

UUA Investment Committee – Minutes

Rice Room – Pickett & Eliot House

6-7 Mount Vernon

Boston, MA 02108

February 20, 2014

Members present: Carol McMullen *Chair*, Arnold Bradburd, Tim Brennan, Rob Friedman, Kimberly Gladman, Larry Ladd, Julie Skye

Member absent: None

Guests: David Stewart, SRI Committee

Staff: Susan Helbert

NEPC: John Hogan, Eric Knutzen, Scott Perry

1. Minutes from meeting on November 7, 2013- McMullen

Motion 1: To adopt minutes from last meeting without amendment. Moved, Bradburd seconded, Friedman, approved.

2. NEPC – Knutzen, Perry

- Capital Markets Overview:
 - In light of what went on in the developed equity markets there is a certain tone of caution, and overall return expectations are modestly lower in light of where investors see valuations and how they get to their expected returns.
- Asset Allocation:
 - A lot of the portfolio asset allocation currently reflects their best ideas, global asset allocation, risk parity, emerging market equity and emerging market debt.
 - NEPC doesn't suggest an overall allocation change but they do like the idea of changing some of the structure of the portfolio. Consider tweaking within fixed income and equities to be best positioned without broadly changing exposure.
 - Discussed the four allocation change options provided. The Committee listened to the suggestions and discussed, with each member providing insight and ideas. Final recommendations and decisions were then tabled until the end of the day thus ensuring proper time for reflection.
 - NEPC suggests maintaining investment in Pimco in the fixed income category as they are led by remarkably competent people. Long-term performance remains very strong and depth and caliber of resources are extraordinary.

- The final Investment Committee decisions regarding changes to the portfolio are as follows. The key is to maintain a fully diversified portfolio of strong managers in mainstream asset classes such as US and International Equities, Real Estate, US and Global Fixed Income with roughly 60% of the portfolio and then to retain 30% to 40% in Global Asset allocation and Hedge Fund managers who can tactically move amongst those and other asset classes to enhance performance over the long term.

Motion 2: Moved Ladd, seconded Friedman,

VOTED: Decrease investment with DFA (Emerging Markets) from 7% to 5%; and

VOTED: To increase investment with GMO (Fixed income) from 3% to 5%; and

VOTED: To authorize NEPC to begin search for a Real Estate Fund manager; and

VOTED: To liquidate 5% investment with Standish Mellon once Real Estate Fund has been established

3. CFO Update - Brennan

- Divestment resolution:
 - Resolution was circulated to congregations with deadline of February 1st. Do not know the results of congregational endorsement at this time.
 - Two Board members spoke out in favor of divestment at the last meeting.
 - Board is in discussions to determine if they should take a position on the resolution.
- Formation of LLC:
 - Tax attorney and Tim Brennan contacted the IRS to determine the status of the UUCEF LLC application for tax exempt status. Were advised that IRS is currently reviewing applications submitted in May 2012 and are still 4 or 5 months away from ours, which was submitted in October 2012.
- Investor Summit on Climate Risk:
 - Good conversations around stranded assets issue as well as risk exposure in portfolios. Also discussions on moving capital towards solutions.

4. Follow-up on last meeting – McMullen

- Presentation follow-up (Generation, Trillium, Impax):
 - Continued discussion of these potential managers to see if and where one may fit into current investment portfolio. Will revisit the discussion again at the summer meeting once the current portfolio changes voted on today have become effective.
- Bridgewater
 - Maintain investment as is, revisit at the summer meeting.

- Climate risk exposure in portfolio
 - Will have SRIC develop a set of questions for NEPC to ask of our fund managers so that we may get a better understanding on certain issues surrounding climate risk and how they view it.

Action item 1: Charge NEPC to immediately begin search for real estate manager to be interviewed at May meeting.

Action item 2: Brennan to contact Loomis Sayles immediately to discuss their options for an unconstrained bond fund.

Action item 3: Brennan to move 2% from DFA to GMO Fixed Income at next rebalancing.

Action item 4: Brennan to discuss manager fees with NEPC.

Action item 5: Charge NEPC to provide a write up on each fund manager, why they were recommended for inclusion in portfolio and, what they manage for the portfolio.

5. Committee structure – McMullen

- There will be changes to the committee; Bradburd's term is up June 30th. A new member will be coming on and the search is underway. Please be cooperative with Board members if approached to discuss.

6. Executive session - McMullen

Next meeting: May 15, 2014