Present at UMS: Committee Members: James Geary, James Mullen. Staff: Tracy Bigney, Janet Waldron and Kelley Wiltbank. Others: Jim Soucie (MMA), James Bradley (Penobscot Financial Advisors)

Present at USM via Polycom: Committee Members: Eleanor Baker, Chair, Gregory Johnson, Marjorie Medd, Jack Moore, and Karl Turner. Staff: Tracy Elliott, Rebecca Wyke. Others: Barron Schmitt (CAPTRUST Financial Advisors), Kelly Regan (NEPC), and Karen Pelletier (USM Foundation)

Committee Members Absent: Sam Collins

Trustee Baker, Chair, called the meeting to order.

CAPTRUST Financial Advisors – Investment Policy Statement for the Defined Contribution Plans. Mr. Barry Schmitt, Senior Vice President with CAPTRUST, provided an overview of the proposed Defined Contribution (DC) Retirement Plans Investment Policy Statement (IPS). The IPS will be utilized once the DC Plans migrate to the new single vendor approach and consolidated fund line up structure. The timing of the migration is subject to resolution of related collective bargaining matters.

Mr. Schmitt began with a discussion on the goals and objectives of the IPS along with its general purpose and intent. It was highlighted that the proposed IPS creates a process to review the investment vehicles within the Plan but is not so restrictive that it would cause frequent changes.

Mr. Schmitt highlighted the following:
- The primary purpose of the IPS.
- The goals and objectives.
- Roles and responsibilities of the Administration, Investment Committee of the Board of Trustees, and the Investment Consultant.
- Asset classes that will be utilized within the plans.
- The investment selection process that will be followed, highlighting several screening criteria.
- The investment evaluation process including the timing of review and action as warranted.
- The process for replacement of investment options that no longer meet the goals and objectives of the policy.
- Self-Directed Brokerage Accounts (SDBA).
- Appendices that present methods that CAPTRUST utilizes to evaluate each investment vehicle:
  - Appendix A- A general asset class overview as well as the indices and universes that will be utilized to evaluate the investment vehicles within the Plans.
  - Appendix B- Investment evaluation/scoring system which incorporates both quantitative and qualitative areas.
  - Appendix C- Methodology for evaluating capital preservation options.
Appendix D - Methodology for evaluating Target Date Funds and the differences between Target Date Scoring and traditional mutual fund scoring.

Upon further discussion, the Investment Committee approved the IPS with several changes with the most significant being adding language to the Self-Directed Brokerage Accounts (SDBA) section to make clear that the Investment Committee is not responsible for oversight of the specific investments offered within the SDBA.

On a motion by Trustee Johnson, which was seconded by Trustee Medd, the Investment Committee approved the proposed Defined Contribution Plans Investment Policy Statement with the edits discussed. The effective date will follow resolution of related collective bargaining matters and will be a date that coincides with implementation of the new single vendor approach and consolidated fund line up structure.

Non-Voting, Non-Trustee Committee Member. Mr. Chris Robinson has reached the expiration of his second term as Non-Voting, Non-Trustee member of the Investment Committee. The Investment Committee expressed its appreciation for Mr. Robinson’s service to the Investment Committee.

The Committee also expressed its gratitude to Mr. James Geary for his willingness to fill this position of Non-Voting Non-Trustee member of the Investment Committee.

On a motion by Trustee Baker, which was seconded by Trustee Medd, the Investment Committee approved the appointment of James Geary to a three-year term as a Non-Voting, Non-Trustee member of the Investment Committee effective September 25, 2013.

Performance Review. Ms. Kelly Regan, with NEPC, provided a market update and briefed the Committee on investment performance. Ms. Regan commented about the quarter ended June 30, 2013 market environment given the recent actions by the Federal Reserve that led to increased Treasury yields and declining equity markets. In addition, a market update through August 31, 2013 was presented noting the strong calendar year-to-date returns of most equities (8% to 24%) and the negative returns for most fixed income asset classes (-0.5% to -16%).

Managed Investment Pool (MIP)
The Managed Investment Pool returned 12.7% for the fiscal year ending June 30, 2013. Over the last 3, 5, 7 and 10 years the Plan returned 10.3%, 4.8%, 5.3% and 7.7%, respectively.

Pension Plan
The Pension Plan returned 10.9% for the fiscal year ending June 30, 2013. Over the last 3, 5, 7 and 10 years the Plan returned 9.7%, 3.9%, 4.1% and 6.1%, respectively.

Operating Funds
The Operating Fund returned 3.6% for the fiscal year ending June 30, 2013. Over the last 3, 5, and 7 years the Plan returned 3.2%, 2.7% and 3.1%, respectively.

Manager Discussions. NEPC discussed one of the System’s hedge fund managers given recent performance and a decline in assets under management. NEPC will perform additional due diligence and follow-up with the Committee at the next meeting.
The Committee and NEPC discussed the System’s large cap managers due to recent performance, organizational changes and portfolio changes. The efficiency of this asset class was discussed including the challenge active managers have of adding value above the index. The Committee instructed NEPC and staff to initiate a search for index managers and to move forward with the transition.

**Other.** Ms. Tracy Elliott, Director of Finance and Controller, briefed the Committee on the recently received Defined Benefit Pension Plan actuarial valuation results for the year ended June 30, 2013. The funded ratio of the Plan is 84.5%, down from a funded ratio of 96.8% at June 30, 2011. The actuarial analysis was prepared using a discount rate of 7.25%.

Governmental Accounting Standards Board (GASB) #68 goes into effect for the University in fiscal year 2015. GASB #68 has certain requirements regarding the long-term rate of return that may be used depending on the funded status of the Plan. A lower discount rate will increase the University’s calculated liability.

Jack Moore asked that NEPC perform an asset allocation analysis to see what opportunities exist for increasing the funded status of the Plan.

Adjournment.

Submitted by
Tracy Elliott for
J. Kelley Wiltbank, Clerk