

Investment Committee Minutes

November 9, 2006 Meeting

NEPC Headquarters

Cambridge, Massachusetts

Members Present: Scholl (Chair), Ballester, Brennan, Brody, Corkran, Sherblom,

Also Present: Konicki (NEPC), Kondry (NEPC), Driscoll (NEPC), Gladyszak-Underhill (UUA),
Leighton (CSRI)

1. Minutes

The minutes of the September 9, 2006 meeting were reviewed and approved by the Committee.

Motion 1: Scholl moved to approve the minutes. Sherblom seconded.
Motion passed.

2. Performance

NEPC reviewed the performance for the September 2006 quarter and reported a strong quarter that bucked historical trends. The S&P 500 was up (+5.7). Large Cap Core (+5.1%) outperformed Small Cap Core (+0.4) markets. Large Cap Growth (+3.9) outperformed Small Cap Growth (-1.7) strategies. Large Cap Value (+6.2) outperformed Small Cap Value (+2.6). International Equity Markets were positive (+4.0) and but were outperformed Emerging Markets (+4.3) for the quarter.

The Lehman Aggregate Index was up (+3.8) this quarter. Short term interest rates were unchanged. Core Bonds outpaced Global Bonds and were up (+3.8) for the quarter compared to Global Bonds (+1.4).

The Endowment Assets totaled \$126.1 million as of September 30, 2006. NEPC has created a new custom universe of endowments and foundations between \$50 and \$150 million in assets. NEPC reported that the UUA Endowment allocation to equities was 51.7% which was below the Median Endowment's equity allocation of 62.6% and remained slightly higher than the revised 50% equity target.

The UUA Endowment posted a 3.6% gain for the third quarter which ranked in the second quartile of the custom endowment universe. Deviations from policy added 40 basis points for the quarter. Active management detracted 30 basis points during the quarter as Small Cap equity managers dampened return.

As of the year ended September 30, 2006, the UUA Endowment Fund's return was 6.6% which ranked in the 4th quartile of endowments that are between \$50 and \$150 million in assets. Deviations from policy detracted 50 basis points and active management detracted 240 basis points.

The annualized three year return of 11.4% ranked slightly below the median endowment fund.

3. Asset Allocation Update

As a follow up to Committee requests at the March 2006 meeting, NEPC presented a report with revised target asset allocations and ranges. This revised allocation includes an increase in the target allocation to international equities and a decrease to the target allocation to small cap equities. In addition, this revision adds 1% to Community Developments investments as part of the fixed income allocation. It also excludes a recommended allocation to alternative asset classes (private equity, real return, hedge funds).

NEPC noted that the \$5.7 million in excess cash should be allocated to the Fixed Income as it is underweight relative to target.

Motion 2: Corkran moved that the Committee:

- a. Adopt the proposed asset allocation and ranges,
- b. Ask the Treasurer to monitor and manage it by rebalancing to the target,
- c. Allocate cash when it exceeds 1%,
- d. Whenever a class is out of range collaborate with Chair.

Sherblom seconded. Motion passed

4. GIF Marketing Plan and Discussion with Consultant, Don Holton

The Committee reviewed an updated draft of the GIF marketing plan created by Marketing Consultant, Don Holton. A discussion took place that included the valuable feedback from various Committee members. The feedback will be incorporated and the Committee will continue to work with Don to develop and expand the marketing materials.

In response to the request for communication resources that go beyond the marketing plan during the September meeting, Scholl, Brennan, Brody and Morris (CSRI chair) will schedule a conference call for all UUA General Investment Fund participants on Tuesday February 27, 2007. Fliers announcing the call and participation details will be enclosed with the quarterly statements.

5. Investment Guidelines, Developing a New, More Succinct Policy

Brennan circulated reading material regarding the new guidance by the AICPA's Alternative Task Force regarding challenges associated with auditing investments for which a readily determinable fair value does not exist. Brennan asked that the level of transparency be included as one of the required standard search criteria for managers for the GIF.

6. SRI and Community Investments

Brennan reported that the process has begun to transfer the \$1.2 million in Community Investments to the GIF. He also reported that he is working with Dion, and members of the CSRI to develop a policy for standards on what qualifies for Community Investments.

Leighton distributed a report on the UUA GIF U.S. Investment Managers SRI Screens: Next Steps. This report was a review of the great strides in the area of SRI screening made by the UUA GIF. The report requested that the Committee engage in a further tightening of the standards developed by the SRI consultant Progressive Asset Management. The report stated that this additional change would have a minimal effect but acknowledged that any deviation from the model portfolios would increase tracking error. The report stated that this tracking error would also be minimal.

Motion 3: Sherblom moved that stocks that are at the 3.00 PAM score and below be added to the Do Not Buy List. (This adds 3 or 4 more stocks to the DNB list.) PAM should provide the rankings list twice a year. Corkran seconded. Motion Passed. Brody opposed.

7. Large Cap Equity Growth Manager Presentation

The Committee invited the UUA GIF Large Cap Equity Growth for a presentation. The manager reviewed highlight of the portfolio and discussed the recent challenges in the markets. The discussion that followed involved the manager's strategy to focus on quality large capitalization growth companies, identify leading companies with dramatic wealth creation potential, and to invest long term.

8. NEPC Alternative Assets Strategy Report and Discussion

The Committee continued its educational efforts in the Alternative Assets arena with a presentation by NEPC. NEPC reviewed its recommendation from March 2006 of a modest allocation to alternative assets namely:

1% to Real Return Assets

2% to Private Equity

2% to Hedge Funds.

The presentation included educational information and a proposed implementation strategy. NEPC noted that it is difficult for the GIF to achieve full diversification across the alternative asset spectrum give the low allocation to this assets class -\$6million.

9. Future Meeting Dates

The Meeting dates proposed for the rest of 2007 and 2008 are:

Wednesday February 28, 2007

Thursday May 17, 2007

Thursday September 13, 2007 (Joint meeting with CSRI)

Thursday November 15, 2007

Wednesday February 13, 2008

Thursday May 15, 2008

Thursday September 11, 2008

Thursday November 13, 2008

Scholl moved that the meeting be adjourned.

Sherblom seconded. Meeting adjourned.