



Unitarian Universalist Association Pacific Central District Assembly

Building & Managing Endowments April 26, 2008

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I. Building the Endowment

- Capital Fund Drive
- Legacy Gifts
- Mega-Millions



Capital Fund Drive

- Allocate some or all of the proceeds of a capital campaign to endowment
- Wayne Clark's "Beyond Fundraising: The Complete Guide to Congregational Stewardship"
- UUA's Congregational Fundraising Services



Legacy gifts program

- Gifts from wills
- Life income gifts: Charitable Gift Annuity; Pooled Income Trusts, etc.
- Keys: ASK, build trust with the donors
 - “Endowment Fund Guide for Unitarian Universalist Congregations”
www.uua.org/documents/stew-dev/endowmentfundguide.pdf
- Have policies, governance structures and investment structures in place to receive gifts



From the Endowment Fund Guide

“Many people support endowments because they want to make a difference in a lasting way, to leave a legacy for the future. They expect their contributions to be invested wisely, to grow in value, and to produce a reliable revenue stream in perpetuity. It is their brush with eternity and generations to come.”



Keys

- ASK
- Build trust
 - That money will contribute to the ongoing life of the congregation
 - That the funds will be used wisely
 - That the money will be well managed
 - And for planned gifts, that the congregation will meet its commitments for payments



UUA Legacy Gifts Program

- UUA sets up gift structure and executes contract
- UUA guarantees payment
- Account established with State Street Bank: invests funds and makes payments
- Minimum for gift annuity: \$5,000
- Fee: \$0
- Donor may designate any UU entity as beneficiary
- Alternatives: community foundations, trust companies, banks



II. Managing the Endowment

- Elements of best practice
- One option: the UU Common Endowment Fund



Elements of Best Practice

- Diversification
- Asset allocation targets w/ regular re-balancing
- Minimize expenses
- Ongoing monitoring
- Payout policies
- Clear goals: risk/return; time horizon
- Alternative investments



Resources

David F. Swensen, chief investment officer of the Yale endowment

- “Unconventional Success: A Fundamental Approach to Personal Investment” (2005)
- “Pioneering Portfolio Management: An Unconventional Approach to Institutional Investment” (2000)



Payout policy & target return

- Maximum 7% under Trust law (UMIFA, check local law)
- Avg. for endowments 4.5%
- Target return – inflation = maximum payout
- Rolling average payout

UU Common Endowment Fund

Key Characteristics



- Long-term investment fund
- Goal - 5% real return (5% + inflation)
- Diversified portfolio
- Managed by specialist professional investment advisors
- Managed to reflect UU values while achieving financial goals
- Open to congregations, districts, and other UU organizations



Fund Oversight

- UUA Board of Trustees – ultimate fiduciaries
- Investment Committee
- Committee on Socially Responsible Investing
- Investment consultant – NEPC (www.nepc.com)
- SRI consultant – Progressive Asset Management (<http://www.progressive-asset.com/>)
- Investment management companies
- Custodian – State Street Bank (www.iptco.com)
- Auditors – KPMG



Diversification

Across Asset Classes:

- Domestic equities: large cap, small cap, growth, value
- International equities: developed, emerging
- Fixed income: domestic core, high yield, global
- Non-correlated/alternative investments

Across fund managers



Asset Allocation Targets

<i>Asset Class</i>	<i>Old</i>	<i>New</i>
Large Cap US	25.0%	15.0%
Small Cap US	5.0%	5.0%
International Equities	20.0%	20.0%
Fixed Income - Core	19.0%	19.0%
Fixed Income - High Yield	5.0%	5.0%
Fixed Income - Int'l	5.0%	5.0%
Community Investments	1.0%	1.0%
Alternative Investments	20.0%	30.0%



Fees and Expenses

- Fees are Approx. 1% of Market Value per year
- Audit Fee
- Investment Advisory Fees (0.12% to 1.00%)
- Consultant Fee – New England Pension Consultants
- Custodial Fee – State Street Bank
- UUA Administrative fee (20 basis points)
- Direct expenses



UUCEF Returns to 3/31/08 Preliminary

	<u>Last Month</u>	<u>YTD</u>	<u>Fiscal YTD (June 30th)</u>	<u>Last Year</u>	<u>Last 3 Years</u>	<u>Last 5 Years</u>	<u>Ending Market Value</u>
Composite - Gross	(0.6)%	(4.1)%	(1.9)%	1.3%	7.5%	11.8%	\$127,415,293
Composite - Net	(0.7)%	(4.4)%	(2.7)%	0.3%	6.4%	10.7%	
Allocation Index	(0.2)%	(3.5)%	(0.9)%	2.0%	7.9%	11.9%	
Policy Index	0.0%	(3.6)%	(1.7)%	1.8%	7.9%	11.8%	



Socially Responsible Investing

- Screening: companies to favor and avoid
- Proxy voting
- Shareholder advocacy
- Community investing – 1% of fund



Screening

- Varies by asset class
- Most applicable to directly held securities
- Least applicable to co-mingled funds
- Index fund – full favor & avoid
- US equities – screened w/ UUA custom ratings
- Core bonds – exclude “sin stocks”
- High yield – excludes tobacco
- International – co-mingled
- Non-correlated – co-mingled
- International bonds – governments; no rouges



Fund Assets at 1/31/08

<i>Asset Class</i>	<i>At 1/08</i>	
Large Cap US	14,844,468	Custom UU screen
Small Cap US	5,900,239	Custom UU screen
International Equities	24,145,384	Not screened
Fixed Income - Core	26,326,451	Screened
Fixed Income - High Yield	6,662,614	Screened
Fixed Income - Int'l	7,170,196	Not screened; gov't only
Community Investments	1,002,218	SRI Fund
Alternative Investments	31,969,899	\$5.3 mm activist fund
Cash	10,655,750	N/A
Total	128,677,219	51% SRI



Resolutions filed in 07-08

Global Warming	Foundation Coal*#, Legg Mason*#
Sexual orientation/gender identity	Wal-Mart*#, Verizon*#
Executive Compensation “say on pay”	Abbott*, Clear Channel*, Merrill Lynch*#, Wells Fargo
Separation of CEO-Pres	Time Warner#
Diversity report	ExxonMobil
* Primary filer # Dialogue with company	