

UUA Investment and Socially Responsible Investment Committee – Minutes  
Via Zoom  
May 19, 2020

*Socially Responsible Investment Committee:*

Members present: Kathy Mulvey, Chair, Vonda Brunsting, Andrew McGeorge, Lucia Santini-Field, Julie Skye, and Pat Tomaino

Member absent: None

Staff: Susan Helbert

Investment Committee: Kathleen Gaffney, Vonda Brunsting, Brian Lasher, John Minahan

**1. Minutes from November 19, 2019 – Mulvey**

**Motion 1:** To approve minutes from the November 19, 2019 meeting without amendment. Moved: Santini-Field, seconded Mulvey, Brunsting abstained, all others approved.

**2. Community Investing Planning:**

1. Capital Good Fund
  - Began in 2009 serving just Providence, now serves all of Rhode Island, Delaware, Florida, Illinois, and Massachusetts; planning to serve Texas.
  - Primary focus is short-term emergency loans but offer loans for a variety of purposes such as immigration expenses, purchasing/refinancing/repairing a vehicle, and energy-efficiency upgrades.
  - Loans range from \$300 to \$25,000.
  - Have a 33-person staff who are paid from grants, not investors' assets.
  - Requesting a \$250,000 investment with a 3% interest rate for a 3-year term.
2. Self-Help Credit Union:
  - Founded in 1984, they provide responsible financial services, lend to small businesses and non-profits, develop real estate, and promote fair financial practices.
  - Designated as a low-income credit union by the National Credit Union Administration.
  - UUCEF has Certificates of Deposit in Self-Help where we invest excess cash.
  - Requesting \$400,000 for three 36-month Certificates of Deposit earning 1% each.
    - a) Traditional CD supports their work helping low wealth communities that have been underserved by larger financial institutions. Requesting \$150,000.
    - b) Women & Children's CD supports lending to women-headed households, women-owned businesses, and early childhood education. Requesting \$100,000.
    - c) Community Recovery CD supports the communities impacted by the economic effects of COVID-19. Requesting \$150,000.
  - 85% of their mortgage lending, 34% of consumer lending, and 41% of commercial lending has been to people of color.

3. Genesis Community Loan Fund:
  - Founded in 1991 by several faith-based organizations. Goal was to serve Maine nonprofits that were having difficulty obtaining conventional sources of funding for affordable housing.
  - Driving principal is to “go where others won’t”, filling gaps in financing that cannot be filled elsewhere.
  - Offer gap financing, bridge loans, short-term loans, and high-risk loans for affordable housing and community facility projects.
  - Requesting \$100,000 for 5 years with an interest rate of 1%.
  - Need information on borrower demographic data to make a decision.
- Target allocation of 5%
  - With the new investments, we will be near 1.77% of the allocated 5% for community investments.

**Motion 2:** To invest \$250,000.00 in Capital Good Fund. Moved: Lowe, seconded, Skye, all approved.

VOTED: That the Unitarian Universalist Common Endowment Fund, LLC, invest \$250,000 of the assets of the UUCEF, LLC into Capital Good Fund, (the “Investment Fund”), on the terms set forth in the subscription agreements and offering documentation therefore submitted by the Investment Fund to Andrew McGeorge, Treasurer of the Unitarian Universalist Association, subject to such changes and amendments therein as he may determine to be appropriate; and

VOTED: To authorize the Treasurer, Andrew McGeorge, and the Executive Vice President, Carey McDonald, each individually, acting singly or together, to execute and deliver documents to effect the foregoing, all with such terms and conditions as are approved by the signatory, with such officer’s signature being conclusive evidence of approval; and

VOTED: To ratify and approve all that the Treasurer, Andrew McGeorge, has done or may do in connection with said investments.

**Motion 3:** To invest \$400,000.00 into 3 new Certificates of Deposit with Self-Help Credit Union. Moved: Lowe, seconded, Brunsting, all approved.

VOTED: That the Unitarian Universalist Common Endowment Fund, LLC, invest \$400,000 of the assets of the UUCEF, LLC into three new Certificates of Deposit with Self-Help Credit Union, (the “Investment Fund”), on the terms set forth in the subscription agreements and offering documentation therefore submitted by the Investment Fund to Andrew McGeorge, Treasurer of the Unitarian Universalist Association, subject to such changes and amendments therein as he may determine to be appropriate; and

VOTED: To authorize the Treasurer, Andrew McGeorge, and the Executive Vice President, Carey McDonald, each individually, acting singly or together, to execute and deliver documents to effect the

foregoing, all with such terms and conditions as are approved by the signatory, with such officer's signature being conclusive evidence of approval; and

VOTED: To ratify and approve all that the Treasurer, Andrew McGeorge, has done or may do in connection with said investments.

**Action item 1:** Lowe to obtain additional demographic data from Genesis to submit to the committee for further discussion and possible vote.

**Action item 2:** McGeorge to discuss with NEPC breaking down the cash, community investments, and advocacy holdings for purposes of where each is held and its return.

**Action item 3:** Helbert to ask NEPC if they can add the Community Investment holdings to the meeting materials going forward.

### **3. Shareholder Advocacy:**

The committee received with appreciation a written report from Tim Brennan, UUA Special Advisor on Responsible Investing. The report detailed work opposing proposed rules at the SEC that would make it much more difficult to file shareholder resolutions; joint action with other investors in response to the COVID-19 pandemic; engagement with high-emitting companies through the Climate Action 100+ initiative; and filing and co-filing resolutions on climate change, lobbying, election spending, and human rights.

### **4. PRI Reporting:**

Andrew McGeorge reported that he had completed and submitted the UUCEF's annual report to the UN-supported Principles for Responsible Investment (PRI).

#### *Joint Committees:*

Investment Committee members present: Kathleen Gaffney, Chair, Vonda Brunsting, Brian Lasher, Andrew McGeorge, John Minahan, Ken Redd, and Lucia Santini-Field

Socially Responsible Investment Committee members present: Kathy Mulvey, Chair, Vonda Brunsting, Andrew McGeorge, Lucia Santini-Field, Julie Skye, and Pat Tomaino

Member absent: None

Staff: Susan Helbert

NEPC: Lily Fayerweather, Krissy Pelletier, Asher Watson

### **1. Minutes from November 19, 2019 – Gaffney**

**Motion 1:** To approve minutes from the November 19, 2019 meeting without amendment. Moved: Santini-Field, seconded Lasher, all approved.

## 2. Operational Update - McGeorge

- Operationally work is going smoothly, most staff had previously worked remotely so the transition was fairly easy.
- Withdrawals have not increased yet; some increases are expected over the next couple of months.
- 200 congregations have reported receiving PPP loans; believe the number is probably closer to 400.
- It's been business as usual with our banks and investment managers.
- With meetings and travel suspended, expenses have been reduced by roughly \$2.5 million.
- Discussed the Board's request to all committees to consider reducing the number of in-person meetings per year.

**Action item 1:** Gaffney to send out a survey to both committees to gather thoughts/suggestions on how reduced in-person meetings may work.

## 3. Portfolio Discussion – all members

- **Market Environment**
  - COVID-19 pandemic has halted global economic activity.
  - Virus trajectory reflects uncertainty of pandemic and economy.
  - Plausible paths include rapid economic recovery or depression.
    - a) Likely outcome is a sustained period of slow or no growth followed by a very slow recovery.
    - b) Worst-case scenario would be entering a depression-like environment where there is a prolonged downturn continued to be fueled by income losses.
  - Investor focus likely to shift along a continuum of health risk and economic cost.
- **Updates/actions since last meeting**
  - Discussed modified work plan in terms of tasks for in-person meetings and work that happens on an ongoing basis.
  - Manager interviews need to pick back up. Consider holding manager calls, outside of regularly scheduled meetings, where members can join when available.
  - Recommend holding one or two calls a quarter beginning with managers who have the highest allocation in the portfolio. Loomis or Brandywine would be first.
  - Met with RRG to discuss their Sustainable Water Impact Fund. Approved a \$1.5 million investment.
  - Rebalancing in April included reducing exposure to Sands and high-quality fixed income to fund \$5 million investment in Ownership Capital, with another \$5 million to be added over the next few months.

**Action item 2:** NEPC to work with Helbert to schedule the first manager call in June or July.

- **Performance review**
  - Endowment returned (-14.3%) gross of fees during Q1 of 2020, ranking in the 51<sup>st</sup> percentile and underperforming both the allocation and policy indices.

- Expected April return of 6.8% gross of fees.
- Active management detracted 60 basis points for the quarter, mainly from the flexible fixed income managers.
- Franklin Resources has agreed to acquire Legg Mason which impacts our Franklin Templeton, Brandywine, and EnTrust investments. NEPC has them in “watch” status and will update, as necessary.

#### **4. Portfolio Scenario Analysis**

- **Asset Allocation update and Liquidity Review**
  - Reviewed new 10-year assumptions based on March 31, 2020 conditions.
  - General sense is this is not the time to increase the risk in the portfolio.
  - Portfolio remains very liquid with over 60% of the assets having daily/weekly liquidity and over 25% with monthly liquidity.
  - Confident liquidity is in place to meet potential increase in withdrawals.
- **Spending Policy**
  - Approximately 45% of the spending policy pertains to the UUCEF with the other 55% belonging to the congregations.
    - a) The UUCEF portion is calculated at 70% of prior year’s nominal distribution adjusted for inflation and 30% being a more traditional calculation of 4.5% spending rate times the trailing four quarters’ average.
    - b) The congregation distribution rate varies by congregation but is usually between 4.5% and 6%.
  - Estimates show normal spending distributions to be roughly \$8.5 million per fiscal year.
- **Stress testing the portfolio**
  - Discussed the four stress test scenarios focusing on impact of possible temporary changes to contributions and distributions.

#### **5. Update on GA2020 Program**

- Pre-recorded sessions
  - Have three areas of work
    - a) Simulive - a portion of the presentation is live, and a portion is prerecorded. Must submit recording by May 26<sup>th</sup>. Time slot is Saturday, June 27, from 10-11:30am EDT.
    - b) Virtual exhibit hall content contains the UUCEF logo, a 45-second video promo, and a 75-word description of the UUCEF.
    - c) Also presenting on the virtual learning stage Saturday the 27<sup>th</sup> from 5:15-5:45pm EDT.
- Update of 2020 Business Resolution
  - Have been asked by the proponents to have one or two members of the committee make a statement in support of the resolution in the mini-assembly and plenary.

## **6. Sustainalytics Update**

- Discussed two different products that could help fulfill the Business Resolution requirements.
  - Global Standards - screening incorporates human rights but is built around a broader set of criteria based on the UN Guiding Principles on Business and Human Rights.
  - Human Rights Radar - looks at 14 different countries and regions and assess companies' business activities in each.

**Next Meeting:  
August 24-25, 2020**