
Absent:  None.

Trustee Martin, Chair, called the meeting to order and welcomed everyone. The Clerk of the Board recorded the roll call attendance.

Defined Contribution Plan Quarterly Review.
Michael Pratico and Barry Schmitt with CAPTRUST Financial Advisors, provided a review of administrative items, topical spotlights, and a quarterly update of the Defined Contribution (DC) Plans. CAPTRUST noted that TIAA recently announced a plan for voluntary staff reductions and went on to discuss the Coronavirus Aid, Relief, and Economic Security (CARES) Act provisions related to retirement funds including modification of loan limits and repayment requirements.

CAPTRUST also noted that TIAA will be temporarily waiving CREF Money Market Fund investment fees to participants as permitted through December 31, 2020. The expense waiver will reduce the possibility of negative net returns for the fund in the short-term. Despite the expense waiver, plan participants with CREF Money Market should consider using the Vanguard Government Money Market mutual fund within the plan. CAPTRUST committed to providing a custom communication to participants this fall as the end of the fee waiver approaches. In addition, they will request information from TIAA regarding how the CREF Money Market fund is considered within the Morningstar model portfolios which are used to provide asset allocation advice to participants.

CAPTRUST noted that after a stellar 2019—when stocks and bonds both performed well—most asset classes fell in the first quarter of calendar year 2020. Following an initial surge driven by hopes for a trade truce with China, concerns about the coronavirus and its impact on global economic growth spooked investors. Later in the quarter, oil prices fell sharply on oversupply and a drop in demand, creating further uncertainty.

The Committee and its advisor reviewed all DC Plan funds consistent with the process outlined in the Investment Policy Statement. All funds, with three exceptions, are currently in good standing based on the CAPTRUST scoring methodology. The following are specific comments related to those three fund exceptions and also commentary on the TIAA Real Estate fund.

The J Hancock Disciplined Value fund is marked for review based on the CAPTRUST scoring methodology. The strategy underperformed in 2019, landing in the bottom quartile of the peer group for the first time in the last decade. Its valuation discipline was a headwind, as the most expensive stocks within the benchmark outperformed the least expensive stocks by a wide margin. All the underperformance occurred in the first half of the year. CAPTRUST is encouraged by the
stabilization in performance during the second half of calendar 2019 as the strategy saw some relief from the valuation headwind. The team was very active in the first quarter with portfolio changes as the sell-off created buying opportunities for high-quality firms that had previously been too expensive for their approach, particularly in technology and communication services. CAPTRUST is not currently recommending client action related to this fund. The strategy has faced stylistic headwinds in recent years as it has a stricter valuation discipline versus some of its peers. The team is not deviating from this approach, as it has paid off in prior recoveries.

The **Carillon Eagle Small Cap Growth** fund is also marked for review and CAPTRUST is not currently recommending client action. They are encouraged by the strategy’s improved performance in the last two quarters. Despite stylistic headwinds due to its valuation sensitivity and sector neutral approach, the strategy is gradually regaining ground versus the benchmark and peer group. The team is experienced and stable and has been through multiple market cycles and CAPTRUST believes that a patient approach with this strategy is appropriate. Over the past five years, the strategy is slightly ahead of the benchmark and only trailing the peer group by a modest amount.

**DFA Emerging Markets** fund is marked consider for termination based on the CAPTRUST scoring methodology. In 2019 and the first quarter of 2020, the strategy underperformed the benchmark and was near the bottom quartile of the peer group. Notably, this is the first time that the strategy has landed in the bottom quartile in the last decade. The strategy’s bias to value and small cap stocks has been a headwind in recent years, as growth stocks and large caps have led the market. Although DFA has found that the three factors in its model have a positive impact over the long-term (10+ years), each factor can go through shorter periods when they are out of favor. This has been particularly true for the value factor in recent years. DFA believes that it is difficult to time these factors, especially value, and they have seen value lag in the past like during the tech bubble in the late 1990s. As the market environment can change quickly, they maintain consistent exposure to each factor. CAPTRUST recommends that clients currently holding the strategy continue to do so.

**TIAA Real Estate** provides additional diversification for participants and offers a unique ability to invest directly in real estate as opposed to traditional Real Estate Investment Trust (REIT) funds. CAPTRUST noted that this fund is flat for the year through mid-May compared to the public real estate benchmark which is down -23%.

**Defined Contribution Plan - Vendor Fee Benchmarking.**
Michael Pratico and Barry Schmitt with CAPTRUST Financial Advisors, provided an analysis of administrative costs associated with the University of Maine System Defined Contribution Plans. CAPTRUST assessed whether the fees being charged to administer the plan are reasonable relative to the marketplace for similar size plans and similar service models. The analysis showed that the current 6.5 basis point fee is competitive in the marketplace and CAPTRUST will review again in the fall.

**Managed Investment Pool, Operating Fund, and Defined Benefit Plan Update – NEPC.**

**Market Update**
Jay Roney and Kelly Regan with NEPC provided a market update for the 1st quarter of calendar year 2020. U.S. Equity markets declined significantly between late February and mid-March as markets digested the potential impact of COVID-19; the S&P 500 was down roughly 30% during this time. The S&P 500 rallied in late March to end the 1st quarter down 19.6% and again rallied in April posting a monthly return of 12.8%. Market volatility may persist throughout 2020 as uncertainty regarding COVID-19 continues.
NEPC also reviewed their forward-looking outlook and discussed their Virus Trajectory theme which reflects the unknown path of the pandemic as well as the timing and ability for economies to restart globally. This theme has a range of outcomes between a U-shaped recovery, economic depression and a swift V-shaped recovery depending on the virus trajectory. NEPC also reviewed current market opportunities which are implemented in the UMS portfolios. Those include staying diversified, being mindful of cash needs and maintaining cash for spending (particularly important for Pension and Operating Fund) and favoring US and Emerging equities over International Developed equities.

**Asset Allocation Update**
NEPC reviewed the asset allocation of all three portfolios and provided updated capital market assumptions. The Defined Benefit Pension Fund (Pension) is expected to return 5.5% over the next 30 years from a beta only perspective. NEPC expects the managers in the Pension Fund will provide 40-50 basis points of alpha and NEPC can support the Pension’s return goal of 6.25% based on their assumptions. The Operating Fund is expected to return 3.6% over the next 30 years from a beta only perspective. NEPC expects the managers in the Operating Fund will provide 20-30 basis points of alpha and can support the Operating Fund’s return goal of 4.0% based on their assumptions. The MIP is expected to return 6.7% over the next 30 years from a beta only perspective. NEPC expects the managers in the MIP will provide 40-50 basis points of alpha and, based on their assumptions, can support the MIP’s updated return goal of 7.25% which is incorporated into the Investment Policy Statement also reviewed today.

**Performance Reviews**
Ms. Regan and Mr. Roney provided a brief performance review for all three portfolios for the quarter ended March 31, 2020, with the following highlights:

**Operating Fund.** The Operating Fund declined 1.4% fiscal-year-to-date ending March 31, 2020. Over all of the trailing time periods (except 10 years), managers in aggregate have fallen short of their benchmarks as measured by the Composite vs. Allocation index. Most of this underperformance was driven by the Fund falling 90 basis points short of the index during the 1st quarter of calendar year 2020. Managers with exposure to credit markets underperformed as credit spreads widened during March. However, four out of six active managers ranked above median versus their peers. In the month of April 2020, the Operating Fund was estimated to return 2.3%, bringing the fiscal-year-to-date into positive territory. At the end of March, the asset allocation of the Operating Fund was close to policy targets.

**Defined Benefit Pension Fund.** The Defined Benefit Pension Fund declined 2.3% fiscal-year-to-date ending March 31, 2020. During this period, managers added 230 basis points of value as four out of six managers outperformed their benchmarks. In April, the Pension Fund was estimated to return 5.1%, bringing the fiscal-year-to-date into positive territory. At the end of March, the asset allocation of the Pension Fund was close to policy targets.

**Managed Investment Pool (MIP).** The Managed Investment Pool (MIP) declined 11.3% fiscal-year-to-date ending March 31, 2020. The MIP has a higher allocation to equity compared to the Operating and Pension Funds which led to the lower returns. During this period, managers detracted 130 basis points of value as 7 out of 14 active managers underperformed their respective benchmarks. However, managers that have historically provided downside protection fared well during the quarter. In the month of April 2020, the MIP was estimated to return 7.5%. At the end of March, the asset allocation of the MIP was close to policy targets.
MSCI Environmental, Social and Governance (ESG) Report Update - MIP
NEPC provided a brief overview of the Environmental, Social and Governance (ESG) Report related to the MIP. The MIP’s overall ESG score is 5.81 which has improved since 2017 and is in-line compared to the traditional broad-based market benchmark. The MIP’s overall ESG score is still below an ESG based broad benchmark since the MIP is not 100% ESG. Over time, as new asset classes and investment managers are considered for the MIP, improvement to the portfolio’s ESG profile may occur.

Investment Policy Statement Update – MIP
NEPC reviewed the policy statements for all three portfolios and recommended updates for only the MIP reflecting the new asset allocation that was approved at the February Investment Committee meeting. The policy was adjusted to reflect updated asset allocation targets, ranges, asset classes, benchmarks and a change in the long-term return assumption from 7.5% to 7.25%.

On a motion by Trustee Hustus, which was seconded by Trustee Donnelly, and approved by a roll call vote of all Trustees present, the Board of Trustees acting through the Investment Committee, approved the updated Investment Policy Statement for the Managed Investment Pool.

Adjournment

Tracy Elliott for
Ellen N. Doughty, Clerk