Trustee Martin, Chair, called the meeting to order and welcomed everyone. The Clerk performed a roll call of the Committee members present.

Non-Voting, Non-Trustee Member - Resolution for Peter Handy
Trustee Martin, Chair of the Investment Committee, presented the following resolution for Peter Handy:

Peter Handy has completed his service as a non-voting, non-trustee member of the Investment Committee having served since September 25, 2017. Mr. Handy, a Chartered Financial Analyst, came to us with a breadth of knowledge from his own business endeavors as President & CEO of Bristol Seafood and from his financial services roles at JPMorgan Chase & Co. and Sanford Bernstein & Co. where his work ranged from asset management to institutional trading.

The University of Maine System and the Investment Committee extend sincere appreciation to Mr. Handy for his dedicated service and for sharing his knowledge and expertise. His thoughtful perspective has greatly enriched our discussions and we extend our best wishes to Mr. Handy.

On a motion by Trustee Gardner, which was seconded by Trustee Bartholomew, and approved by a roll call vote of all Trustees present, the Board of Trustees acting through the Investment Committee extended its appreciation to Peter Handy for his dedication and service as a non-voting, non-trustee member.

Non-Voting, Non-Trustee Member - Resolution for Erik Hayward
Trustee Martin, Chair of the Investment Committee, presented the following resolution for Erik Hayward:

In October 2021, Erik Hayward will be completing his second term as a non-voting, non-trustee member of the Investment Committee having served since October 8, 2015. A Chartered Financial Analyst and the Executive Vice President of the Libra Foundation, Mr. Hayward has brought a wealth of knowledge and experience to our discussions and decision making.

The University of Maine System and the Investment Committee extend sincere appreciation to Mr. Hayward for his years of dedicated service and for sharing his time and expertise. His thoughtful perspective has greatly enriched our discussions and we extend our best wishes to Mr. Hayward.

On a motion by Trustee Erwin, 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 extended its appreciation to Erik Hayward for his dedication and service as a non-voting, non-
trustee member.

Non-Voting, Non-Trustee Member – Approval Jim Bradley
Trustee Martin, Chair of the Investment Committee and Board of Trustees Chair Erwin, recommend the appointment of Jim Bradley as a non-voting, non-trustee member of the Investment Committee.

Mr. Bradley is the Founder and Chief Investment Officer of Penobscot Financial Advisors (PFA) with offices in Bangor and Portland. With $260 million in assets under management, PFA provides comprehensive financial planning services to over 700 households including advising many UMS employees and retirees. A graduate of the University of Connecticut, Mr. Bradley is a Certified Financial Analyst, an Accredited Investment Fiduciary, and a Chartered Alternative Investment Analyst. He also serves on the Board of Hospice Volunteers of Hancock County.

On a motion by Trustee Erwin, which was seconded by Trustee Gardner, and approved by a roll call vote of all Trustees present, the Board of Trustees acting through the Investment Committee approved the appointment of Jim Bradley to a three-year term as a non-voting, non-trustee member of the Investment Committee effective May 17, 2021.

Non-Voting, Non-Trustee Member – Approval Matthew Skaves
Trustee Martin, Chair of the Investment Committee and Board of Trustees Chair Erwin, recommend the appointment of Matthew Skaves as a non-voting, non-trustee member of the Investment Committee.

Mr. Skaves, a Chartered Financial Analyst, is the Chief Investment Officer at Deighan Wealth Advisors, in Bangor, which has more than $200 million in assets under management. He is also the owner of Matthew Thomas, LLC which provides strategic planning services and advice to small businesses and is co-owner of Lexi & Matt Photography, LLC. Additionally, Mr. Skaves served as a full-time faculty member in Accounting and Finance at the University of Maine from 2014-2019. Active in his community, he serves on several Boards and committees including the Maine Seacoast Mission, John Bapst Memorial High School, and the Robinson Ballet.

On a motion by Trustee Erwin, 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 appointment of Matthew Skaves to a three-year term as a non-voting, non-trustee member of the Investment Committee effective on the fall Investment Committee meeting date, scheduled for September 16, 2021.

Defined Contribution (DC) Plans - Quarterly Review
Michael Pratico, Senior Vice President, and Barry Schmitt, Principal, with CAPTRUST Financial Advisors, provided a review of the 2021 first quarter Defined Contribution Retirement Plan including the following industry updates.

Industry Updates:

Cybersecurity:

CAPTRUST noted in their Industry Update that the U.S. Government Accountability Office urged the Department of Labor (DOL) to guide the retirement industry in protecting retirement plan participant accounts from online theft. The DOL released guidance for plan sponsors, plan fiduciaries, recordkeepers, and plan participants on best practices for maintaining cybersecurity. The guidance helps plan sponsors and fiduciaries prudently select and monitor service providers. CAPTRUST noted that
TIAA, the plan’s recordkeeper, is an industry leader in the area of cyber security. Members of UMS staff and CAPTRUST will be meeting with TIAA to discuss their cyber security practices.

The committee also discussed updates from the DOL pertaining to missing participant guidance and the decision that the DOL will not enforce two current rules impacting ESG investments—“Financial Factors in Selecting Plan Investments” and “Fiduciary Duties Regarding Proxy Voting and Shareholder Rights.” The rules were enacted in late 2020 and CAPTRUST expects the DOL to address both rules in the coming year. Nonetheless, plan sponsors should have due diligence processes in place for selecting and monitoring investments (including ESG options) and for addressing proxy voting.

Market Commentary:

Despite an uptick in interest rates in the first quarter, most asset classes have posted solid returns so far in 2021. Vaccine-driven optimism and historic levels of fiscal and monetary stimulus continued to fuel stock market returns as economies began to reopen, while concerns emerged over rising inflation pressures.

**Investment Review & Small Cap Growth Recommendation:**

The committee and its advisor reviewed the plan investments in a manner consistent with the investment policy statement noting that all investments are in good standing with two exceptions. CAPTRUST emphasized the following:

**PGIM Total Return (marked for review):**

The fund underperformed its peers and benchmark in the first quarter of 2021. The driver of underperformance in the first quarter was the strategy’s higher duration, or interest rate sensitivity. The team was overweight relative to the benchmark and peers, taking an out-of-consensus opinion that the rapid rise in rates in the first quarter went too far. The team continues to hold this position and may continue to extend duration as they see value in longer maturity assets.

This fund has been one of the strongest performing funds in its category, consistently outperforming its benchmark and peers over most time periods. CAPTRUST continues to recommend holding the fund.

**Carillon Eagle Small Cap Growth (marked consider for termination) - recommendation:**

CAPTRUST was encouraged by the strategy’s outperformance in 2020 vs. the benchmark. However, the strategy significantly underperformed the index and peer group in first quarter (Q1) 2021. It had negative stock selection in most sectors. This broad-based weakness is cause for concern, as CAPTRUST did not see that in prior years. The Carillon Eagle strategy continued to underperform later in Q1. Unlike in prior years, higher growth, higher valuation stocks have not led the market this year. This should have been a more conducive backdrop for the strategy’s valuation-conscious approach. CAPTRUST expected better performance from the strategy in Q1, as its stylistic headwinds abated and markets returned to more normal conditions later in the quarter.

CAPTRUST believes that the team is not executing well relative to expectations and its peers and thus recommended termination of the Carillon Eagle Small Cap fund.

The committee considered several replacement options based on CAPTRUST’s search and selection process and ultimately decided that the Mass Mutual Select Small Cap Growth fund was the right choice for the plan and its participants. The strategy benefits from different investment approaches of the sub-
advisors, with only a modest overlap of positions. The managers are 40% Invesco (formerly Oppenheimer; on the strategy since 2015), 30% Wellington Small Cap Opportunities (2001), and 30% Wellington Small Cap Growth (2004). CAPTRUST believes that a multi-manager approach makes sense in small cap growth given the inherent volatility in this asset class.

Action Items:

On a motion by Trustee Gardner, 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 recommendation of CAPTRUST to terminate the Carillon Eagle Small Cap Growth fund, replacing the fund and mapping the assets and contributions to the Mass Mutual Select Small Cap Growth fund.

Performance Reviews – Managed Investment Pool (MIP), Pension, and Operating Funds
Kelly Regan and Jay Roney of NEPC provided a brief market update and an overview of performance for all three portfolios for the quarter ended March 31, 2021.

Market Update:

Equity markets continued to do well with global equities ending the first quarter in positive territory as improving virus conditions and fresh fiscal stimulus in the U.S. provided a supportive environment for risk assets. Domestic equities outperformed their global counterparts with the S&P 500 increasing 6.2% in Q1 while non-U.S. equities were negatively impacted by a strengthening U.S. dollar. International developed equities were positive 3.5% and emerging market equities improved by 2.3%. U.S. Treasury yields increased in the first quarter leading to negative fixed income returns as indicated by the Barclays Aggregate index which declined 3.4%. Credit spreads continued to fall leading to positive performance across U.S. credit markets. Mr. Roney also provided a verbal update on April market performance, both equity and fixed income indices were broadly positive during the month.

Performance Reviews:

Managed Investment Pool (MIP):
The Managed Investment Pool (MIP) returned 2.3% during the first quarter and 37.6% over the trailing 1-year time periods, net of fees. The MIP’s total market value was $423.2 million as of 3/31/2021. During Q1, managers detracted 80 basis points of value. Managers with a growth and high-quality bias fell short of their respective benchmarks. The MIP fell short compared to other Endowments and Foundations during Q1 which NEPC attributed to peers having a private equity allocation which performed well. The MIP ranks well for the trailing 1-year time period, ranking better than the median Endowment and Foundation with assets between $100-500 million. At the end of Q1, the asset allocation of the MIP was close to policy targets.

Defined Benefit Pension Fund:
The Pension Fund declined 0.2% (net of fees) during Q1 as the sizable fixed income allocation was impacted by rising interest rates. During the trailing 1-year time period, the Pension returned 19.9%, net of fees. The Pension’s total market value was $25.2 million as of 3/31/2021 representing a decrease of $1.0 million quarter over quarter. During Q1, managers detracted 150 basis points of value mostly due to one global equity investment manager with a growth and high-quality bias. At the end of the 1st quarter, the asset allocation of the Pension was close to policy targets.
Operating Fund:
The Operating Fund returned 0.6% during Q1 and 11.8% over the trailing 1-year period, net of fees. The Operating Fund’s total market value was $307.3 million as of 3/31/2021 representing an increase of $25.2 million quarter over quarter due to net cash inflows. During Q1, managers added 20 basis points of value. Over the trailing 1-year time period, the Operating Fund has outperformed the Allocation Index by 300 basis points. At the end of Q1, the asset allocation of the Operating Fund was close to policy targets.

Asset Allocation Update:
NEPC reviewed the asset allocation policy targets for the three portfolios and noted that no adjustment was being recommended. They further noted that the current target asset allocations for the portfolios can support each portfolio’s return goals but that there will be volatility around the returns.

Operating Fund – Bank Loan Manager Recommendation:
Kelly Regan and Jay Roney of NEPC reviewed the two bank loan managers that the System employs across the three portfolios. The System invests with Bain Capital in the MIP and Pension and, in the Operating Fund, the System utilizes Loomis Sayles. They reviewed the performance and characteristics of the two managers stating the fees are similar; Bain’s track record has been stronger; and, while Bain has a lower average credit quality, it provides a higher yield. NEPC recommended replacing Loomis Sayles with Bain Capital in the Operating Fund.

On a motion by Trustee Donnelly, which was seconded by Trustee Gardner, and approved by a roll call vote of all Trustees present, the Board of Trustees acting through the Investment Committee approved the following investment manager change:

Replace the Loomis Sayles Bank Loan strategy with the Bain Bank Loan strategy in the Operating Fund.

Additional information about the meeting can be found on the Board of Trustees website: https://www.maine.edu/board-of-trustees/meeting-agendas-materials/investment-committee/

Adjournment
Tracy Elliott for
Ellen N. Doughty, Clerk