

UUA Investment Committee – Minutes

24 Farnsworth Street, Room 210

Boston, MA 02210

November 9, 2017

Members present: Kathleen Gaffney, Chair, Tim Brennan, Brian Lasher, Lucia Santini and David Stewart

Members absent: John LaPann

Staff: Susan Helbert

NEPC: Scott Perry, Asher Watson

SRI Committee: Vonda Brunsting, Kristin Faust (by phone), Kathy Mulvey, Julie Skye, David Stewart

1. Minutes from August 31 and September 14, 2017 - Gaffney

Motion 1: To approve minutes from the August 31 and September 14, 2017 meetings.

Moved: Santini, seconded: Stewart, approved as amended.

2. Market Update and Performance Review: NEPC

- Best performing assets classes for the quarter were emerging and international developed market equities and the S&P 500.
- The endowment returned 3.9% (net of fees) during the third quarter, ranking 13th in the peer universe, outperforming the allocation and policy indices.
- Over the trailing one-year period, the return was 13% (net of fees), ranking 16th in the peer universe and outperforming the allocation and policy indices.
- Over the ten-year timer period, performance ranked in the first quartile of the peer universe.
- The move from Pier Capital to Kennedy Capital is imminent; all paperwork has been executed and we have received notification that Kennedy is ready to take over the small cap US equity portfolio.

Action item 1: NEPC to obtain additional information on the exit of Neil Grabowski and addition of Laura Lake at Breckinridge.

Action item 2: NEPC to arrange for GMO to attend the next meeting to discuss their performance and to provide investment options should the decision to exit GMO be made.

3. Intersection of Fiduciary Duty and Socially Responsible Investing – Brennan

Legal opinion on fiduciary duty from UUA legal counsel was previously shared with the committee.

Action item 3: Brennan to ask legal counsel who has the final authority should a conflicting decision between the General Assembly and the Investment Committee, as fiduciary body, occur.

Action item 4: Brennan to ask legal counsel to determine if the Investment Committee can delegate the CDFI investment decisions to the SRIC within the established guidelines.

4. Consistent Language defining UU Values across all documents – Lasher, Mulvey

- Updating the SRI policy will require reviewing the resolutions passed at General Assembly over the previous decade and identifying where there are gaps in the policy.
- Once the policy has been updated, will conduct an annual review of General Assembly statements of conscious, business resolutions, and responsive resolutions to ensure, if changes are necessary, they are captured and added to the policy.

Action item 5: Brennan to distribute previous version of the Socially Responsible Investing Policy.

5. Key questions for February presentation on screening – Lasher, Stewart

- Reviewed and discussed screening criteria document created with the goal of setting a standard screening review period for committees.
- Timeline needs to have more flexibility built in. Will continue to work on document and discuss at a future meeting.

6. Update from SRIC on Screening, Community Investing and Shareholder Advocacy – SRIC

- Discussed the shareholder advocacy plan for fiscal year 2018.
- Waiting for a response from legal counsel on the appropriateness of delegating control of the community investing portfolio solely to the Socially Responsible Investing Committee.
- The SRIC has developed clear guidelines governing the community investing program which are very conservative. Will be augmenting the guidelines to include a statement that if an investment opportunity is presented which falls outside those guidelines, it will be presented to the Investment Committee for a vote. There is a potential investment with Metro IAF Community Restoration being reviewed which would require the committees vote if approved by the SRIC.

7. Private Equity Allocation – NEPC, IC

- Currently the allocation target to Private Markets is 5% with an ultimate goal of 10%. To get to 10% would require investing in the range of \$5 to \$6 million per year. Therefore, it will take several years to reach a 10% allocation. Often when opportunities present themselves the window for investment is short so the Committees need to be able to act quickly.
- The market for impact investments has expanded with many more options available. There are enough options available to review a private equity option at every meeting.
- NEPC recommends reducing the allocation to Hedge Funds to 5% in order to allocate more to private capital.
- Reviewed list of impact managers and the due diligence pipeline report.
- The committee would like to meet with recommended managers even if the investment is not open at the time of meeting. Having met previously will give the Committee the ability to make a quicker decision.
- NEPC will prepare a list of private investment options to be presented at each meeting.

Action item 6: NEPC to prepare market map for the committee.

8. Reinventure Capital Discussion – NEPC

- Reinventure is attempting to create a fund that specifically targets investments in companies led by entrepreneurs of color.
- Primarily will invest in equity and debt structures.

Action item 7: NEPC to prepare due diligence report on Reinventure Capital.

Action item 8: NEPC to circulate the presentation book to committee.

Next Meeting Date

February 8, 2018