

UUA Investment Committee – Minutes

24 Farnsworth Street, Room 210

Boston, MA 02210

February 22, 2019

Members present: Kathleen Gaffney, Chair, Tim Brennan, John LaPann, Brian Lasher, Ken Redd and Lucia Santini-Field

Members absent: None

Staff: Susan Helbert

Guests: Elandria Williams, Co-Moderator, UUA Board

NEPC: Lily Fayerweather, Scott Perry, Asher Watson

SRI Committee: Vonda Brunsting, Kathy Mulvey, Julie Skye, Pat Tomaino

1. Minutes from November 20, 2018 - Gaffney

Motion 1: To approve minutes from the November 20, 2018 meeting. Moved: LaPann, seconded: Santini-Field all approved.

2. Discuss Essential Partners Training – all members

- As part of the training, opportunities were created to ask questions, listen, reflect, and speak intentionally.
- Each member introduced themselves and identify why they came to the UUA.
 - Identified were:
 - a) Valuing human dignity
 - b) Support for questioning and searching for the truth
 - c) Being in a community where you can be authentic and have meaningful relationships.
- Members were then asked to share the values they bring to the work:
 - Searching for the truth; question the narratives you're given, ask big "why" questions, look at both numbers and impact and, make sure reason is informed by fact.
 - Commitment to justice; balance risk, return, and justice, living theology out loud and, act and organize for justice.
 - Accountability/responsibility; to those aren't in the room, sacrifice economic well-being for the betterment of others and, leverage our collective power.

- Next, discussed how those values show up in the work and where questions come up.
 - Questions included:
 - a) Accountability/responsibility to whom? To what values or systems?
 - b) How is risk defined and who does that definition protect/prioritize?
 - c) What assumptions are being made about the best way to do financial investing?
 - d) How much lower of a financial return is acceptable to live out our values?
- Traditional risk tools are insufficient, need to identify new risks and how they interact with/enhance traditional tools.
- Discussed the need to identify new risks and incorporate them into our screening criteria.
- Statement of Investment Beliefs should capture the broader concept of risk.
- Discussed hiring a firm to help us incorporate those investment beliefs into a set of tools to be used to be to craft a questionnaire to send to our existing managers and any new managers going forward.
- Discussed asking the group of foundations interested in the intersection of racial justice and finance for a grant to cover the consultant, staff, meetings and travel.
- Getting communications on board to distribute our value-based success stories is critical.

Action item 1: Brunsting to contact Rob Lake of PRI regarding development of a manager questionnaire based on our Statement of Beliefs.

Action item 2: Tomaino to reach out to Jasmine Richards regarding development of a manager questionnaire based on our Statement of Beliefs.

Action item 3: LaPann to reach out to Impact Finance Center to ask about them serving as a consultant to help develop a Statement of Beliefs.

Action item 4: Brunsting, Brennan and Williams to reach out to the foundations group about applying for a grant.

Action item 5: Brennan to talk with Communications and UU World regarding our need to distribute our value-based success stories.

3. Screening Criteria –

- Report from screening subcommittee
 - Sustainalytics risk based rating system and accompanying thresholds
 - a) Over the next year all clients will be moved to the new system.

- b) Need to discuss the screening criteria we currently use and where we set the bar.
- c) Requested a full work up on a company to see the materiality.
- d) Does leave room to put our own imprint on it.

Action item 6: Brennan to share a new Sustainalytics company report with full committee.

Action item 7: Brennan to instruct Sustainalytics to run the next reporting based on the new risk-based model.

4. Fossil Fuel Company Divestment – all members

- Decision around maintaining or selling positions
 - Reviewed the remaining CU200 holdings.
 - Discussed the few companies that we're not engaged with and why.
 - Consensus of the committee is to sell the CU200 companies we're not engaged with and to clean up all holdings in the Advocacy account where we're below the threshold to file a proposal.
 - Consensus is to sell Hess Corporation if there's no potential for engagement.

Action item 8: Brennan to find out who the lead filer is for Hess Corporation and see if there's any potential for engagement.

Action item 9: Lasher and Skye to continue work on screening criteria review and coordination between the committees.

5. Intersection of Capital and Racial Justice - Brunsting and Tomaino

- Transform Finance, funded by The Rockefeller Foundation, Ford Foundation and Edward H. Hazen Foundation, convened about a year ago with stakeholder community organizations interested in racial equity to get their expectations.
- A second meeting was held for investors to get feedback and develop investor strategies and next steps.
- As UUA representatives, will bring back the work of the group and feed our process into the larger group to possibly have more influence.
- Building on long standing practice of investors engaging on shareholder issues as well as how to bring more women and minority owned firms into their portfolio.
- The framing is to look at six themes, work, wealth, health, place, justice and education.
- A couple of needs identified were a set of actions that can be applied across a portfolio and a range of asset class and having the ability to share experience.

Action item 10: Brunsting to distribute link to website.

Action item 11: Tomaino to share article that came out.

6. Working lunch – all members

- Plans for GA 2019
 - Report on Business Resolution will include the holdings we've sold and what we're engaging on.
 - This year's report will be a video report; a workshop has also been scheduled.
 - In past years, reports haven't been presented in general session, need to express our advocacy work as one of the prongs of how we live our faith out loud; the focus of general session.

Action item 12: Brennan and Santini-Filed to follow-up with Williams on how to get the information presented during general session.

- UUCEF Portfolio and Performance Update
 - The Endowment returned -8.6% gross of fees during the fourth quarter of 2018, ranking 68th in the universe, outperforming the allocation index but underperforming the policy index.
 - Over the trailing one-year period, the Endowment returned -4.0% gross of fees, ranking 27th in the universe and outperforming both the allocation and policy indices.
 - Over the ten-year period, performance ranked in the second quartile of the peer universe.

7. NEPC 2019 Investment Outlook – NEPC

- Key Market Themes and Current Opportunities
 - Key market themes discussed were late cycle dynamics, tightening global liquidity, China transitions and globalization backlash.
 - No manager changes were recommended but a few changes to allocation were.
 - Have a more favorable view of US and less view of international developed markets.
 - Should raise safe-haven fixed income exposure, reduce lower quality credit exposure and, maintain overweight to emerging market equities.

8. UUCEF Asset Allocation Review and Recommendations – NEPC

- In reviewing the NEPC proposed policy allocation, committee was concerned about the private markets allocation of 10% which would take many years to realize.
- NEPC recommended shifting equity allocation to 12% emerging markets, 34% non-US developed and 54% to US equity and adding a dedicated exposure to short duration government/credit.

Action item 13: NEPC to provide a new proposed rebalancing spreadsheet for committee review.

Next Meeting Date

May 16, 2019