

UNIVERSITY OF MAINE SYSTEM  
Board of Trustees  
**Investment Committee**

September 25, 2025  
Zoom

**Present: Committee Members:** Kelly Martin; Chair, John Moore, Elise Baldacci, David MacMahon, Riley Worth. **Non-Voting, Non-Trustee Committee Members:** James Bradley, John (Jack) Moore. **System Staff:** Chancellor Dannel Malloy, Amon Purinton, Tracy Elliott, Carolyn Dorsey, Jenny Boyden & Beth Stickler. **Others:** Kelly Regan – NEPC, Matt Landen – NEPC, Barry Schmitt - CAPTRUST, Mike Practico – CAPTRUST.

**Absent:** Lisa Eames, Trish Riley.

**Non-Voting, Non-Trustee Member - Resolution for Timothy Griffin**

Chair Martin acknowledged that Timothy Griffin completed his service as a non-voting, non-trustee member of the Investment Committee, having served since August 25, 2022. Chair Martin and the Committee thanked Mr. Griffin for his service and extended best wishes.

**RESOLUTION:**

On a motion by Trustee McMahon, which was seconded by Trustee Moore, the Board of Trustees, acting through the Investment Committee, extended its appreciation to Timothy Griffin for his dedication and service as a non-voting, non-trustee member.

**Investment Committee FY2026 Work Plan**

Tracy Elliott, Vice President of Finance and Controller for the System provided an overview of the Committee's Work Plan for FY2026. The Plan will be included in the November 17, 2025 Board of Trustees meeting materials as an information item.

**NEPC Capital Markets Review & Quarterly Performance**

**Market Update:**

Matt Landen (NEPC) provided an update on NEPC's market outlook. Equities performed well in the second quarter (Q2) despite the poor macroeconomic backdrop coming into the quarter and the sharp decline following President Trump's April 2<sup>nd</sup> announcement of sweeping tariffs on imports. US markets, as measured by the S&P 500, were up 10.9% in Q2 while Non-US markets performed even better with the MSCI EAFE up 11.8% and the MSCI Emerging Markets up 12.0%. Strong performance was due in large part to improved trade dynamics, more clarity in the legislative environment, and for non-US markets, a weakening dollar. The rally continued in July and August as corporate earnings exceeded estimates and additional trade deals started to

materialize. However, the labor market started showing signs of weakness as reports came in below expectations and prior months were revised downward. As a result, the Fed cut rates in early September with more cuts expected prior to calendar year-end. Given the current market conditions, NEPC recommended that clients brace for additional volatility, and they emphasized rebalancing to targets should we see any market dislocation.

### **Performance Review:**

Matt Landen reviewed performance for all three UMS portfolios with the following highlights.

**Operating Fund.** The Operating Fund returned 2.7% during the second quarter, net of fees, and the Fund's total market value was \$248.7 million on June 30, 2025. Managers exceeded their respective benchmarks in aggregate (Composite vs. Allocation Index) over the quarter but trailed over the fiscal year. The Fund's manager performance has been strong over the long term, outperforming the Allocation Index during the 5- and 10-year periods. At the end of Q2, the asset allocation of the Fund was within policy ranges. NEPC reviewed the portfolio's current positioning and recommended a change to the fixed income manager line-up.

**Defined Benefit Pension Fund.** The Pension Fund returned 4.2% during the second quarter, net of fees, and the Pension's total market value was \$16.2 million on June 30, 2025. During both Q2 and the trailing fiscal year, managers underperformed their respective benchmarks in aggregate (Composite vs. Allocation Index). Relative underperformance was primarily due to more conservative positions which underperformed during a strong market period as well as weaker performance within the Fund's equity allocations. At the end of Q2, the asset allocation of the Pension was within policy ranges. NEPC is recommended a change to the portfolio's fixed income manager line-up.

**Managed Investment Pool (MIP).** The Managed Investment Pool (MIP) returned 7.3% during the second quarter, net of fees, and the MIP's total market value was \$395.9 million on June 30, 2025. During both Q2 and the trailing fiscal year, managers underperformed their respective benchmarks in aggregate (Composite vs. Allocation Index), driven by weak performance in the Equity composite and a more defensive positioning. The MIP ranked in the 28<sup>th</sup> percentile of the Endowments and Foundation universe during Q2 as an underweight to private markets was additive relative to peers. It is expected that the MIP will rank well when public equity does well and private equity falls short; however, over the long-term NEPC expects that private equity will outperform public equity resulting in below median rankings. At the end of Q2, the asset allocation of the MIP was within policy ranges. NEPC recommended a change to the portfolio's fixed income manager line-up.

### **Core Fixed Income Manager Recommendation.**

Kelly Regan (NEPC) walked the committee through a Fixed Income Manager search that was conducted to find a replacement manager for Commonfund (MIP) and Baird (Operating Fund and Pension Fund) given the Committee's fossil fuels divestment mandate and that these managers have exposure to the Carbon Underground 200. NEPC profiled seven investment options, focusing on core and core plus Fixed Income managers that offer separately managed accounts, and ultimately recommended further consideration be given to the IR+M Aggregate strategy. This is an existing manager within the Operating Fund with which the System has had a

positive relationship. The firm was founded in 1987 and has ~\$121 billion in firm Assets Under Management. This particular strategy has had strong long-term performance, a good information ratio, reasonable management fees, and IR+M can implement a strategy excluding Carbon Underground 200 companies. After discussion, the Investment Committee approved the following resolutions.

## **RESOLUTION:**

On a motion by Trustee Baldacci, which was seconded by Trustee McMahon, the Board of Trustees, acting through the Investment Committee, approved the following manager recommendations.

- For the Managed Investment Pool, terminate Commonfund Fixed Income and replace with IR+M Aggregate Fixed Income.
- For the Pension Fund, terminate Baird Fixed Income and replace with IR+M Aggregate Fixed Income.
- For the Operating Fund, terminate Baird Fixed Income and replace with IR+M Aggregate Fixed Income.

## **Defined Contribution Plans – Industry Update, Market Commentary & Quarterly Review**

### **Industry Update:**

CAPTRUST provided an overview of Department of Labor (DOL) changes and planned changes in the following three areas:

### **Environmental Social and Governance (ESG).**

In 2022, the DOL finalized the *Prudence and Loyalty in Selecting Plan Investments and Exercising Shareholder Rights* rule. This rule allows plan fiduciaries to consider Environmental, Social, and Governance (ESG) factors when making investment decisions. The DOL announced on May 28, 2025, that it will be drafting a new rule regarding ESG. The current language will remain in effect until rescinded through the rulemaking process.

Importantly, CAPTRUST noted that they monitor and score ESG investment offerings following strict guidelines – looking at them purely from an investment perspective rather than taking into consideration their ESG mandate.

### **Crypto Currency.**

Also on May 28, 2025, the DOL rescinded guidance that told plan fiduciaries to "exercise extreme care" before selecting cryptocurrency as an investment option in plan menus. This is part of the President's effort to promote access to alternative investments for retail investors. By rescinding the 2022 guidance, the DOL reaffirmed its neutral stance on cryptocurrency as a plan investment option.

CAPTRUST noted that Crypto is not an asset class that they currently recommend for the DC

Plan core investment fund lineup.

**Private Markets.**

The DOL is expected to issue additional guidance regarding Private market investment considerations for Defined Contribution Plans.

CAPTRUST noted that while these types of investments may add value for retirement plan participants, given their novelty and complexity, plan sponsors should proceed with caution. Items to be considered include liquidity, valuation, fees and volatility. CAPTRUST advises to proceed with caution prior to adding any alternative investments to an investment menu. UMS provides participants with access to a self-directed brokerage account and participants may access such investments through this method. CAPTRUST noted that the TIAA Real Estate fund within the Plan menu does however provide participants with access to invest in private real estate.

**Market Commentary:**

CAPTRUST provided commentary indicating a market recovery during this volatile third quarter with U.S. markets ending the quarter at all-time highs, while dollar weakness bolstered gains for a reinvigorated Europe.

**Quarterly Review:**

CAPTRUST reviewed all funds in a manner consistent with the Investment Policy Statement, noting that the majority of funds are in good standing. They discussed all funds with additional emphasis on the following:

**JP Morgan Equity Income (marked for review):**

This value fund has lagged in the prolonged growth-oriented market. 3- and 5-year peer relative performance is below the fiftieth percentile, but 10-year performance remains in the top third. As markets have rotated back to value in 2025, the fund is in the top half peer relative. CAPTRUST continues to recommend this fund.

**American Funds Europacific Growth Fund (EUPAC) (marked consider for termination):**

As approved by the Investment Committee at its May 15, 2025 meeting, this fund is in the process of being removed from the UMS Plan with assets and contributions moving to the MFS International Intrinsic Value fund.

**MFS International Intrinsic Value (marked for review):**

This foreign large blend fund's near-term performance is strong; in the top 30<sup>th</sup> percentile through late September year to date. The fund is also in the top 1% over ten years. One bad year, 2022, is dragging down the score but CAPTRUST continues to have confidence in the team and approach.

**TIAA Real Estate (marked for review):**

The TIAA Real Estate Account has experienced challenging absolute and relative performance over the trailing three years. The Account's underperformance is primarily due to property type selection. Despite efforts to reduce exposure to traditional office and retail sectors, the account

still has a higher weight in these areas compared to the index. CAPTRUST remains confident in TIAA's ability to manage the strategy and believes that the positioning changes being implemented will lead to a stronger portfolio in the long term.

**Vanguard Target Date (Qualified Default Investment Alternative):**

This low cost actively managed Vanguard Target Date series has benefited from tactical moves. The series' larger strategic allocation to non-U.S. equities has been additive as international equities posted gains and outperformed U.S. equities during the quarter.

**Defined Contribution Plans – Emerging Markets Recommendation**

Historically, UMS participants accessed Emerging Markets (EM) exposure through the EuroPacific Growth Fund. With that fund scheduled to terminate, CAPTRUST conducted an EM manager search and reviewed the findings with the Committee. CAPTRUST recommended adding the Vanguard Emerging Markets Stock Index Fund to the Plan lineup as a diversified, low-cost (13 bps) option.

Jim Bradley praised the addition as an appropriate asset-allocation choice.

**RESOLUTION:**

On a motion by Trustee McMahon, which was seconded by Trustee Moore, the Board of Trustees, acting through the Investment Committee, approved CAPTRUST's recommendation to add the Vanguard Emerging Markets Stock Index fund to the UMS fund line up.

**Defined Contribution Plans – Participant Annual Fees**

Following CAPTRUST's benchmarking review presented at the May 15, 2025 Investment Committee meeting, TIAA's recordkeeping fee was reduced from \$49 to \$45 per participant. After applying this reduction and deducting Plan expenses (e.g., CAPTRUST's advisory fee), CAPTRUST recommends lowering the annual Plan participant fee to \$54, an annual savings of \$14 per participant.

**RESOLUTION:**

On a motion by Trustee Moore, which was seconded by Trustee Baldacci, the Board of Trustees, acting through the Investment Committee, approved lowering the annual participant fee for the Defined Contribution Plans from \$68 to \$54.

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  
Elizabeth Stickler, Clerk