

UUA Investment and Socially Responsible Investment Committee – Minutes
Via Zoom
August 24-25, 2020

August 24, 2020

Joint Investment Committee and Socially Responsible Investment Committee:

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

SRIC members present: Kathy Mulvey (Chair), Vanessa Lowe, Julie Skye

Member absent: Pat Tomaino

Staff: Susan Helbert

1. Workshop on Racial Justice Investing

- Began 15 years ago with the filing of the first EEO shareholder resolution at Home Depot asking them to disclose their EEO data, when only two companies disclose this data. That work has been picked up by the New York City Comptroller's office, which is petitioning dozens of companies.
- Concentric Circles of Change
 - Looking at the areas of work as concentric circles; a) our committee, b) our consultants and investment managers, 3) the companies we invest in, and 4) the UU congregations and our peers in the endowment space.
 - Have a good model to work from due to the work of the [Racial Justice Investing](#) initiative.
 - The committee should be the first circle worked on, need to lead by example. Continue work on our investment policy statement. Makeup of the committee may need to change i.e. ethnicity, age, background, experience.

2. [Five Calls to Action](#)

1) Commit to actively engage with, amplify, and include Black voices in investor spaces and company engagements, taking direction and guidance from their expertise and lived experience, including on issues related to criminalization.

- Will lean on the work of Pat Tomaino and Tim Brennan for guidance.
- Possible shift in/or additional focus to include private prisons and public policy. Can we provide education on these topics to congregations?

Action item 1: Brunsting to ask Tomaino and Brennan to draft a summary of their work as an update to the committee.

2) Commit to embed a racial equity and justice lens into our own organizations. This may include: ensuring diversity, equity, and inclusion in hiring, promotion, and compensation at all levels; engaging with stakeholders of color to inform our work; hiring financial managers and consultants of color; and ending business relationships with entities that further white supremacy.

- Work with our constituents for assistance in finding more Black, Indigenous and People of Color candidates.
- May need to augment and/or suggest evolution of existing structure.

3) Commit to integrating racial justice into investment decision-making and engagement strategies. At the institutional level, commit to reviewing investment policies, due diligence, and risk management or controversy flags to investigate whether they adequately and explicitly integrate systemic racism concerns and update, as necessary. Review portfolio holdings across asset classes to identify investments that reinforce systemic racism. Establish time bound goals to either engage with or divest from companies/issuers with practices or business relationships that further systemic racism or white supremacy, or that enable state violence and criminalization. Direct specific attention to those connected to the prison, military, and immigration industrial complex, including technology, communications, services, and financial sectors, and those that are complicit in state violence.

- Areas of initial focus could be to develop tangible target goals across all levers such as consultants, investments, investment managers, and committee members.
- Re-examine the risk return framework; dimensions do not include mission. Our fiduciary duty clearly includes supporting the mission.
- Need to prod/encourage our consultants and investment managers to understand and focus on supporting us in this integration. Need to develop a new RFP to incorporate these goals.
- Look at consultant's criteria for identifying investments and see if we can further develop it to encompass our additional interests.
- Develop a way to measure the impact of our investments. Reinvest in communities.

4) Commit to reinvestment in community-driven alternatives to policing and safety. Make investments in Community Development Financial Institutions, affordable housing, Black-led community development projects, and financing Black entrepreneurs, cooperatives, community land trusts. Make investments in other old and new vehicles to support Black employment, ownership and wealth creation, and community-driven alternatives to policing and incarceration. We commit to promote the goals of communities of color, as determined by those communities, ensuring the benefit of investments are retained by those communities through scaling-up capacities, skills, networks, and resources to facilitate growth in circuits of capital. Seek investments that address structural race gaps in wealth and minimize capital "leakages" by procuring supplies from Black-owned businesses, creating employment for Black people, and reinvesting proceeds in Black communities.

- Increased Community Investing Portfolio from 1% to 5% raising our investable assets from approximately \$2 million to \$10 million.
- Reviewing community investment(s) opportunities at every meeting. Look at our process for community investing as a tool to develop a model for our entire portfolio.

5) Use investor voice to advance anti-racist public policy. Through investor statements, public comments, and collective action, advocate for policies that seek to reform and eliminate systemic racism in law and public policy as well as private ordering. These efforts may span Covid-19 relief package priorities, budget allocation processes, financial and tax policy, as well as policies related to housing, education, voting, criminal justice, corporate regulation, lobbying and campaign finance, public services, environmental health and safety, labor, immigration, political representation, infrastructure investments, research and development, and much more. We will proactively seek to understand and address public and private policies that discriminate against and disadvantage communities of color and advocate to scale-up programs and investments that close historical racial gaps in income, wealth, employment, political representation, access to housing, education and finance, longevity and health and safety.

- Continue using our voice through corporate engagement and in the work we are doing with the social justice groups.

3. Next Steps

Action item 2: Based on discussion, Brunsting to draft a workplan for further reflection, discussion and development.

4. Discussion of implementing human rights Business Resolution and Actions of Immediate Witness (Amen to Uprising and Address 400 Years of White Supremacist Colonialism)

- Annually review all General Assembly Business Resolutions, Board Resolutions and Actions of Immediate Witness to determine what impact/implementation it has on our investments/Investment Policy.
- Need to look at language determining if Actions of Immediate Witness have a bearing on the portfolio.

Action item 3: Helbert to review UUA bylaws to determine what, if any, weight AIWs have with regard to investing.

5. Update from Andrew and Screening Subcommittee

- Reviewed and discussed the materials from Sustainalytics on their Global Standards Screening (GSS) and Human Rights Radar (HRR).
- GSS uses a variety of codified norms and evaluates our universe of 1,000 Large Cap companies against those measures. Would provide us five company specific reports per year.
- HRR looks at the “hot spots” where there are known human rights issues taking place and looks at the companies doing business in those areas and what that business is.
- Initial review of the screening will be lengthy with this being the first year of implementing the Business Resolution.
- Leaning toward subscribing to both services in the initial year of implementation.

Action item 4: McGeorge to get more information from Sustainalytics about GSS and HRR services and determine how much and what information we can share with the UU Social Justice Groups that sponsored the Business Resolution.

Action item 5: Brunsting to get an update from the [Investor Alliance for Human Rights](#) about priorities and plans that may be relevant to implementation of the Business Resolution.

6. Ideas for improving communication between our committees and the UU Social Justice Groups

- Have confirmed with them that everyone is invited to the quarterly investor calls. (In the market volatility around COVID, have been unable to focus alternating calls on socially responsible investing per our previous plan).
- Members of both committees willing to commit to being a liaison for one of the groups to keep them informed, answer their questions, and gather informal feedback.
- Consider holding annual listening sessions.
- Revisit the idea of offering public comment periods on proposed changes to investment policies and guidelines.

7. Confirm process and timeline for reviewing SRI Guidelines and amending as necessary and assign next steps

- Create an appendix of historical references of General Assembly actions.
- Integrate the SRI Guidelines, Community Investing Guidelines, and the Investment Policy.
- Strengthen the Human Rights portion of the guidelines and review implementation of Business Resolution.
- Document procedures on how to implement.

August 25, 2020

Joint Investment Committee and Socially Responsible Investment Committee:

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

SRIC members present: Kathy Mulvey, Chair, Vonda Brunsting, Vanessa Lowe, Lucia Santini-Field, Julie Skye

Member absent: Pat Tomaino

Staff: Susan Helbert

NEPC: Lily Fayerweather, Krissy Pelletier, Asher Watson

1863 Ventures: Melissa Bradley

Collab Capital: Jewel Burks Solomon

8. Minutes from May 19, 2020 – Gaffney

Motion 1: To approve the Investment Committee minutes from the May 19, 2020 meeting without amendment. Moved: Santini-Field, seconded Lasher, all approved.

Motion 2: To approve the Socially Responsible Investing Committee minutes from the May 19, 2020 meeting without amendment. Moved: Santini-Field, seconded Lowe, all approved.

9. Summary of NEPC Faith-Based Roundtable – McGeorge, NEPC

- Met with group of other faith-based investors, all sharing a quest to find yield/return and doing largely the same thing such as looking at more Private Equity exposure. Discussed how the market volatility was dealt with, i.e. rebalancing to targets and remaining vigilant to new opportunities. Liquidity was another common theme, ensuring enough cash on hand to be opportunistic.
- Clear we are ahead of the curve on a lot of issues, such as our anti-racism work and incorporating Human Rights in our investment decisions.
- Seeing more and more conversations on becoming more proactive in expressing faith and beliefs in investing.
- Group was interested in hearing how we are doing everything—screening, ESG, thematic investing and shareholder engagement—and how we are managing that with resources and time.

Action item 6: NEPC to follow-up on notes from the roundtable and send to McGeorge.

10. Shareholder Advocacy Update – McGeorge

- The Special Advisor on Responsible Investing, Tim Brennan, will be joining all future meetings to provide updates. Likely be developing a one page brief on advocacy efforts to include, non-company specific and company specific efforts, with columns identifying the target/company, who we are working with, area of focus and status update, and the total we hold in each investment.
- The UUA signed on to the ICCR letter to the Department of Labor in response to their proposed rule to limit ESG investments in retirement plans. As a retirement plan sponsor, a special meeting of the Retirement Plan Board is being convened.
- NEPC submitted a letter, in the public comment period, voicing their concerns.

Action item 7: Helbert to work with Phil Murray, the Senior Endowment Accountant, to incorporate the measured period of time the average rate of return is based on, on the Community Investment Report. Also, to break out the market rate versus below market rate investments with returns for each and to measure it versus the appropriate benchmark.

Action item 8: Helbert to assign to Murray, the responsibility of reporting the market rate and non-market investment rate of return to NEPC on a quarterly basis.

Action item 9: Helbert to work with Murray to develop an enhanced Community Investment Report to include return and maturity.

11. Portfolio Discussion – NEPC

- Market Environment
 - Risk assets rallied significantly in the 2nd quarter and the trend has continued into July and August.

- Saw a very strong bounce back in equity and credit markets. U.S. markets continue to lead the way, International Developed and Emerging Market Equities also produced strong returns.
- Interestingly, the safe haven assets also eked out a positive return.
- The economic backdrop still remains challenged. The S&P 500 earnings estimate decreased 30% from the end of 2019 to current, U.S. Real GDP quarter over quarter change at minus 33%, U.S. unemployment rate at 11.1% and the trend of continued unemployment claims at 19.1 million as of June 30th.
- In 2020, there is a fundamental disconnect where equity prices are running up while earnings per share are falling. Fiscal stimulus response as a percentage of GDP is the U.S. is 12.1%. Market belief is that the Fed will continue to step in.
- Performance Review
 - The Endowment returned 13.7% (gross of fees) during Q2 of 2020, ranking in the 35th percentile of the universe, outperforming both the allocation and the policy index.
 - 6/30/20 marks the end of the fiscal year. For the 1-year trailing period, the portfolio returned 2.6%, outperforming the allocation index and in line with the policy index.
 - For the trailing 3-, 5- and 7-year periods, performance has ranked in the top third relative to peers.

Action item 10: NEPC to add a 65/35 benchmark to the Loomis strategy to capture the high yield exposure.

Action item 11: NEPC will send recommendations to the committee for rebalancing equity portfolio more toward 60% U.S., 25% International and 15% Emerging Market. Will also address bringing Ownership Capital up to its intended target.

- Flexible Fixed Income Review Debrief/Update
 - Have met with Loomis Sayles and Brandywine thus far, working on scheduling a call with Franklin Templeton.
 - Portfolio construction team is preparing an analysis of the total fixed income composite with a focus on the flexible income component. Will have a call with the committee to discuss findings and suggestions.
 - Finished discussion of the Brandywine call on August 11, 2020. Found they articulated their strategy very clearly even with their underperformance. Have been flexible in their exposures and have tried to take advantage of the opportunities that have presented themselves. ESG integration was a positive point.
 - Have Brandywine who is top down and sovereign focused, Loomis Sayles who is bottom up and credit oriented with Franklin Templeton who is active emerging sovereign. While the three complement each other, we are seeing some challenges from this part of the portfolio.

12. Community Investing Planning

- Review of existing investments

- Develop a spreadsheet for the purpose of categorizing investments into specific targets/issues to better track disbursement and impact.
- Review and act on new opportunities within the Community Investing Guidelines & Policy
 - The Enterprise Center (TEC)
 - Is a traditional CDFI that has been in existence for a long time. For the first 30 years was a business incubator.
 - Have a specific COVID loan, 36-month notes at an interest rate of 1% with the first 6 months of interest deferred.
 - 100% of investment will go to Minority Business Entrepreneurs/Enterprises with the majority of them, 72%, black owned.
 - Asking for \$250,000 for 5 years with a 1% return.

Action item 12: McGeorge and Mulvey to work with NEPC to determine if an investment in TEC falls into the market or below market category.

Motion 3: To invest \$250,000 into The Enterprise Center for a 5-year term at 1%. Moved: Lowe, seconded Santini-Field, Tomaino absent, all others approved.

VOTED: That the Unitarian Universalist Common Endowment Fund, LLC, invest \$250,000 of the assets of the UUCEF, LLC into The Enterprise Center, (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.

- Review and potentially act on new opportunities outside of the Community Investing Guidelines & Policy
 - Heard from Melissa Bradley of 1863 Ventures who described the funds founding, mission, and goals. Asking for consideration of a \$500,000 equity investment for a 10-year term.
- Heard from Jewel Burks Solomon of Collab Capital who described their founding, mission, and goals. Asking for consideration of \$250,000 investment for a 10-year term. Fee Structure: 2% management fee and 20% carried interest. Target Returns: Limited Members will receive an annual, compounded 8% cumulative dividend accruing from the Final Closing.
- Getting to the 5% target
 - Deferred to a future meeting.
- Formation of a subcommittee

- Subcommittee is to be made up of 2 members from each committee.
- Will hold a subsequent call to form committee and assign responsibilities.

Action item 13: Lowe to obtain the Kaufman Foundation due diligence packages on 1863 Ventures and Collab Capital for circulation to the committees.

13. Screening Review - NEPC

- Annual review of Sustainalytics input
 - Goal of NEPC analysis is to look for ways to enhance the committee's review of potential exclusions.
 - Proposed exclusions will be reviewed on a semi-annual basis enabling the committee to see the historical impact of proposed exclusions.
 - Current observation is that an eligible stock portfolio outperformed the index at a slightly higher level of volatility while the proposed exclusions have outperformed the index but with more volatility.
- Review and refine mandate and composition of screening subcommittee(s)
 - Will hold a subsequent call to form committee(s) and assign responsibilities.

14. Investment Policy Statement – Minahan, Gaffney

- Formation of a subcommittee for integrating the Investment Policy Statement with other governance documents.
 - Confirmed mandate of subcommittee which is to create an integrated Investment Policy Statement.
 - The first task of the subcommittee will be to conduct a review of the current policy including:
 - a) Review existing documents of both committees and GA actions to determine if there is a collective coherence.
 - b) Determine if these documents reflect our current beliefs and priorities.
 - c) Address the question: is the policy followed?
 - d) Engage the investment managers responsible for adhering to the policies.
 - e) Review with full committees to determine if changes need to be made.
 - NEPC can add value by offering information on best practices among peers that are or are not in the policy statement and to help determine if our policy is realistic and measurable as well as implementable and achievable.
 - Will hold a subsequent call to form subcommittee and assign responsibilities.

15. Private Markets opportunities – NEPC

- NEPC will circulate information on new opportunities to the committees.

**Next Meeting Date:
December 1, 2020**