

UUA Investment Committee – Minutes - **DRAFT**

24 Farnsworth Street, Room 210

Boston, MA 02210

May 22, 2018

Members present: Kathleen Gaffney, Chair, Tim Brennan, John LaPann (by phone), Brian Lasher, Lucia Santini and David Stewart

Members absent: None

Staff: Susan Helbert

NEPC: Lily Fairweather, Melissa Mendenhall, Krissy Pelletier (by phone), Asher Watson

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

Guests: Ken Redd, Pat Tomaino

1. Minutes from February 8, 2018 - Gaffney

Motion 1: To approve minutes from the February 8, 2018 meeting. Moved: Gaffney, seconded: Stewart, all approved.

2. Revisions to Investment Policy Statement and Compilation of GA Actions with Potential SRIC Implications – Brennan

- Purpose is to ensure our policy covers the actions of GA.
- Hired Simon Billenness to review GA action items from 2002 to present and identify gaps.
- Socially Responsible Investing streamlined policy in 2012 was too high level. Need to go back to 2010 policy and update from there.
- Need to identify what “impact investing” means in terms of our policy.
- Revision of investment policy must be presented to and approved by the Board.
- Review of investment policy should be done annually.

Action item 1: Brennan to draft new investment policy using consistent language defining UU values and circulate to committee chairs and NEPC for review. Draft should address engagement as well as screening.

Action item 2: Brennan to ask Multicultural Growth and Witness to capture action items at GA annually for potential inclusion in policy.

Action item 3: Mulvey to circulate memo from 11/5/2017 on consistent language defining UU values.

3. Sub-committee Report on Sustainalytics Process & UUA Screening Criteria – Brennan, Gaffney, Lasher, Skye

- Had a conversation on the levers/dials we have in defining a screen and how much we can influence it.
- Two types of screening done for us, ESG ratings and controversy ratings
- MSCI did a study on the two ways of screening a portfolio and determined that ESG is a forward-looking screen while controversy ratings are backward looking.
- Socially Responsible Investing Committee considering using an individual ranking of each Environmental, Social and Governance instead of using a blend.
- Sub-committee will be meeting again to discuss various permutations to existing criteria.
- Meet with Sustainalytics again to discuss various permutations to existing rules to see how each would affect the portfolio.
- Pat Tomaino, incoming Socially Responsible Investing member, agreed to serve on sub-committee.

4. Investment in Metro IAF Community Restoration Fund – Joint Committees

- Investment is outside of the guidelines and requires Investment Committee approval.
- Is a start up fund which makes real estate loans to communities affected by the foreclosure crisis.
- Have hired The Reinvestment Fund as their advisor and put together a sophisticated Board. Financials and audits were reviewed.
- Proposing a \$50k investment into Class A representing 2.5% of 1% of the portfolio.

Motion 2: To approve an investment of \$50,000 in Metro IAF. Moved Gaffney, seconded Santini, all approved.

5. NEPC ESG Ratings - NEPC, Joint Committees

- NEPC has committed to incorporating ESG into their investment process.
- The ratings framework will allow clients to differentiate between investment managers and strategies as it relates to ESG.
- The approach allows for comparison across managers in all asset classes while providing further detail on unique implementation methods.
- Each assessment involves a firm level and a strategy level component.
- Reviewed an example evaluation.

Action item 4: NEPC to provide Carbon Underground 200 exposure showing investments by separately managed accounts and co-mingled accounts.

6. Performance Review: NEPC, Joint Committees

- Endowment returned 1% (gross of fees) during the first quarter of 2018, ranking 2nd in the universe, outperforming both the allocation and index indices.
- Over the trailing one-year period, the Endowment returned 13.4% (gross of fees), ranking 1st in the universe and outperforming both the allocation and index indices.
- Over the ten-year period, performance ranked in the second quartile of the peer universe.

7. Private Equity Pipeline and Pacing – NEPC, Joint Committees

- For 2018 recommended \$3 million to distressed strategies, have already committed \$2 million to the Canvas Distressed Fund.
- Strategies that provide a combination of capital appreciation as well as near-term income or distribution could provide a balanced approach for maintaining private market exposure while also providing some liquidity.

Action item 5: NEPC to provide information on the Tilia Fund and VWH Capital Management.

8. Opportunistic Allocation Discussion – NEPC

- Discussed definition of opportunistic investment allocation.
- View opportunistic investments as containing investment opportunities seized as they come up based on market conditions.
- Comfortable leaving the assets in the opportunistic investment allocation as is.

Action item 6: NEPC to propose investment policy language defining opportunistic category.

Action item 7: NEPC to schedule a call to discuss Global Macro and Hedged Equity strategies.

**Next Meeting Date
August 16, 2018**