

Trustee Baker called the meeting to order and welcomed everyone.  The Committee approved the minutes from the December 1 and 13, 2010 meeting.

Performance Review

Ms. Kelley Cummings and Mr. Sean Ruhmann from New England Pension Consultants (NEPC) gave an overview of the Managed Investment Pool, the Operating Funds and the Pension Pan.

Managed Investment Pool (MIP)

- As of 3/31/2011, the MIP had a fiscal year to date net of fees return of 21.2%, with a trailing year return net of fees of 12.9%.
- Managers and strategies added value with active managers in aggregate adding 200 basis points of value net of fees during the trailing year.
- The MIP outperformed the median endowment over the one, three, five, seven, and ten year trailing time periods.
- First quarter market results were positive despite higher volatility.
- Expected returns of traditional asset classes remain muted.  Thirty year returns can support long-term expectations but do not create medium-term upside.  As a result rate expectations for the MIP will be reduced from 8.5% to 8.25%.  This revised rate will be used for the actuarial valuation of UMS Other Post Employment Benefits (OPEB), the assets of which are invested in the MIP.
- Opportunities for higher risk-adjusted returns exist in certain areas of the capital markets:
  - Emerging market debt and equity.
  - Reasonable exposure to illiquidity (especially distressed).
  - Active returns from strategies able to target macro-driven events.
  - Less directional approaches to portfolio structuring (i.e., equity long short as equity substitute).
- Global economic uncertainty remains elevated (e.g., currency volatility).
- In May 2011 NEPC provided rebalancing recommendations to Ms. Tracy Elliott, Director of Finance and Controller, to bring the MIP closer to approved targets.  Given the various notification requirements, rebalancing will be complete in early July 2011.
• As of 3/31/2011, active managers in aggregate added 200 basis points of value (net of fees) during the trailing year.
• As of 3/31/2011, the Pool out-performed the median endowment over the one, three, five, seven, and ten year trailing time periods.

Operating Funds

• As of 3/31/2011, the operating fund had a fiscal year to date net of fees return of 4.3%, with a trailing year return net of fees of 4.0%.
• UMS is prudently moving towards long-term targets with consideration given to fluctuations in cash flows and cash needs. As cash flows fluctuate throughout the year, the individual Pool weights will fluctuate as well.
• In line with targets, recent action includes movement of $16 million from the Cash Pool (money market funds) to the Income and Total Return Pools in March/April 2011 as follows:
  o $6.5 million to PIMCO Floating Income Fund
  o $6.5 million to Loomis Sayles Bank Loans
  o $3.0 million to Vanguard S&P 500 Index Fund

Pension Plan

• As of 3/31/2011, the Plan had a fiscal year to date net of fees return of 20.1%, with a trailing year return net of fees of 12.6%.
• As of 3/31/2011, managers outperformed benchmarks during the trailing year by 180 basis points (net of fees).
• As of 3/31/2011, the Plan has performed at median or better than its peers over all trailing time periods.

Reappointment of Non-Trustee, Non-Voting Member of the Investment Committee

The Investment Committee recommended the reappointment of Mr. James Mullen as non-Trustee, non-voting member of the Investment Committee for a second, three year term effective June 2, 2011.

MIP - Large Cap Value Manager Review – Met West

• Do to organizational changes at Met West in the fall of 2010, NEPC placed Met West on “client review”. NEPC subsequently prepared and reviewed with staff a Large Cap Value Equity search book. NEPC and staff interviewed representatives from three firms and determined that Met West remained the best manager for the MIP. Factors in this recommendation include:
  o Met West has utilized the same proven investment process since 1992 resulting in competitive performance and solid long-term risk adjusted returns.
  o A deep investment team.
  o Strong product performance, outperforming the Russell 1000 Value index in the last 7 out of 9 calendar years. Additionally, Met West has provided UMS with 410 basis points of alpha (net of fees) from date of initial holding of March 2001 through February 2011.
• As of 3/31/2011, $9.7 million or 5.3% of MIP assets were invested with Met West.
• Met West representatives Gary Lisenbee, CEO and CIO, and Sandra Incontro, President, joined the Committee via polycom, providing an overview of the firm, product, and performance.
• The Investment Committee concurred with NEPC and staff’s recommendation to retain Met West in the MIP.

**Real Estate Update and Presentation**

• Mr. Ruhmann, NEPC Senior Consultant, provided a real estate market review.
• Principal Real Estate (Principal) representative Mr. Darren Kleis, Director and Portfolio Manager, joined the Committee via polycom providing an overview of the firm, product, and performance. As of 3/31/2011, the Pension Plan had $2.3 million, comprising 5% of Pension Plan assets invested with Principal.

Adjournment.

Submitted by
Tracy Elliott for
J. Kelley Wiltbank, Clerk