

UUA Investment Committee – Minutes

Conference Call
October 22, 2014

Members present: Carol McMullen, chair, Tim Brennan, Rob Friedman, John LaPann, Lucia Santini

Member absent: Kimberly Gladman, Larry Ladd

Staff: Susan Helbert

NEPC: Scott Perry

1. Review of potential Fixed Income managers – Perry

- Managers covered in the book are Core managers as opposed to Core Plus managers. Even though we are looking to replace a Core Plus manager feels that, based on the evolution of the UUCEF fixed income portfolio and the current market environment, that a Core manager is a better fit.
- Core Fixed Income managers primarily invest in US only investment grade debt securities such as Treasuries, Agency debentures, corporate bonds, Agency mortgage-backed securities. They are indexed against the Barclays Capital Aggregate Index. Expect, net of fees and over a full market cycle, an alpha of about 50 basis points.
- All managers profiled have a portfolio duration range (years) between 5 and 6 and a yield of between 2.1% and 2.7%. They all have very close 10 year returns ranging from 5.4% to 5.6%.
- Baird, CS McKee, IR&M and Segall Bryant & Hamill are considered small to mid-size firms whereas JP Morgan, PIMOC and Pyramis are the larger trillion dollar plus firms. Based on the investable Fixed Income asset size, the larger firms are almost forced to use more derivatives and hedge. The smaller firms are more cash bond oriented and it would be rare for them use derivatives or leverage.
- Most managers have a tiered fee structure with a range from 30 to 60 basis points
- PIMCO, JP Morgan and IR&M are PRI signatories.
- IR&M is seriously considering creating a screened share class which would be similar to PIMCO in terms of what it would screen out. It would be a bit better aligned with our mission in that we would be better able to customize the portfolio.

Motion: To invest the remaining balance in PIMCO with IR&M pending a successful in person meeting with them on November 6th. Moved LaPann, seconded Friedman. In favor McMullen, Brennan, Friedman, LaPann, opposed Santini.