

## UUA Investment Committee – Minutes

24 Farnsworth Street, Room 315

Boston, MA 02210

November 18, 2015

Members present: Lucia Santini, Chair, Tim Brennan, Rob Friedman, Kathleen Gaffney, John LaPann, Larry Ladd, and David Stewart

Members absent: None

Staff: Susan Helbert

NEPC: Phill Nelson, Scott Perry, Asher Watson

### 1) Minutes from September 1 & 2, 2015 meeting – Santini

**Motion 1:** To adopt minutes from the September 1<sup>st</sup> and 2<sup>nd</sup> meeting. Moved Ladd, seconded Friedman, approved without amendment.

### 2) Overview of UUA Spending and Operations – Brennan

- **Operations**

- Brennan reviewed the UUA operating budget and the role of the endowment in supporting it. Over the last five years between 17% and 23% of the budget has been supported by endowment spending. The increase beyond 20% in the last two years has been as a result of a flat budget and a material increase in the size of the Endowment, subsequent to the transfer of the Liberal Religious Charitable Society's assets to the UUCEF and by proceeds of the property transaction. During this period, the effective spending rate from the endowment has been in excess of 5%. The Committee discussed whether this was sustainable over the long term and if the spending policy should be adjusted.

**Action item 1:** Brennan, Ladd, and Santini will review spending policy forecasts under different assumptions and make a recommendation to the full committee. Committee will then make a recommendation to the Board regarding any adjustments to the spending policy and when those changes should become effective.

### 3) Investment Program Review – Nelson, Perry, Watson

- **Market Overview**

- Volatility is back and spread across global markets during the quarter. This was largely triggered by the events in China and the devaluation of their currency.
- Q3 was very challenging especially for risk assets especially those tied to emerging markets and commodities.

- US economy continues to expand albeit at a slow pace. The continued lower price of oil is a boost to consumers.
- Looks highly likely we will see the Fed raise rates in December; expecting a slow gradual increase.
- Strength of the US dollar creates challenges but overall conditions are supportive for growth.
- Performance
  - Endowment was down -6.5% during the third quarter.

**4) Statement of Investment Beliefs – Committee, Perry**

- The Committee reviewed a draft set of Investment Beliefs to help guide decision-making regarding the endowment. NEPC will make revisions based on the discussion and bring them back to the committee for consideration.

**5. Asset Allocation Review – Nelson, Perry**

- The committee discussed the UUCEF’s long-term asset allocation targets in the context of an outlook for below mean returns over the next several years.
- Supported the recommendation to increase the allocation to equities by approximately 10%.
- Supported the recommendation to reduce to allocation to risk parity by approximately 5%.
- Supported the proposal to increase the allocation to international developed markets/global developed markets but at a 5% allocation.
- Preferred to retain allocation to Loomis as is for the time being.
- Would like to explore potential domestic small/mid value allocation/manager as a path toward increased equity exposure.

*Action item 2:* NEPC will come back with a recommendation for allocation targets based on the conversation with the committee.

**6. SRI Manager Implementation Review – Perry**

- NEPC conducted a review of all investment managers to determine the percentage of the portfolio incorporating SRI/ESG strategies.

*Action item 3:* NEPC to update the analysis based on the committee discussion.

*Action item 4:* NEPC to update the fossil fuel exposure analysis after the first quarter.

**Next Meeting is March 8, 2016**

**Future meeting dates:**

**May 11, 2016**

**August 10, 2016**

**November 15, 2016**