

UUA Investment Committee – Minutes

Eliot & Pickett House
Rice Room
6 Mt. Vernon Place
Boston, MA 02108
May 7, 2013

Members present: Carol McMullen *Chair*, Arnold Bradburd, Tim Brennan, Rob Friedman, Clyde Grubbs, Julie Skye

Member absent: Dan Brody, Arnold Bradburd

Guests: Kimberly Gladman, Glenn Farley, Simon Billenness, David Stewart (CSRI)

Staff: Susan Helbert

NEPC: Scott Driscoll, Scott Perry

- 1. Minutes from meeting on February 19, 2013 and March 12, 2013 - McMullen**
Motion 1: To adopt minutes from last two meetings without amendment. Moved Grubbs, second Friedman, approved.

- 2. UUCEF Performance Review and Outlook– Perry, Driscoll, NEPC**

- 1. 1st Quarter 2012:**

- White paper on total enterprise management will be a topic of panel at Client Conference. *Action item:* Brennan to circulate research papers.
- Asset classes for consideration:
 - Hedge fund replication. Hedge funds are thought of as alpha vehicles, but function more like beta vehicles. Hedge fund replication does this with lower fees.
 - Low volatility equities
- NEPC client conference will also include a panel on SRI with Brennan as a speaker.
- In the last quarter, US equities outperformed other markets. Big spread in how various markets performed. This theme plays out in terms of performance of Fund.
- Economic growth is improving; treasury yields still low.
- Outlook: lower returns across the board; high equity returns now are "borrowing from the future." Major macro risks remain; volatility at all time lows.
- Recommend regular rebalancing. Take disciplined approach.

- 3. Portfolio performance – Driscoll**

- Overweight to international vs. peer group caused relative underperformance.
- Bridgewater is a risk parity fund. Wellington takes a secular view based on a 3-year outlook; weighted towards international and credit. GMO is conservative; make their money on the downside; not surprising that they have lagged.
- Some concern about underexposure to small cap. We are under-allocated vs. benchmarks. Could address through environmental solutions funds. Small cap has more downside and volatility.
- NEPC sees a premium for international and especially emerging equities.
- Committee is comfortable with long-term global balanced asset allocation targets as adopted at last meeting. This rebalancing will take place in May.
- Sands select growth strategy is reaching capacity. Consider bringing them in to upcoming meeting.

5. Fossil fuel divestment position statement and FAQ

- Gladman presented a statement on fossil fuel divestment and an FAQ providing background. The committee discussed the position statement.
- Clyde: we need a moral argument for our position. We have a good story but need to explain it better.

Motion: To endorse the statement and FAQ as presented. Moved Skye, second Friedman. Unanimous.

4. Consideration of environmental solutions investments: Perry

- Options are limited in public equity and debt space. Most have low assets and high fees, but this is changing.
- NEPC is researching three interesting ideas: Impax, Generation, and Trillium Sustainable Opportunities Strategy.

Motion: Charge NEPC with investigating and reporting back to committee on environmental solutions investment funds. M: skye, S: McMullen, approved.

3. Manager review and replacement policy - Skye

- Skye circulates a revised draft of the policy. The policy will be useful when meeting with managers. It could also go to potential managers before interviews.
- NEPC has developed a client extranet. All committee documents will be posted there. All manager meeting notes will be posted as well.

5. Investment Guidelines – Brennan

Action item: Tim will incorporate Dan's comments and Send to NEPC for final review. Finalize at next meeting.

6. Other business

- o IRS review of LLC application for tax exempt status is beginning.
- o Skye and Stewart will work on a webinar addressing the roles and responsibilities of church investment committees and their fiduciary responsibility.
- o Friedman present on quarterly call in early June.
- o Discussion topics for the August retreat were suggested: addressing low interest rate environment and managing the transition to higher interest rates, shareholder engagement, private equity.
- o Invite board members, audit committee, new moderator, investing congregations.
- o Customer satisfaction survey will be conducted sometime after GA.
- o In the future, we will post detailed quarterly reports, not just the summary reports.
- o It was suggested that we should be reporting to board on our shareholder engagement program and that the IC chair should report to the board regularly.