

SUFFOLK COUNTY LEGISLATURE



Lance Reinheimer
Director

BUDGET REVIEW OFFICE

March 22, 2021

To: Robert Calarco, Presiding Officer
and All Suffolk County Legislators

From: Lance Reinheimer, Director
Budget Review Office

Subject: Vanderbilt Museum Endowment Trust Fund Annual Report

Please find attached the Budget Review Office's annual report to the Legislature on the status of the Vanderbilt Museum Endowment Trust Fund for the period January 1, 2020 through December 31, 2020.

My staff and I are available should you have any questions regarding this report.

* * *

Attachment

cc:

John M. Kennedy, Suffolk County Comptroller
Eric Naughton, Budget Director
Kimberly Pettit, Senior Budget Analyst
Lora Gellerstein, Legislature Chief of Staff
Amy Ellis, Clerk of the Legislature
Elizabeth Wayland-Morgan, Executive Director, Vanderbilt Museum
Bikram Chadha, Senior Managing Consultant, PFM Asset Management LLC
Brian Greavu, Account Manager, U.S. Bank National Association

**VANDERBILT MUSEUM ENDOWMENT TRUST FUND
ANNUAL REPORT
JANUARY 1, 2020 THROUGH DECEMBER 31, 2020**



March 22, 2021

**Lance Reinheimer,
Director
Budget Review Office
Suffolk County Legislature
Hauppauge, New York**

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Executive Summary

This is the required annual report on the status of the Suffolk County Vanderbilt Museum Endowment Trust Fund (Fund), for the period January 1, 2020 through December 31, 2020. The following table summarizes the change in account market value over the year, after distributions to PFM Asset Management LLC (PFM), the Fund’s investment advisor; U.S. Bank National Association (U.S. Bank), the custodian of the Fund; and the Vanderbilt Museum. It also presents the effective performance of the fund without including those distributions.

Vanderbilt Trust Fund Performance Summary 2020	
Market Value	
Market Value, Dec 31, 2019	\$ 15,094,734
Market Value, Dec 31, 2020	\$ 16,303,104
Change in Account Value Net Distributions	\$ 1,208,369
Estimated Percent Increase Net Distributions	8.01%
2020 Distributions	
Fees Paid to PFM	\$ (60,757)
Fees Paid to US Bank	\$ (4,924)
Distributions to Vanderbilt Museum	\$ (770,000)
Total Distributions	\$ (835,681)
Performance	
Estimated Change in Account Value without Distributions	\$ 2,044,050
Estimated Percent Increase without Distributions	13.54%
Percent Increase as Calculated by PFM, Using Modified Dietz	14.83%

Major findings include:

- The 2020 year-end market value of the Fund was \$16,303,104¹, an increase of \$1,208,369 from the 2019 year-end market value of \$15,094,734². This increase is net of \$770,000 in remittances to the Vanderbilt Museum and \$65,681 in fees paid to PFM and U.S. Bank (\$60,757 in paid PFM advisory fees, and \$4,924 in paid U.S. Bank custodial fees).
- The Fund’s 2020 total annual return was 14.83% as calculated by PFM, outperforming the blended benchmark by 1.6%.
- The \$770,000 disbursement to the Vanderbilt Museum was comprised of \$270,000 for improvements to the planetarium and \$500,000 to support the Museum’s operations as it faced closures and reduced funding due to the COVID-19 pandemic.

¹ Excludes \$9 in total accrued income. Accrued income is income that has been earned but not received.

² Excludes \$276 in accrued income.

- January 29, 2021 concluded the final one-year option of the Legislature’s contract agreement with PFM, which was based on the terms and conditions of the contract entered on January 29, 2016. A waiver was approved on January 20, 2021 which permitted a temporary extension of the contract for a six-month period, to July 29, 2021. During the extension, a Request for Proposals (RFP) process will select the investment manager for the period beyond this term.
- The Suffolk County 2020 Adopted Operating Budget included \$1,226,002 in Hotel Motel Tax revenue for the Vanderbilt Museum; however, due to the effects that the COVID-19 pandemic had on Hotel-Motel Tax receipts, the Museum received \$892,204 in Hotel Motel revenue.
- Resolution No. 976-2020, approved December 28, 2020, established the Vanderbilt Museum Enterprise Fund (“the Fund”) to provide a dedicated funding source for capital improvements at the Museum or for the payment of County debt attributed to the Museum’s capital projects after the effective date of the law. Beginning January 1, 2022, and continuing each year thereafter, the Fund will receive an annual disbursement of 2% of the market value of the Museum’s endowment, provided the disbursement does not pierce the \$8.2 million corpus of the endowment. The use of monies in the Fund requires approval from the Museum’s Board of Trustees.

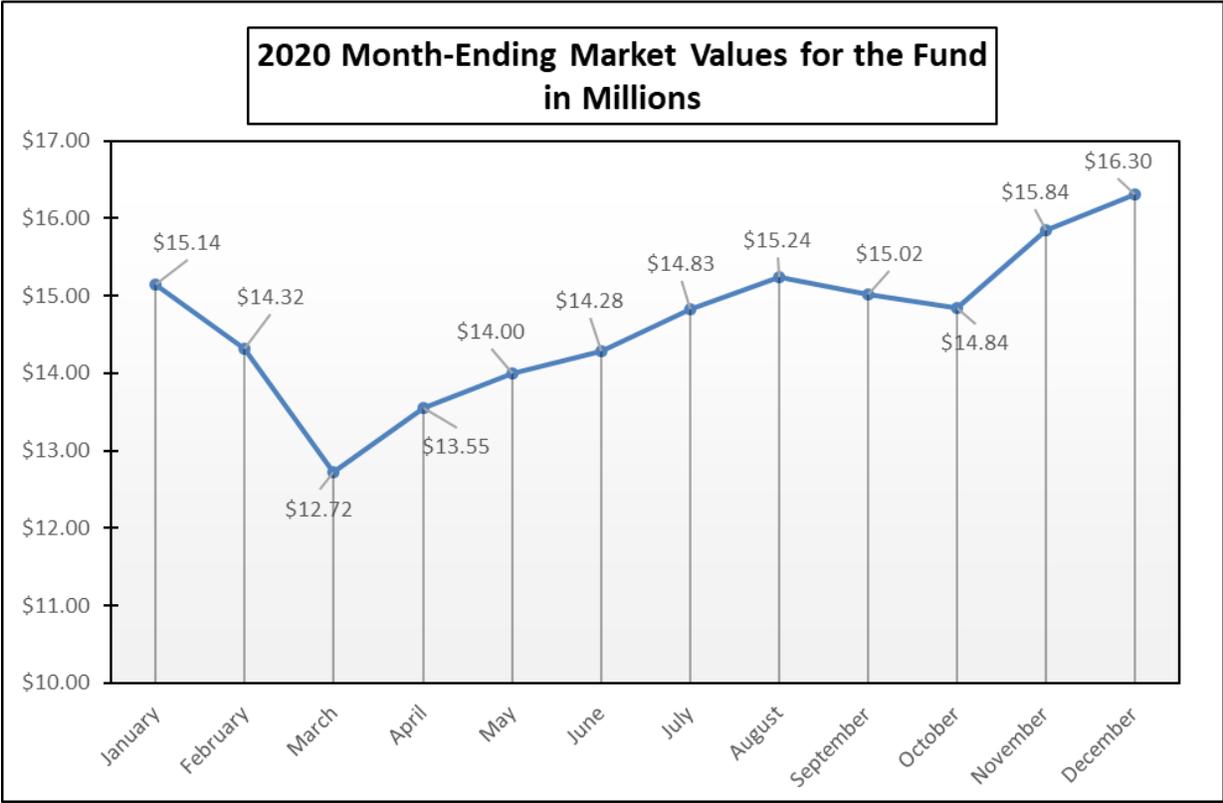
Performance and Asset Allocation

The Fund’s total annual return for 2020, as calculated by PFM, was 14.83%, outperforming the blended benchmark of 13.23% by 1.60%. PFM uses a Modified Dietz methodology to calculate performance, which factors in the timing of cash flows. The returns are net of mutual fund fees but gross of (prior to deducting) PFM advisory fees, U.S. Bank custodial fees, and any distributions to the Vanderbilt. U.S. Bank maintains the Fund in two accounts: dividends and interest are transferred monthly to a sub-account for income, while capital gains are re-invested.

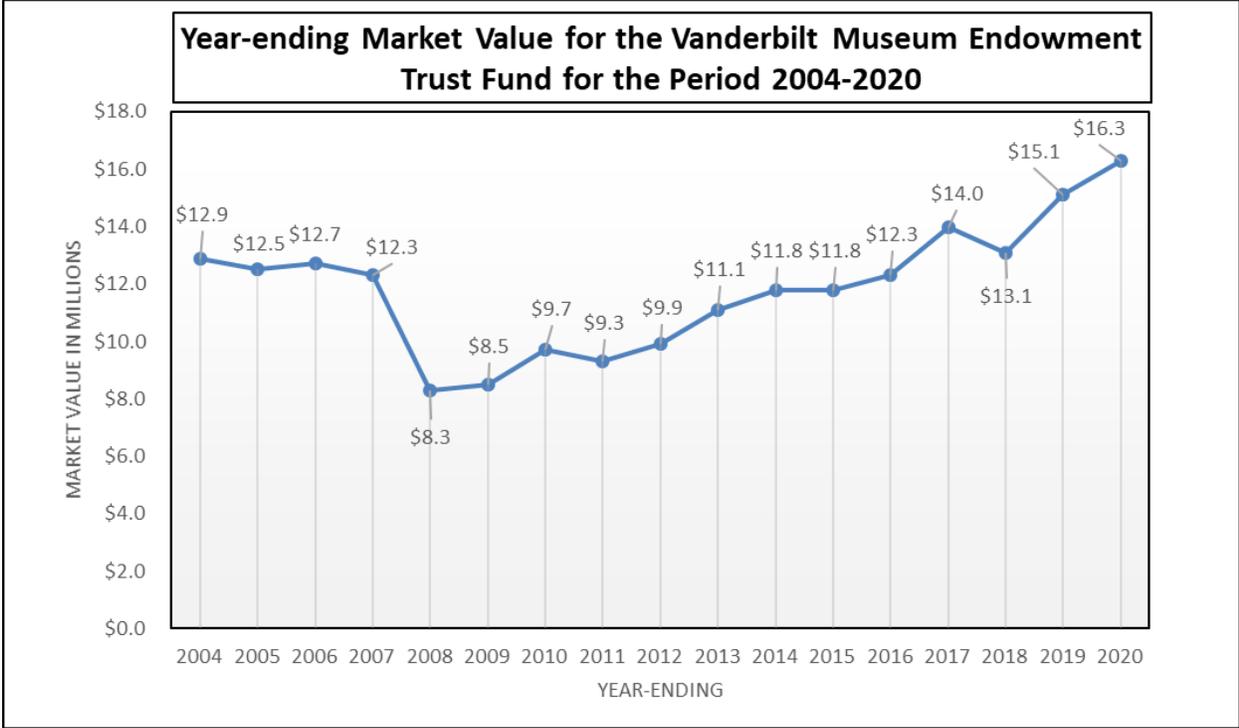
The 2020 year-end market value³ of the Fund was \$16,303,104 (comprised of \$15,690,035 in the main account and \$613,069 in the income sub-account). This year-end market value represents a net increase of \$1,208,369, or 8.0%, from the \$15,094,734 market value at the start of the year. The year-end market value is net of \$770,000 in disbursements to the Museum during the course of the year and \$65,681 in bank and management fees. The disbursements to the Museum included \$270,000 authorized in February, 2020 to upgrade the planetarium’s seven-year old video projection system to 4K resolution, including installation of a laser phosphor video projection system and associated computer servers. In March 2020, an additional \$500,000 was authorized to fund the Museum’s immediate needs and support its general operations during the closure of the facility due to the COVID-19 pandemic.

³ Market values do not include minor amounts of accrued income.

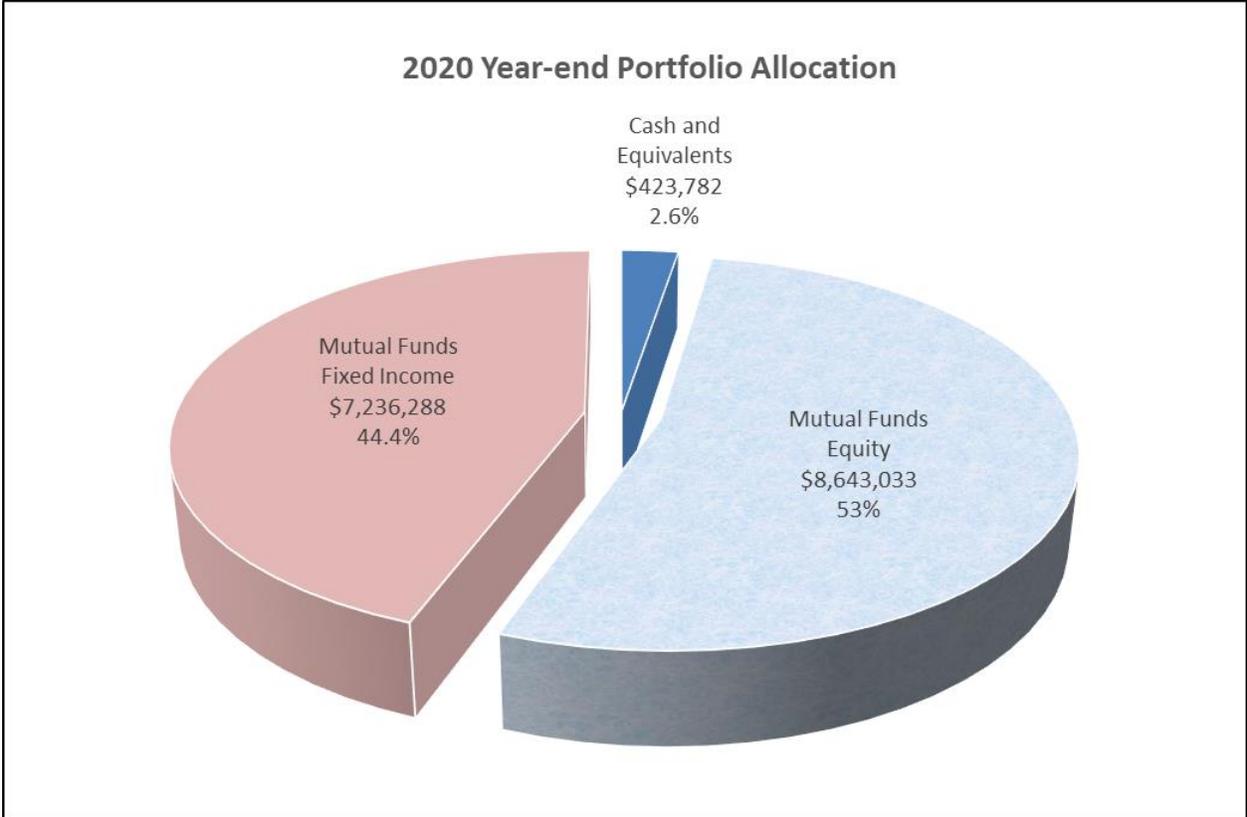
The following graph details the Fund’s month-ending market values during 2020. The market value increased to \$16.3 million by December 31, 2020, a \$1.2 million increase. The largest increase occurred during the month of November when the market value increased by more than \$1,000,000, or 6.7%, compared to the end of October. The distributions to the Museum in February (\$270,000) and March (\$500,000) contributed to, but were not solely responsible for, the declines in market value during those months.



As demonstrated by the following graph, the fund has had a generally positive growth trend since the 2008 financial market crisis, when there was a 33% decrease from the prior year. Exceptions to the trend after 2008 include 2011 (an approximate 4% decrease from the prior year) and 2018 (an approximate 6% decrease from the prior year). The most significant growth this period (15.1% increase) occurred during 2019.



As detailed in the pie chart that follows, the Fund's year-end asset allocation was 53.0% equity mutual funds, 44.4% fixed income mutual funds, and 2.6% cash and equivalents. The asset allocation complied with the allocation directive of Resolution No. 286-2014. That resolution allowed a 50/50 split between fixed securities and equities, with a range of 10-20%, as determined by market conditions.



The following table includes information provided by PFM and summarizes the Fund's asset allocation and performance as of December 31, 2020. The Fund's 2020 total annual return was 14.83%, a 1.6% outperformance compared to the blended benchmark of 13.23%. Since PFM started to actively manage the Fund on September 1, 2010, the total return is 8.63% or 0.72% more than the blended benchmark of 7.91%

Vanderbilt Museum Combined Assets										
Asset Allocation & Performance as of December 31, 2020										
	Allocation		Performance(%)							
	Market Value (\$)	%	1 Quarter	2020	1 Year	2 Years	3 Years	5 Years	Since Inception	Inception Date
Total Fund - Combined Assets	16,303,112	100.00	8.66	14.83	14.83	16.70	9.25	9.47	8.63	09/01/2010
<i>Blended Benchmark</i>			8.01	13.23	13.23	15.67	8.72	9.09	7.91	09/01/2010
Domestic Equity	5,763,464	35.35								
Vanguard Total Stock Index ETF	4,684,206	28.73	14.68	20.95	20.95	25.78	14.49	15.43	52.89	04/01/2020
<i>Russell 3000 Index</i>			14.68	20.89	20.89	25.85	14.49	15.43	52.83	04/01/2020
Jensen Quality Growth Fund	533,422	3.27	11.44	18.62	18.62	23.86	16.26	16.87	18.22	04/01/2019
<i>S&P 500</i>			12.15	18.40	18.40	24.77	14.18	15.22	19.70	04/01/2019
Touchstone Mid Cap Fund	224,921	1.38	14.21	12.67	12.67	23.97	14.19	15.70	23.22	07/01/2020
<i>Russell Midcap Index</i>			19.91	17.10	17.10	23.64	11.61	13.40	28.86	07/01/2020
iShares Core S&P Small-Cap ETF	320,915	1.97	31.29	11.24	11.24	16.87	7.74	12.36	N/A	01/01/2021
<i>S&P SmallCap 600</i>			31.31	11.29	11.29	16.89	7.74	12.37	N/A	01/01/2021
International Equity	2,879,569	17.66								
Vanguard Total International Stock ETF	948,061	5.82	16.92	11.32	11.32	16.33	5.02	9.11	47.05	04/01/2020
<i>MSCI AC World ex USA (Net)</i>			17.01	10.65	10.65	15.96	4.88	8.93	44.37	04/01/2020
J. O. Hambro International Select	639,449	3.92	13.17	29.71	29.71	24.26	12.30	12.86	12.86	01/01/2016
<i>MSCI AC World ex USA (Net)</i>			17.01	10.65	10.65	15.96	4.88	8.93	8.93	01/01/2016
Harding Loevner International Equity	639,595	3.92	16.13	20.33	20.33	22.75	9.04	12.14	26.16	07/01/2020
<i>MSCI AC World ex USA (Net)</i>			17.01	10.65	10.65	15.96	4.88	8.93	24.33	07/01/2020
Artisan International Small-Mid	126,921	0.78	17.96	33.31	33.31	34.98	14.89	N/A	N/A	01/01/2021
<i>MSCI AC World ex USA Smid Cap Index (Net)</i>			17.78	12.01	12.01	17.07	4.37	8.94	N/A	01/01/2021
Virtus KAR International Small-Cap	193,114	1.18	23.04	24.46	24.46	26.05	14.03	18.25	N/A	01/01/2021
<i>MSCI AC World ex USA Small Cap (Net)</i>			18.56	14.24	14.24	18.26	4.59	9.37	N/A	01/01/2021
Hartford Schroders Emerging Markets Equity	332,430	2.04	21.37	23.57	23.57	22.84	8.41	14.66	7.79	03/01/2018
<i>MSCI EM (net)</i>			19.70	18.31	18.31	18.37	6.17	12.81	5.32	03/01/2018
Fixed Income	7,236,288	44.39								
Baird Core Plus	1,872,645	11.49	1.44	8.80	8.80	9.45	6.03	5.49	4.61	05/01/2014
<i>Blmbg. Barc. U.S. Aggregate</i>			0.67	7.51	7.51	8.11	5.34	4.44	3.88	05/01/2014
DoubleLine Core Fixed Income	909,967	5.58	1.72	5.60	5.60	6.79	4.47	4.44	4.04	09/01/2017
PGIM Total Return Bond	2,237,127	13.72	2.38	8.10	8.10	9.61	6.08	5.96	5.70	09/01/2017
<i>Blmbg. Barc. U.S. Aggregate</i>			0.67	7.51	7.51	8.11	5.34	4.44	4.77	09/01/2017
Voya Intermediate Bond	1,200,893	7.37	1.72	8.08	8.08	9.04	5.85	5.28	8.08	01/01/2020
<i>Blmbg. Barc. U.S. Aggregate</i>			0.67	7.51	7.51	8.11	5.34	4.44	7.51	01/01/2020
iShares Intermediate-Term Corporate Bond ETF	466,144	2.86	2.44	9.62	9.62	11.97	7.64	5.94	8.74	10/01/2019
<i>ICE BofAML U.S. Corporate 5-10 Year Index</i>			2.52	9.95	9.95	12.11	7.31	6.72	8.99	10/01/2019
iShares JP Morgan USD Emerging Mkts Bond ETF	228,343	1.40	5.97	5.48	5.48	10.41	4.76	6.71	8.51	07/01/2020
<i>JPM EMBI Global Diversified</i>			5.80	5.26	5.26	10.04	5.05	7.08	8.25	07/01/2020
iShares iBoxx \$ High Yield Corporate Bond ETF	221,044	1.36	5.58	4.12	4.12	9.06	5.27	7.11	10.01	07/01/2020
<i>Bloomberg Barclays U.S. High Yield Very Liquid Ind</i>			5.96	5.87	5.87	10.47	5.94	8.18	10.77	07/01/2020
Vanguard Total Bond Market Index-Adm	100,127	0.61	0.67	7.72	7.72	8.22	5.40	4.46	3.34	05/01/2012
<i>Blmbg. Barc. U.S. Aggregate</i>			0.67	7.51	7.51	8.11	5.34	4.44	3.37	05/01/2012
Cash Equivalent	423,791	2.60								
First American Government Obligation	423,791	2.60	0.01	0.37	0.37	1.22	1.38	1.02	0.50	09/01/2010

Equities (Stocks)

PFM typically invests in equity mutual funds, rather than individual stocks, in order to provide a diverse equity portfolio and minimize risk exposure in any one company. As of April 1, 2020, near the bottom of the market, a significant portion of equity investments, previously in Vanguard mutual funds, were converted to Vanguard Exchange Traded Funds (ETFs) to provide more liquidity and flexibility. ETFs are also based on a pool of investments.

The market value of the Fund's equity investments totaled \$8,643,033 as of December 31, 2020, representing 53.01% of the Fund's total market value. This amount is comprised of \$5,763,464 (35.35%) in domestic equities and \$2,879,569 (17.66%) in international equities. The performance of the Fund's equity investments ranged between 11.24% and 33.31% in 2020. Two of the Fund's four domestic equity investments and all six of the Fund's international equity investments exceeded industry benchmarks.

Fixed Income (Bonds)

Fixed income investments⁴ allow for diversification of the Fund's assets, providing income but minimal capital appreciation. Investments in bond funds, as opposed to individual bonds, should decrease some of the risk inherent in fixed income investments. The year-end market value of the portfolio's bond mutual funds was \$7,236,288, representing 44.39% of the Fund's total market value. The performance of the Fund's bond investments ranged between 4.12% and 9.62% in 2020. Five of the eight fixed income investments exceeded industry benchmarks and three underperformed.

Resolution No. 387-2011 restricts bond investments⁵ to bonds Ba and above, while maintaining an overall average quality rating⁶ for bond investments of AA or above. It directs the Fund's investment manager to make every effort to the extent practical, prudent and appropriate, to select commingled (or pooled) funds and/or mutual funds that have investment objectives and policies that are consistent with the Fund's investment management objectives and policies. This legislation structures the Fund's bond portfolio to provide income that is consistent with a reasonable level of risk.

Cash & Cash Equivalents

Cash equivalents are short-term investments and money market fund investments that can be readily converted to cash and provide additional income. The Fund is invested in the First American Government Obligation Fund, which has an investment strategy that seeks to provide maximum current income consistent with the preservation of capital and maintenance of liquidity. The fund primarily invests in short-term U.S. government securities

⁴ Fixed income refers to bonds or long-term debt instruments that include corporate bonds, government or agency instruments (including bonds, notes and bills), municipal bonds or other types of debt instruments.

⁵ An investment grade bond is generally considered suitable for purchase by prudent investors. Moody's Investors Service designate bonds in their top four categories (AAA/Aaa, A/Aa, A and BBB/Baa) as investment grade.

⁶ Credit ratings are forward-looking opinions about credit risk. Credit ratings can also speak to the credit quality of an individual debt issue, such as a corporate note, a municipal bond or a mortgage-backed security, and the relative likelihood that the issue may default.

and repurchase agreements secured by U.S. government securities. The 2020 year-end market value of cash equivalents, including a minor amount of accrued income, was \$423,791 and represents 2.6% of the Fund's total market value.

Capital Gains/Losses

The Fund's 2020 year-end market value included \$1,017,225 in realized capital gains. Additionally, it included \$3,170,503 in unrealized capital gains, which is the difference between the year-end market value of the Fund, \$16,303,104, and its year-end book value, \$13,132,600. The change in unrealized gains compared to year-end 2019 was \$685,605.

2020 Endowment Trust Fund Summary	
Beginning Market Value, as of December 31, 2019	\$15,094,734
Investment Activity	
Interest	\$1,454
Dividends	\$339,764
Realized Gain/Loss	\$1,017,225
Change in Unrealized Gain/Loss	\$685,605
Other Earnings	\$1
Net transfers In or Out	\$0
Plan Expenses (Fees)	
Paid to PFM	(\$60,757)
Paid to US Bank	(\$4,924)
Disbursed to Vanderbilt	(\$770,000)
Ending Market Value, as of December 31, 2020	\$16,303,104
2020 Net Increase in Market Value	\$1,208,369

In 1993, the Legislature authorized the use of capital gains to pay for one-half of the investment management fees (Resolution No. 682-1993). A representative from U.S. Bank indicated that they follow a standing letter of direction to transfer dividends and interest to the income account, while capital gains are re-invested. The PFM account representative notes that funds in the income account are also invested and can have their own capital gains (or losses). Typically, half of the account fees (PFM advisory fees and U.S. Bank custodial fees) are paid out of the main account and half are paid out of the income sub-account.

The Museum began receiving an allocation of Suffolk County Hotel Motel Tax revenue in May 2010, per Local Law 34-2009, reducing its reliance on distributions of capital gains from the endowment. In recent years, the Museum has not received guaranteed annual payments from the endowment. Instead, funds have been requested by the Museum and approved by the Legislature's Presiding Officer on a case-by-case basis. Due to capital equipment needs and the adverse effects of the pandemic on Museum revenue, \$770,000 was distributed from the endowment to the Museum in 2020.

Resolution No. 976-2020, approved December 28, 2020, established the Vanderbilt Museum Enterprise Fund ("the Fund") to provide a dedicated funding source for capital improvements at the Museum or for the payment of County debt attributed to the Museum's capital projects after the effective date of the law. Beginning January 1, 2022, and

continuing each year thereafter, the Fund will receive an annual disbursement of 2% of the market value of the Museum's endowment, provided the disbursement does not pierce the \$8.2 million corpus of the endowment. The use of monies in the Fund requires approval from the Museum's Board of Trustees.

Remittances to the Museum

The Vanderbilt Museum's revenue was adversely impacted by the COVID-19 pandemic because it was forced to close and cancel events. The 2020 unaudited Treasurer's Report provided by the Vanderbilt Museum includes 2020 revenues of \$3,036,806, which exceed operating expenses of \$2,761,936 by \$274,870. Revenues include a \$770,000 transfer from the endowment. The initial disbursement from the endowment to the Museum's operating account included \$270,000 to upgrade the planetarium's seven-year old video projection system to 4K display, including installation of a laser phosphor video projection system and associated computer servers. Shortly thereafter, an additional \$500,000 was authorized to support the Museum's operations as it faced closures and reduced funding due to the pandemic. The \$770,000 disbursed from the endowment accounted for approximately 25% of the Museum's 2020 income.

Suffolk County funding derived from Hotel Motel Tax receipts was another major source of revenue to the Museum in 2020. The latest reauthorization and extension of the Hotel Motel Tax, through December 31, 2023, was by Local Law No. 51-2020 (adopted by Resolution No. 888-2020). The Suffolk County 2020 Adopted Operating Budget included \$1,226,002, based on a 9.4% allocation of the tax; however, the Museum received \$892,204, which accounted for 29% of the Museum's 2020 revenue.

Revenue from operations, memberships, donations, and gifts (\$983,225) accounted for approximately 32% of 2020 revenue, compared to 56% in 2019. Approximately 13% of 2020 revenue (\$392,125) was derived from the Small Business Association Payroll Protection Program.

PFM Market Analysis

On October 19, 2020, PFM submitted a memo in response to a Legislative inquiry at the July 13, 2020 Environment, Parks and Agriculture Committee regarding a prudent spending rate on endowment assets. PFM's analysis assumed a 50% equity/50% fixed income allocation and used 2020 capital market assumptions (CMAs). The expected annualized return was 4.3% using intermediate-term (5-year) CMAs and 6.9% using long-term (30-year) CMAs, but results will vary depending on actual conditions. PFM noted that while intermediate-term results may change year to year, long-term results are less likely to do so, and can be considered more applicable when determining an appropriate spending rate, considering the time horizon for the fund.

Considering the Fund's investment objective of income and capital growth, based on the

assumptions above and a 2.5% inflation rate over the long-term, PFM indicated that an annual distribution rate of 3%-4% would be conservative.

Investment Management

Investment Objectives and Policies

The Fund's investment objectives are to preserve the principal corpus of the Fund (\$8.2 million), maintain a high level of income that is steady and predictable, and provide for future growth of income through long-term capital growth. The Fund's investment policies are guided by the following two resolutions:

- Resolution No. 286-2014
 - Modified the investment guidelines to allow a 50/50 split between fixed securities (bonds) and equities (stocks) to range between 10-20% of the 50/50 split, as determined by market conditions. This provides the investment advisor the flexibility needed to preserve principal, produce a reasonable level of current income, and provide for future growth of income through capital growth, depending on current market conditions.

- Resolution No. 387-2011
 - Adopted an investment management policy that restricts bond investments to bonds Ba and above, while maintaining an overall average quality rating for the bond investments of AA or above. It directed the Fund's investment manager to make every effort to select commingled funds and/or mutual funds that have investment objectives and policies that are consistent with the Fund's investment management objectives and policies.

 - Given the nature of commingled funds and mutual funds, it is recognized that there may be deviations between the Fund's investment management policy and the objectives of the Fund's pooled vehicles. Further, a pooled fund or mutual fund will not be included in the Fund's portfolio unless it complies with the Investment Company Act of 1940, as amended through P.L. 111-257, diversification requirement.

 - Authorized the Vanderbilt Museum Trust Fund's investment manager to utilize a total return concept, meaning investing for a comprehensive return, including interest and dividends earned on stocks and bonds, plus realized and unrealized gains and losses.

PFM has recommended that the County adopt a more formal Investment Policy Statement (IPS) for governance of the Fund. The IPS would guide management and administration of the portfolio across varying market and economic environments and would outline standards of accountability in areas such as investment objectives, selection of investment managers, and control procedures.

Investment Management Contract and Advisory Fees

PFM Asset Management LLC is the Fund's investment advisor and U.S. Bank National Association is the custodian of the Fund's assets, independent of the Fund's investment manager. PFM has been the fund's investment advisor since April 21, 2010, after being selected through a Request for Proposals process. After various extensions, a new three-year contract was executed on January 29, 2016, with the Legislature having the option to renew the agreement for two additional one-year periods. In January 2019, and again in January 2020, the Legislature exercised its options to renew the agreement, in accordance with the terms and conditions of the contract entered on January 29, 2016. The annual fee for PFM's services is based on net assets under its management and is determined on a monthly basis, as defined in the investment advisory fee schedule, seen below, from the 2016 contract.

PFM Asset Management LLC Investment Advisory Fee Schedule as of Contract Executed January 29, 2016	
First \$10 million in net assets	0.45%
Next \$10 million in net assets	0.35%
Next \$30 million in net assets	0.25%
Next \$50 million in net assets	0.20%

January 29, 2021 concluded the final one-year renewal option of the 2016 contract with PFM. A waiver was approved on January 20, 2021 which permitted a temporary extension of the contract for a six-month period, ending July 29, 2021. A Request for Proposals (RFP) process will be initiated to select the investment manager during this term.

The Custody Agreement with U.S. Bank was executed in July 2010 and remains in effect until terminated by either U.S. Bank or the Legislature, providing that a written notice thirty days in advance of the termination date is received. Fees are charged according to the schedule that follows.

U.S. Bank Custody Fee Schedule for PFM Asset Management LLC Managed and Advised Accounts Program	
Domestic Administrative Fee	
First \$100MM Market Value	2.5 basis points* annually
Remaining Market Value	1.5 basis points annually
Portfolio Transaction Fees	
Book Entry Transactions - DTC or Fed	\$7.50
Physical Transactions	\$7.50
Wire Transactions	\$7.50
Benefit Payment Transaction Fees (if applicable)	
Checks - Recurring Distributions	\$2.50
Wires	\$10.00
ACH (with advice)	\$2.00
ACH (without advice)	\$1.50
Lump Sum Distributions	\$15.00
Other	
TrustNow or TrustNow Essentials (on-line)	\$0.00
TrustNow Customized (separately bid)	\$0.00
Performance Measurement (optional)	\$250.00
Out-of-Pocket Expenses	
The only out-of-pocket expenses charged to your account will be shipping fees or transfer fees.	
Note: * A basis point is a unit that is equal to 1/100th of a percentage point (the unit for the arithmetic difference of two percentages).	

In 2020, a total of \$65,681 was paid in advisory fees to PFM (\$60,757) and custodial fees to U.S. Bank (\$4,924). Resolution No. 682-1993 authorized the use of capital gains to pay 50% of the investment management fees. Therefore, 50% of the fees are paid from the principal account and 50% are paid from the income account.

Appendix A

Historical Information Summary

In his last will and testament, William Kissam Vanderbilt II (1878-1944), bequeathed his estate in Centerport, together with its real property, furnishings, exhibits, and works of art, artifacts, memorabilia and certain moneys to either the State of New York, County of Suffolk, or Town of Huntington. His desire was for his estate to become a public park and museum, devoted in perpetuity to the use, education and enjoyment of the public.

By resolution duly adopted on the 30th day of August 1948, the Board of Supervisors, acting for Suffolk County, accepted the offer. The terms of the deed were signed August 3, 1949, and the estate was opened as a public museum in July 1950. The Vanderbilt Planetarium was erected in 1971, for less than one million dollars, and was paid for from the Endowment Trust Fund. Local Law No. 35-1986, designated and renamed the museum "Suffolk County Vanderbilt Museum".

The Suffolk County Vanderbilt Museum Commission evolved from the former Suffolk County Park Commission, which was established by resolution of the Board of Supervisors on June 27, 1949, and enlarged by resolution of the Board of Supervisors on December 28, 1959. The Commission is responsible for the management and control of the Suffolk County Vanderbilt Museum, pursuant to Local Law No. 1-1966. The Commission's Board of Trustees⁷ has sole control over the development, maintenance and operation of the Suffolk County Vanderbilt Museum and Planetarium and related programs and activities, subject only to the contractual conditions under which the County accepted the Vanderbilt bequest. The employees of the Museum are not employees of Suffolk County; they are employees of a privately endowed institution. The Suffolk County Legislature appoints fifteen members to the Commission for four-year terms of office to govern the Vanderbilt Museum.

The Legislature has the sole power and control over Museum property and the distribution of Trust Funds for its operation, subject only to the contractual conditions under which the County accepted the Vanderbilt bequest. Mr. Vanderbilt's bequest included \$2 million to establish an endowment fund for the maintenance and care of the estate. In 1973, the Fund had an additional bequest of \$6.2 million from the estate of Muriel Vanderbilt Adams, William K. Vanderbilt's daughter, raising the corpus of the Fund to \$8.2 million. Distributions from the Fund have paid a portion of the Museum's maintenance and operating expenses. One of the Fund's investment objectives is to preserve the principal corpus of the Fund (\$8.2 million). Thus far, the Fund has met this investment objective and its current market value has not declined below its historical dollar value⁸.

⁷ On July 15, 1949, the Board of Regents of The University of the State of New York granted a charter pursuant to Section 216 of the Education Law of the State of New York to the Vanderbilt Museum. Therefore, the Board of Trustees of the Vanderbilt Museum is an institution incorporated by the Board of Regents of The University of the State of New York.

⁸ "Historic dollar value" means the aggregate fair value in dollars of an endowment fund at the time it became an endowment fund. It also includes each subsequent donation to the fund at the time it is made.

Resolution No. 682-1993 authorized the use of capital gains to pay for one-half of the investment management fees.

Resolution No. 933-1994 permitted the Fund's Investment Advisor to utilize a total return concept to provide a fixed annual income of \$1,000,000, as requested by the Museum. A total return concept involves investing for a comprehensive return, including interest and dividends earned on stocks and bonds, plus realized and unrealized gains and losses. The resolution also authorized the use of realized capital gains in the Trust Fund for cash flow purposes only, with any unused funds from said realized gains to be returned to the Trust Fund for reinvestment.

The authorization was increased to \$1.2 million by the adoption of Resolution No. 656-2000, and subsequently extended by Resolution Nos. 196-2002, 1251-2002, 1177-2003, 1372-2004, 1306-2005, 1477-2006, and 1266-2007. Resolution No. 1266-2007 extended the authorization to December 31, 2008, subject to the condition that distribution from realized capital gains be limited to a maximum of the realized capital gains less trust management fees paid from capital gains. The Legislature did not extend this authorization for 2009, as the market value of the Fund could not support a \$1.2 million distribution. During 2009, Procedural Motion No. 3-2009 authorized the remittance of \$45,500 to the Museum from the Endowment Fund.

Historically, the Museum has not received funds from the County's General Fund operating budget, with the exception of 2009, when a transfer of up to \$800,000 was authorized by Resolution No. 870-2008, dependent on the Museum's cash flow needs. The Museum received \$705,094 from the General Fund in 2009, or \$94,906 less than had been authorized. The County's General Fund also assumed all debt service for the Museum's capital projects in the past.

Resolution No. 976-2020, approved December 28, 2020, established the Vanderbilt Museum Enterprise Fund ("the Fund"). This legislation provided a dedicated funding source for capital improvements at the Museum, or for the payment of County debt attributed to the Museum's capital projects after the effective date of the law. Beginning January 1, 2022, and continuing each year thereafter, the Fund will receive an annual disbursement of 2% of the market value of the Museum's endowment, provided the disbursement does not pierce the \$8.2 million corpus of the endowment. The use of monies in the Fund will be contingent upon approval of the Museum's Board of Trustees and an approved Legislative appropriating resolution.

Resolution No. 805-2009 adopted Local Law 34-2009, which reauthorized the Hotel Motel Tax, increased the rate from 0.75% to 3%, and included a new allocation for Accredited Museums, intended for the Vanderbilt Museum. The legislation provided a 10% allocation to the Museum, with the option of decreasing the Museum's allocation by one percent each fiscal year, beginning in 2011, to an amount not less than 5% of all revenues collected. The Hotel Motel tax legislation was subsequently extended and reauthorized by Local Law Nos. 39-2015, 25-2017, and 51-2020, and was updated by Local Law No. 5-2016. The 3% tax rate and the statutory distribution of revenue from the tax remained unchanged through December 31, 2023. The following table indicates Hotel Motel Tax

funding for the Vanderbilt Museum as included in the 2010-2020 Adopted Operating Budgets. The Legislature first exercised its option to modify the Museum’s allocation in the 2015 Operating Budget.

Hotel Motel Tax to Vanderbilt		
Year	Adopted Amount	% of Projected Tax
2010	\$692,498	10.0%
2011	\$705,097	10.0%
2012	\$726,499	10.0%
2013	\$930,140	10.0%
2014	\$1,028,370	10.0%
2015	\$878,544	9.5%
2016	\$873,954	9.0%
2017	\$1,049,531	9.5%
2018	\$1,158,127	9.0%
2019*	\$1,143,087	9.3%
2020 Adopted	\$1,226,002	9.4%
2020 Actual, Unaudited	\$892,204	N/A
2021 Adopted	\$899,370	9.4%

** 2019 Modified as amended by Resolution No. 44-2019*

The current investment advisor, PFM, was first selected in 2010 through a Request for Expressions of Interest (RFEI) and Request for Proposal (RFP) process. Procedural Resolution No. 5-2010 retained PFM Asset Management LLC as the investment advisor and U.S. Bank National Association as the custodian of the Suffolk County Vanderbilt Museum’s Maintenance Fund. The original 2010 agreement with PFM would have expired, after extensions, on April 21, 2015; however, additional short-term extensions were approved by the RFP waiver committee to allow for the completion of a new RFP process. Ultimately, PFM was again selected, from nine respondents, and Procedural Motion No. 26-2015 authorized the retention of PFM as the investment advisor and a new fee schedule. The new contract agreement with PFM was executed on January 29, 2016.

The 2016 contract was for a three-year term with an option to renew for two additional one-year periods. January 29, 2021 concluded the second of the two one-year options to renew the 2016 contract. An approved waiver permitted a six-month extension of the contract, while a Request for Proposals (RFP) process commences to select the investment manager for the period beyond this term.

Resolution No. 1036-2008 created a Vanderbilt Museum Oversight Committee, which was reconstituted by Resolution No. 110-2011. The Committee’s purpose was to work with, and act as a liaison to, the Vanderbilt Museum Board of Trustees and the Museum’s administrators to ensure the Museum’s long-term financial viability. The Committee meets periodically on an as-needed basis.

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