

UUA Investment and Socially Responsible Investment Committee – Minutes  
Via Zoom  
November 3, 2021

*Joint Investment Committee and Socially Responsible Investment Committee:*

**Investment Committee members present:** Kathy Mulvey, Acting Chair, Vonda Brunsting, Brian Lasher, Asha Mehta, John Minahan, Andrew McGeorge, Ken Redd, Lucia Santini-Field

**SRIC members present:** Kathy Mulvey, Chair, Vanessa Lowe, Andrew McGeorge, Julie Skye, Lucia Santini-Field

Member absent: Pat Tomaino

Staff: Susan Frederick-Gray, Carey McDonald

UUA Board of Trustees: Charles Du Mond

NEPC: Lily Fayerweather, Krissy Pelletier, Kelly Regan

1. Minutes from August 18<sup>th</sup> and September 21<sup>st</sup>, 2021 – Mulvey

**Motion 1:** To approve the Investment and Socially Responsible Investment Committee minutes from the August 18<sup>th</sup> meeting without amendment. Moved: Lasher, seconded Santini-Field, Brunsting abstained, all others approved.

**Motion 2:** To approve the Investment Committee minutes from the September 21<sup>st</sup> meeting without amendment. Moved: Lasher, seconded Santini-Field, Brunsting abstained, all others approved.

2. Portfolio Review – NEPC

- Market Review and Outlook
  - Broadly equities were down in the third quarter with the one positive being U.S Large Cap Equities. Emerging Markets underperformed the most being down roughly 8%.
  - Key market themes assessment shows virus trajectory as neutral while permanent interventions, globalization backlash, and China transitions are prevalent.
- Performance Update:
  - The endowment returned -0.6% (gross of fees) during Q3 of 2021, ranking in the 71st percentile of the universe, outperforming both the allocation and the policy index.
  - Active management added 60 bps for the quarter.
  - Allocation differences from the policy detracted 20 bps for the quarter.
  - For the trailing 3- and 5-year periods, performance ranks in or near the top third relative to peers.
  - Active management added 170 bps over both periods, while policy deviations detracted 100 bps and 80 bps, respectively.
- Summary of diverse manager allocation:

- At the request of the committees, NEPC reviewed diverse ownership of the managers in the portfolio. The review identified that we are investing in six strategies that are diverse owned. Also identified that the Grosvenor Advance Fund we recently invested in, while not diverse owned, is diverse led.
- Currently the overall allocation to diverse managers is 23%. Allocation will continue to increase as the HCAP investments call capital.

**Action item 1:** NEPC to develop a dashboard that will monitor the portfolios for mission alignment.

**Action item 2:** Skye and Lowe to work with NEPC in refining the dashboard.

- Screening review:
  - Discussed the existing screening process and ways to enhance the committees review of potential exclusions.
  - For the purposes of the screening analysis, Rhumblin was reviewed. Some elements of the UUA's process fall outside of their typical approach. It's recommended that a subcommittee meet with them to discuss opportunities to improve process and outcomes.
  - Recommended instituting a regular check in with the managers using our screens to discuss implementation of UUA priorities.
  - Re-evaluate the list of "frozen" securities held for engagement purposes.
  - Current snapshot shows the eligible stocks portfolio outperformed the index at a slightly higher level of volatility while the excluded stocks underperformed the index and with greater volatility.
  - A standing screening subcommittee may be prudent.

**Action item 3:** McGeorge to distribute to the committees, the data on screening aspects per manager.

### 3. Fixed Income Allocation Review – NEPC

- Recommending a slight increase to public equity from 65% to 67%. The 2% increase would be allocated to the existing Global Equity managers.
- Increase from 5% to 10% in Private Markets. Increasing exposure could help improve return potential and could be a benefit in an inflationary market.
- Currently have an allocation of 25% to Fixed Income. Recommending it be reduced to 19% with the 7% difference being allocated to public equities, 2%, and private equities 5%. Within the 19% allocation remaining in Fixed Income, allocate 9% to safe-haven, 5% to Global Multi Sector and 5% to Opportunistic.
- Safe-Haven would be splitting the mandate with 75% going to a passive Treasury position with a shorter duration and 25% going to TIPS with a passive manager.
- With the Global Multi Sector and Opportunistic allocation of 10%, recommending renaming the allocation to Return Seeking Fixed Income. The mandate with Loomis is the Global Multi Sector portion and the mandate with Brandywine would be the Opportunistic portion.
- These changes would increase the expected 10-year return by 40 basis points.
- Proposed Fixed Income implementation:
  - Terminate Franklin Templeton.

- a) Strategy downgraded.
  - b) Flexible strategy missed on opportunities.
  - c) Acquired by Legg Mason who also owns Brandywine, internal competition created.
- Terminate Long Treasury and Corporate Fixed Income in favor of a TIPS/Treasury mandate.
  - Invest in TIPS/Treasuries passively using State Street Global Advisors (SSgA) given the competitive fee structure.

**Action item 4:** NEPC to update recommend policy to reflect Safe-Haven Fixed Income at 7% and Community Development at 5%.

**Motion 3:** To accept NEPC proposed asset allocation with the amendment of Safe-Haven being reduced to 7% and Community Development increasing to 5%. Moved: Lasher, seconded Redd, Minahan abstained, all others approved.

**Motion 4:** To terminate Franklin Templeton and hire State Street Global Advisors (SSgA) for TIPS and Treasuries. Moved: Lasher, seconded Redd, Minahan abstained, all others approved.

VOTED: That the Unitarian Universalist Common Endowment Fund, LLC, invest 7% of the assets of the UUCEF, LLC into the State Street Global Advisors (SSgA) U.S. Treasury Index Fund, 75%, and the State Street Global Advisors (SSgA) U.S. Inflation Protected Securities Index Fund, 25%, (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.

#### 4. Agenda review, Committee and leadership structure – All

- Board of Trustees is very appreciative of the work done by the committees toward integration; now asking for a plan proposing a structure to institutionalize the combined committees.
- Plan should include composition, backgrounds, and potential sources for future committee candidates.
- There is no obligation that members of sub-committees be made up of existing committee members. Encouraging non-members to join would be an effective way to develop future members.
- Briefly discussed potential for alternative decision-making models. Opportunity to look at different ways of structuring a merged committee and then look at how decisions are made together. Important to have clarity around roles, decision-making process, and accountability.
- Hope to have explored the leadership structures, voting processes and, response to the Board charge by June 30, 2022.

- Discussed allowing a Kennedy School student, who would like to do her master thesis on the work of the committees, to join the meetings.

**Action item 5:** Brunsting, Mulvey, Santini-Field and Skye, to form a working group to create a draft proposal for the Board regarding merger of the two committees in to one.

**Action item 6:** Brunsting to circulate the definitive process regarding the student’s participation.

**Action item 7:** McDonald to work with Brunsting and McGeorge to get details of what is required to be a placement for a student, supervision requirements, who owns what work product, and how things will be shared.

## 5. Discussion on business resolutions – All

- We continue to hold some large positions in a few fossil fuel companies that we are engaged with. Discussed what is an appropriate amount to own to be considered a meaningful versus gadfly investor.
- Responsibility is to align investments with UU values per the SRI Guidelines. Need to ensure communication to the UU community and to the companies we hold.
- Discussed reducing our holdings, maintaining enough to meet SEC requirements, and to communicate with companies, when we do reduce holdings, why we are reducing our holdings.

## 6. Next steps re: responsive resolution

- Offered two dates, November 15<sup>th</sup> and 29<sup>th</sup>, for a meeting with the young adults regarding the responsive resolution.
- Prepare a short presentation articulating:
  - “We hear you”
  - Shared values different tools, providing the tools we work with under UUA policy
  - Actions taken since meeting
  - Next steps with a timeline. Keep presentation short holding most of the time for questions/discussions.
- Research possibility of obtaining information on banks in violation of free prior and informed consent. Bank Track could be a useful resource.
- Prepare questions for managers asking why they hold specific securities and look for answers that align with our values.
- Review advocacy priorities, is anyone working on indigenous rights that we could file with.
- Finalize the hiring of a communications specialist to help us get our message out.
- Potentially review data providers, it has been some time since we sent out an RFP.
- Realistically, while this could be a valid strategy, we do not have the tools to enact it.

**Action item 8:** McGeorge to follow-up with proponents of the responsive resolution to confirm a meeting date.

**Action item 9:** McGeorge to begin the presentation and circulate to members for review and additional content.

Next Meeting  
February 25, 2022