal year 2016–17 RI budget, reflecting revenues of US\$98,039,000, general surplus funds use of \$1,835,000, convention reserves use of \$80,000, and expenses of \$98,678,000, resulting in an excess of revenues, general surplus funds and convention reserve over expenditures of \$1,276,000;
2. in accordance with RI Bylaws section 17.050.6. and by a three-quarters vote of all directors, recognizes that the proposed budget includes spending (approved in prior Board decisions) to be funded from the general surplus fund and the convention reserve, and ratifies the expenditures of \$1,835,000 from the general surplus fund and \$80,000 from the convention reserves to provide:
 - i. \$152,000 for social networking efforts associated with decision 253, May 2011;
 - ii. \$669,000 for regional membership plans associated with decision 298, May 2012 meeting;
 - iii. \$1,014,000 for End of Polio public relations associated with decision 168, May 2014;
 - iv. \$80,000 from the convention reserve for registration software associated with decision 202, January 2012;

3. agrees that the \$3.1 million it had approved in decision 168, May 2014 for PolioPlus Communications be used in accordance with the Polio Communications spending plan until fully depleted;
4. in accordance with RI Bylaws section 17.050.6. and by a three-quarters vote of all directors, authorizes the use of up to \$2,000,000 additional funding from the general surplus fund to increase secretariat capacity for enterprise projects per decision 195 in these minutes;
5. adopts the fiscal year 2016–17 RI capital expenditures budget of \$8,254,016.

* * * * *

Adjournment

The foregoing is a true record of the proceedings at the May 2016 Rotary International Board of directors meeting.

K. R. Ravindran
President

Andrew McDonald
Secretary of the Meeting

ATTEST:

John Hewko
General Secretary, RI

APPENDIX A

**ENTERPRISE PROJECTS PRIORITIZATION
(Decision 194)**

Project	Duration	TOTAL	Hard	Soft	CAPex	Opex
Rotary Club Central	12 months	\$1,200,700	\$736,000	\$464,700	\$1,153,155	\$47,545
My Rotary Performance	TBD	TBD	TBD	TBD	TBD	TBD
Completion of Grants 3	5 months	190,095	41,725	148,370	120,000	70,095
Completion of netFORUM Upgrade	4 months	470,149	–	470,149	288,456	181,693
Completion of DG Funding	12 months	125,000	–	125,000	–	125,000
Completion of TRF Centennial	12 months	165,600	–	165,600	–	165,600
Completion of AP Expense	3 months	6,000	–	6,000	–	6,000
Completion of CSR in India (PM)	2 months	4,000	–	4,000	–	4,000
Rotary Direct	12 months	822,976	–	822,976	498,061	324,915
Council on Resolutions	12 months	750,000	–	750,000	–	750,000
GPS Review	3 months	26,257	–	26,257	–	26,257
Chart of Accounts - Design	12 months	704,903	–	704,903	181,283	523,620
Peace Fellowships	6 months	357,308	121,500	235,808	168,464	188,844
New LMS	6 months	280,433	79,000	201,433	137,553	142,880
Memorial Tribute	4 months	638,765	75,000	563,765	420,000	218,765
Portal Upgrade	6 months	328,377	50,000	278,377	–	328,377
Unanticipated Project(s)	6 months	300,000		300,000	–	300,000
Total Prioritized Projects Estimate		\$6,370,563	\$1,103,225	\$5,267,338	\$2,966,972	\$3,403,591
Total incorporated in the FY2017 Proposed Budget		\$4,006,948	\$996,225	\$3,010,723	\$2,610,820	\$1,574,999

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