Investment Committee Meeting

PRESENT: Committee Members: Eleanor Baker, Chair, Charles O’Leary, Norman Fournier, Barry McCrum, James Mullen (non-voting), and Chris Robinson (non-voting). Staff: Richard Pattenaude, Rebecca Wyke, J. Kelley Wiltbank, Tracy Elliott, Darla Reynolds, and Peter Small. Others: Jay Roney, Kelly Cummings, Janet Waldron (UM), Jim Gerry (USM), John Moore, Ross Ferrell (AFUM), Bill Bullock (MMA).

Trustee Baker, Chair, opened the October 5th, 2009 Investment Committee meeting at 10:00 am.

Approval of prior meeting’s minutes
Trustee Fournier moved and Trustee O’Leary seconded the approval of the prior meeting’s minutes as presented.

Investment Education by NEPC
Jay Roney, investment consultant and partner of New England Pension Consultants (NEPC), provided an education session covering the history and description of NEPC, fiduciary responsibility, investment policy, asset allocation and strategy, and performance measurement.

Approval of non-voting, non-trustee member to Investment Committee
Trustee Fournier moved and Trustee McCrum seconded the motion to approve the addition of Mr. John P. Moore as a non-voting, non-Trustee member of the Investment Committee.

Performance Review

Pension Plan
- As of 8/31/2009 the Pension Plan totaled $44.6 million. The calendar year to date return was 11.7%.
- As of 6/30/09, the plan totaled $42.4 million, reflecting an annual gross return of -16.2%.
- NEPC, with the encouragement of the Investment Committee, will continue to watch Morgan Stanley. It outperformed its index over the last year (-25.0% vs. -30.5%), but have struggled calendar year-to-date (14.3% vs. 25.8%).
- The Plan performed in-line with the median fund in both the Bear and Bull markets, placing in the 53rd, 59th and 46th percentile during the 1, 3, and 5 year time periods.
- Managers in the aggregate fell short of their benchmark by 60 basis points (bps) over the trailing year.
- At the last meeting NEPC recommended the termination of SSgA’s Small Cap Index Plus Securities Lending Fund. Due to product liquidity constraints related to securities lending, NEPC recommended that UMS transfer the allowable amount to an SSgA Russell 2000 Index Non Lending Fund and the balance to an SSgA Russell 2000 Index Securities Lending Fund. 4% of the SSgA Russell 2000 Lending Fund is being liquidated monthly and placed into the SSgA Non-Lending Russell 2000 index product. 28% has been transferred to date.
Endowment Fund

- As of 6/30/2009, the Endowment Fund had a gross return of -15.3% for the fiscal year and the fund totaled $125.9 million.
- The first six months of the calendar year, the plan returned 9.8% placing in the top 3rd percentile of the Endowment Universe.
- As of 8/31/2009, the plan returned 17.8% net of fees for the calendar YTD.
- The Fund placed in the top 24th and 38th percentiles during the quarter and the trailing one year time periods ending 6/30/2009. Additionally, the Fund placed in the top 24th and 17th percentiles for the 3 and 5 year periods ending 6/30/2009.
- Managers have added 60 bps of value over the past five years.
- Currently, the fund is overweight in equities, but NEPC has said that the current allocation falls within an acceptable range.

Operating Cash

- The Operating Cash Fund had a monthly return of 0.8% for 8/31/2009. The return on investments for the fiscal YTD and trailing twelve months were 2.42% and 1.16% respectively.

Operating Fund Goals and Objectives

- The transition to NEPC providing assistance with management of the Operating Cash Fund is proceeding well.
- NEPC is updating the Operating Cash Policy and will present an updated policy at the next Committee meeting.
- The investment objectives for the Fund are to provide daily liquidity, preserve capital, produce an acceptable yield, provide a total return opportunity set, and smooth the financial impact of adverse markets through utilization of an internal Income Stabilization Fund.
- NEPC presented several mixes for how the Fund could be allocated to meet the investment objectives.
- It was the consensus of the Committee to use Mix B with a target of 25% of the Fund allocated to a liquidity pool, 50% to a total income pool (which provides income to the Operating Fund and acts as a secondary source of income), and 25% to a Total Return Pool (provides total return to the Operating Fund).
- NEPC does not recommend any significant immediate changes to the Fund, but will slowly rebalance the Fund with ordinary cash flow to meet the new mandate.
- NEPC will research the use of gates and side pockets by hedge funds.

Adjournment,

Submitted by
Peter Small for
J. Kelley Wiltbank, Clerk