
Absent: None.

Trustee Martin called the special meeting of the Investment Committee meeting to order, thanked everyone for participating, and roll call was taken.

Fossil Fuel Divestment Actions and Goals
To meet our commitment to address climate change and our portfolios’ objectives, the University of Maine System (UMS) has set the following action steps and goals with the understanding that, at all times, the Board of Trustees acting through the Investment Committee will act in accordance with sound investment criteria and consistent with its fiduciary obligations:

Short-Term Actions: As of May 31, 2022, UMS will divest from direct fossil fuel investments.
1. Divest all direct equity and fixed income investments in fossil fuels by May 31, 2022(1).
2. To make no new direct investments in fossil fuels.

Long-Term Goals: Divest from actively managed commingled and mutual fund fossil fuel investments by 2030.
The Investment Committee will:
3. Monitor the actively managed commingled and mutual fund fossil fuel exposure and the growth of fossil fuel free alternative investment funds.
4. Assess investment managers with regard to their commitment to sustainable and fossil fuel free investments and, when prudent and appropriate, select managers with such strategies.
5. Select managers who best meet UMS risk, return, diversification, and fiduciary goals while being mindful of ESG and climate goals.

(1) Fossil fuels are defined as Carbon Underground 200 list, a list of 200 global companies across the 100 largest public coal and the 100 largest public oil and gas reserve owners (including oil sands reserve owners).

(2) ESG criteria are a set of standards for a company’s operations that socially conscious investors use to screen potential investments. Environmental criteria consider how a company performs as a steward of nature. Social criteria examine how it manages
relationships with employees, suppliers, customers, and the communities where it
operates. Governance deals with a company’s leadership, executive pay, audits,
internal controls, and shareholder rights.

Chair Martin commented that:
- Changes to the Investment Guidelines are within the purview of the Investment
  Committee which has met several times to discuss adjustments to those Guidelines
to include divestment of fossil fuels.
- The “Fossil Fuel Divestment Actions and Goals” before the Committee, reflects a
  collaborative effort informed by considerable research, dialogue, and feedback.
- The Short-Term Actions and Long-Term Goals reflect our efforts to balance
  varying concerns keeping with sound investment principals and consistent with our
  fiduciary responsibilities.
- The Committee acknowledges the passion that everyone has for this topic and
  extends its thanks to those who have worked on this initiative.
- The Investment Committee and UMS should be proud that we led our peers when
  we divested of coal and when we adopted a strategy that applies environmental,
  social and governance factors (ESG) in investment decision making. We are again
  in the forefront as we adopt divestment actions and goals.
- Our efforts continue to demonstrate our strong commitment to addressing climate
  change and the portfolios’ objectives.

Committee members:
- Acknowledged the tremendous amount of time, discussion and thought that went
  into considering how best to meet fiduciary responsibilities while leading in terms
  of climate policies and moving away from fossil fuels.
- Thanked the students for their time and research and acknowledged the emotion
  present in this issue.
- Commented on the importance of moving out of such investments without doing
  harm to our investments.
- Emphasized the dichotomy between our social responsibility and our fiduciary
  obligation and the need to be mindful that there is a balance while respecting the
  fiduciary obligations we have to the beneficiaries of our pension plan, the operating
  fund, and the endowment fund.

Non-Voting, Non-Trustee Committee Members:
- Acknowledged support to do what we can to limit climate change but we also need
  to meet our fiduciary obligations. The language regarding prudence and appropriate
  while meeting climate responsibility speak to that.
- The Statement before us today does a nice job balancing responsibilities regarding
  climate change and our fiduciary responsibilities.

Other Trustees:
- Concerned about the long term goal for full divestment being in 2030, preferring a
  shorter timeframe.
- Expressed desire for Board level conversation on this topic.
On a motion by Trustee Donnelly, which was seconded by Trustee Gardner, and approved by a roll call vote of Trustee Committee members present, with the exception of Trustee Bartholomew who voted against the resolution, the Board of Trustees acting through the Investment Committee, approved the Short-Term Actions and Long-Term Goals regarding divestment from fossil fuel investments while at all times acting in accordance with sound investment criteria and consistent with its fiduciary obligations.

**Investment Guidelines and Objectives - Managed Investment Pool (MIP), Operating Fund (OF) and Pension**

Kelly Regan with NEPC provided an overview of the changes to the Managed Investment Pool (MIP), Operating Fund (OF) and Pension investment statements. The proposed Guidelines for all three portfolios include consideration of investment managers who incorporate Environmental, Social, and Governance (ESG) factors into their investment process and investment managers who exclude fossil fuel holdings. The proposed Guidelines also now detail investment manager selection criteria. In addition, the MIP guidelines were edited to include the Investment Committee’s approval of the endowment spending rate for FY23 and two MIP participant changes. Further, the Pension Guidelines were updated to acknowledge that the University follows the Employee Retirement Income Security Act (ERISA) as a best practice. The Guidelines also adopted de minimis exposure language from State of Maine LD 99 *An Act to Require the State to Divest Itself of Assets Invested in the Fossil Fuel Industry*.

Kelly Regan explained the process for investment manager selection and related criteria. Consideration will now be given to managers that incorporate ESG into their investment process and managers that exclude fossil fuel holdings. NEPC will propose their best ideas based on due diligence, top rated managers, and showcase similar to the past which managers have ESG in their investment process and managers that have no fossil fuel holdings, so that they are included for consideration when available given the investing universe.

Trustee Bartholomew stated that the policy may not go far enough towards complete fossil fuel divestment. Ms. Regan commented that the policy statement will accomplish the short term action by divesting from fossil fuel direct exposure and will aid in the long term goal.

Trustee Donnelly noted that the commingled or mutual funds have de minimis holdings which requires balancing the fiduciary responsibilities and divestment which is challenging. He noted the investment universe needs to develop so that there are managers with performance experience and appropriate returns to select from.

The statements are living documents and are revisited periodically and may be adjusted as progress is made.

There was some concern that the 2030 date for UMS to be fully divested from fossil fuel was not explicitly outlined in the updated investment guidelines. The Committee requested that the following information, consistent with the approved goals and actions, be added to the updated investment guidelines in an appropriate section determined by NEPC:
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- Divest from actively managed commingled and mutual fund fossil fuel investments by 2030.
- Statement requiring an annual report to the Board regarding fossil fuel divestment progress

With the addition of these items to the proposed updated investment guidelines for the Managed Investment Pool (MIP), Operating Fund (OF) and Pension, the Committee agreed to approve the resolution as proposed.

On a motion by Trustee Donnelly, which was seconded by Trustee MacMahon, and approved by a roll call vote of all Trustees present, the Board of Trustees, acting through the Investment Committee, approved the updated Investment Guidelines and Objectives for the Managed Investment Pool, the Operating Fund, and the Defined Benefit Pension Plan.

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