Present: Committee Members: Karl Turner, Chair (by phone), Samuel Collins (by phone), Gregory Johnson (by phone), Marjorie Medd (at USM), Shawn Moody (at USM), James Geary (by phone), and Jack Moore (by phone). Staff: Tracy Bigney and Tracy Elliott. Others: Susan Hunter - UM and Ryan Low – UM.

Absent: Committee Members: James Donnelly, Mark Gardner, and James Mullen.

Trustee Turner, Chair, called the meeting to order.

Cube Global Multi-Strategy Fund Termination. On April 21st, NEPC was notified that Cube Capital received a large redemption notice from the fund’s investors. Fund assets under management are expected to decline from $1 billion to $600 million. With this redemption notice, Cube Capital will not be financially viable; therefore, Cube Capital will be winding down the firm and the fund. NEPC recommended that the University of Maine System (UMS) terminate all investments with Cube, submitting a redemption request by May 1st. NEPC expects that UMS will receive funds from Cube in the fall of 2015 as 95% of the fund is liquid.

NEPC will bring two hedge fund of fund managers to the May 27th Investment Committee meeting for interview for the purpose of selecting a replacement manager for Cube.

When asked about hedge fund investing, Kelly Regan with NEPC responded that most of their clients who have allocations to hedge funds are maintaining those allocations barring any change to goals and objectives. She further stated that some of the redemptions that have occurred in the industry over the past few years could be partly due to the fact that traditional 60/40 stock/bond portfolios have outperformed hedge funds. NEPC doesn’t believe that traditional 60/40 portfolios will continue to outperform going forward and they still believe in diversified asset allocations.

As of February 28, 2015, the UMS portfolios collectively invested $26.5 million with Cube as follows:

<table>
<thead>
<tr>
<th>Plan</th>
<th>Millions</th>
<th>% of Portfolio in Respective Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managed Investment Pool</td>
<td>$15.0</td>
<td>5.5%</td>
</tr>
<tr>
<td>Defined Benefit Pension Plan</td>
<td>1.7</td>
<td>4.5%</td>
</tr>
<tr>
<td>Operating Funds</td>
<td>9.8</td>
<td>3.4%</td>
</tr>
<tr>
<td>Total</td>
<td>$26.5</td>
<td></td>
</tr>
</tbody>
</table>

On a motion by Trustee Turner, which was seconded by Trustee Collins, the Investment Committee approved the redemption of the Cube Global Multi-Strategy Fund investments held in UMS’ three portfolios and commencement of a search for a replacement manager.
UM Advancement Alignment Task Force Recommendation - Management Fee on Endowments. Trustee Turner summarized the strategic objectives of the University of Maine’s (UM) recent advancement efforts including streamlining the advancement structure for our donors and enabling greater non educational and general (E&G) resources to be dedicated to fundraising efforts.

UM President Susan Hunter addressed the Committee describing the composition of the Advancement Alignment Task Force, which she convened last fall, and its conclusions. The President charged the Task Force with reviewing a new organizational model where UM’s fundraising operation would be aligned under the University of Maine Foundation (UM Foundation) in order to increase philanthropic support for UM. President Hunter noted that philanthropy will become even more important than it has been and the UM president will be held accountable for fundraising and setting fundraising priorities.

President Hunter further commented that it is unrealistic to think that:

- There will be a significant increase in E&G funding to UMS and that will result in substantial funding increase for fundraising as a downstream consequence.
- A future UM president will make significant programmatic cuts to free up resources for fundraising.

The Task Force recommended that UM designate the UM Foundation as the primary fundraising entity for UM, transfer all Development operations and staff to it, and come to agreement with the UM Foundation on a new Memorandum of Understanding (MOU) and Contract for Services. President Hunter will work with the UMS Treasurer and UMS General Counsel to complete these agreements.

The Task Force also recommended that UM and the UM Foundation work with the UMS to develop and implement a policy that will enable the UMS to charge a 125 basis point fee on the endowment funds held by the UMS for UM, and that these new funds be used to enable UM and the UM Foundation to significantly expand fundraising in support of the priorities set by UM. UM’s current endowment market value is almost $80 million.

It is understood that this management fee shall be disclosed in advance of being charged; that an opportunity to “opt out” shall be presented to current endowment donors, their heirs or representatives; and a policy for exceptions to this fee will be established based upon best practices nationwide.

The importance of private giving to the health of the university is greater now than at any point in its history. In order for UM to compete successfully with its peer institutions, it is essential that the amount of money raised from private sources increase significantly. Funds provided by private donors, foundations, and corporations are required to provide the scholarships needed to attract the best and brightest students, to reduce student debt, to improve instructional infrastructure, and to recruit and retain quality faculty. Therefore, an investment in UM's fundraising operations is imperative.

Trustee Collins and Trustee Johnson asked about fees currently charged within the University of Maine System to endowments and any disclosures. Tracy Elliott, UMS Director of Finance and Controller, responded that UM, USM, and the System Office currently charge (unless expressly prohibited by the donor) a 25 basis point fee for management and administration of the funds on
their respective endowments. No fees are currently charged by the other campuses. Such fees, which are specifically for activities related to the funds, are permitted under the Uniform Prudent Management of Institutional Funds Act (UPMIFA) without further disclosure.

At the request of Committee members, President Hunter agreed to bring the implementation plan to the Committee for their approval.

On a motion by Trustee Turner, which was seconded by Trustee Johnson, the Investment Committee approved forwarding the following resolution to the Consent Agenda of the May 17 & 18, 2015 Board of Trustees meeting for approval:

That the Board of Trustees approves UM’s assessment, as of July 1, 2016 or later, of an annual management fee of up to 1.25% of the market value of UM’s endowments held by the University of Maine System. The fee will be taken from the annually determined endowment payover and will replace the current annual management fee of 0.25%.

Adjournment.

Submitted by
Tracy Elliott for
Tracy B. Bigney, Clerk