UNIVERSITY OF MAINE SYSTEM
Board of Trustees
Investment Committee

May 7, 2026

Zoom

Present: Committee Members: Kelly Martin; Chair, David MacMahon & Elise Baldacci. **Non-Voting, Non-Trustee Committee Members:** Matthew Skaves, James Bradley. **System Staff:** Chancellor Dannel Malloy, Ryan Low, Carolyn Dorsey, Jeffrey St. John, Amon Purinton, Tracy Elliott & Elizabeth Stickler. **Others:** Kelly Regan - NEPC, Matt Landen - NEPC, Lauren Lambrinos - NEPC, Michael Pratico - CAPTRUST, Jennifer Barker - CAPTRUST & Barry Schmitt - CAPTRUST.

Absent: Trish Riley, John Moore, Riley Worth, Lisa Eames.

Chair Martin welcomed participants to the May 2026 Investment Committee meeting and noted that the Committee would review a challenging first quarter and then turned the meeting over to NEPC for the capital markets review and quarterly performance update.

NEPC Capital Markets Review & Quarterly Performance

Kelly Regan introduced Lauren Lambrinos of NEPC, noting that Ms. Lambrinos had worked with NEPC on the System account for several years. Matt Landen then provided NEPC's capital markets review for the quarter ended March 31, 2026.

Mr. Landen reported that markets entered 2026 after a strong but volatile 2025. January was strong, particularly for value, small cap, and non-U.S. markets. February was more mixed, and March declined sharply amid geopolitical uncertainty involving Iran, related energy-price pressure, and a flight back to U.S. markets and the U.S. dollar. Mr. Landen noted that this reinforced NEPC's view that there is not currently an alternative to the U.S. dollar as the world's reserve currency. Fixed income markets were broadly lower as inflation concerns persisted and expected Federal Reserve rate cuts appeared to be on hold. Real assets were the strongest area of the quarter, led by oil, with gold also performing well despite March volatility.

Mr. Landen stated that April had reversed much of the first-quarter decline, with markets moving back into positive territory through April and early May. NEPC advised continued attention to rebalancing opportunities as volatility persists. He noted that real assets had run up, but that the System's portfolios generally receive this exposure through active managers such as Newton and PIMCO, which manage those allocations.

Ms. Regan reviewed performance for the System's three portfolios.

Operating Fund. The Operating Fund ended the quarter at approximately $263.0 million, an increase of $34.3 million from the prior quarter due to positive performance and significant net asset inflows. The Liquidity Pool, Income Pool, and Total Return Pool remained within policy ranges, though the Liquidity Pool stood at approximately 37% compared with a 30% target. NEPC did not recommend immediate rebalancing because cash may be needed for an upcoming building purchase. NEPC would revisit asset allocation with Tracy Elliott in June before fiscal year end. The Operating Fund returned 0.4% for the quarter and was up 4.5% fiscal year to date, above the 4% return target, with managers adding approximately 40 basis points of value. NEPC had no manager due diligence updates or recommendations for the Operating Fund.

Defined Benefit Pension Fund. The Pension Fund ended the quarter at approximately $14.7 million, a decrease of approximately $1.0 million from the prior quarter, including $0.7 million in benefit payments and $0.3 million in market losses. The asset allocation remained within policy ranges and close to targets. The Pension Fund lost 1.8% for the quarter, with managers detracting approximately 70 basis points, primarily from global equity active manager underperformance and lower-quality credit managers that struggled as spreads widened. The Fund was up 5.0% over the trailing one-year period. NEPC noted that the Committee's prior approval to terminate Walter Scott and fund a passive fossil fuel-free global equity ETF had been implemented in March. NEPC had no new recommendations for the Pension Fund.

Managed Investment Pool. The Managed Investment Pool ended the quarter at approximately $400 million, a decrease of $12.3 million, including approximately $2.3 million in endowment distributions and $10.0 million in investment losses. The MIP lost 2.4% for the quarter but was up 10.1% over the trailing one-year period. Managers underperformed the Allocation Index by approximately 40 basis points during the quarter, driven primarily by global equity managers and some credit managers, partly offset by small cap, emerging markets, and alternative strategies that added value. NEPC estimated that April performance would be strong and could bring the MIP fiscal year-to-date return to approximately 9%.

Trustee Bradley asked for clarification on the difference between the Policy Index and the Allocation Index and whether fossil fuel restrictions are reflected in benchmark comparisons. Ms. Regan explained that the Policy Index applies the Committee-approved long-term target weights to each asset class benchmark stated in the Investment Policy Statement, while the Allocation Index uses the portfolio's actual prior-month ending weights against the same passive benchmarks. The difference between the Policy Index and Allocation Index shows the effect of deviations from targets, while the difference between the Composite and the Allocation Index shows manager value added or detraction. Ms. Regan explained that the policy and allocation benchmarks are generally not fossil fuel free. For example, the large cap benchmark is the S&P 500, while the portfolio's fossil fuel-free strategy uses a fossil fuel-free index. As a result, a fossil fuel-free strategy may be in line with its stated benchmark while still underperforming the broader policy benchmark in a period when fossil fuel exposure helps market returns.

Ms. Regan reviewed MIP rankings and explained that peer rankings were affected by two factors: the MIP's lack of a meaningful private equity allocation during a quarter when private equity returns were positive due to their lagged reporting nature, and active manager underperformance.

Ms. Regan reported two manager due diligence updates. Impax, a global equity manager in the MIP and Pension Fund, was placed on Hold after changes to its portfolio management team. Two of three co-portfolio managers were leaving or stepping away, and Impax planned to add two new co-portfolio managers. NEPC viewed the change as warranting closer monitoring. Lindsell Train was placed on Watch, primarily due to poor trailing performance and approximately 15% of strategy assets leaving the strategy. NEPC noted that Impax and Lindsell Train were originally included in the portfolio to help meet fossil fuel divestment goals and because NEPC believed global equity was an area where active managers could add alpha. Given the due diligence updates and ongoing performance concerns, NEPC will complete a full review of both managers and provide recommendations at the next Committee meeting.

Ms. Regan then reviewed manager performance. Westfield continued to perform well in the small cap allocation and delivered positive returns in a negative market. Impax outperformed during the quarter and again in April, supported by information technology and semiconductor exposure. Lindsell Train underperformed materially during the quarter despite an environment where value performed better, due in part to not holding defense, banking, energy, or materials stocks. Silchester underperformed slightly during the quarter but remained a strong strategy with no concerns. Acadian added value during the quarter. In fixed income, BlackRock and Bain underperformed as credit spreads widened, but NEPC expressed no concerns with either manager. Newton and Lighthouse performed as expected in a difficult market, with Newton benefiting from commodities, gold, and other diversifying assets and Lighthouse producing positive returns. In the Operating Fund, Income Research & Management continued to perform as expected, and PIMCO All Asset delivered positive returns through exposure to commodities, REITs, and liquid hedge fund-like strategies.

Updated Investment Policy Statement - Managed Investment Pool

Lauren Lambrinos reviewed the proposed updates to the Managed Investment Pool Investment Policy Statement. Ms. Lambrinos stated that NEPC and UMS staff had reviewed all three portfolio policy statements as part of annual governance best practices. NEPC did not recommend changes to the Operating Fund or Pension Fund policies but recommended several updates to the MIP policy to memorialize prior Committee decisions and ensure that the policy reflects the current portfolio including:

- Updates to the asset allocation targets and ranges based on the Committee approval of the asset allocation changes at the previous meeting.
- Updates to the University of Maine’s management and administration fee rate approved at the previous meeting.

- Changing of the Private Equity benchmark from Cambridge Private Equity to MSCI US All Private Equity.

RESOLUTION:

On a motion by Trustee MacMahon, which was seconded by Trustee Baldacci, the Board of Trustees, acting through the Investment Committee, approved the updated Investment Policy Statement for the Managed Investment Pool.

CAPTRUST

Chair Martin introduced CAPTRUST and announced that this would be Barry Schmitt's last meeting as he is retiring. She thanked Barry for his professionalism, expertise, and partnership and wished him well in retirement. Mr. Schmitt stated that CAPTRUST had worked with the System since 2013 and noted the evolution of the relationship from four recordkeepers to one recordkeeper (TIAA) and significant fee reductions over time. Mr. Schmitt introduced Jennifer Barker as a seasoned advisor who would join the relationship and lead the quarterly review.

Ms. Barker introduced herself, noting that she has been with CAPTRUST for five years after working at TIAA and that she also works with the public higher education systems of Rhode Island, Massachusetts and Vermont.

Defined Contribution Plans - Quarterly Review

Ms. Barker reviewed recent defined contribution plan industry developments, including updates related to the SECURE Act, Required Minimum Distributions (RMD), ERISA litigation trends, and developments regarding designated investment alternatives. She discussed the Department of Labor's proposed regulation on fiduciary duties in selecting designated investment alternatives, which followed the August Executive Order on democratizing access to alternative assets in 401(k) plans. Ms. Barker explained that the proposed rule was broader than alternatives and reaffirmed the importance of a prudent fiduciary process. She stated that the rule did not require the System to change its process, and that the System is already doing the right things by maintaining a sound process, monitoring developments, and working with CAPTRUST. She also noted that the Executive Order listed real estate and lifetime income options among the types of alternatives that may be considered, and that the System already offers those types of strategies through the retirement plan.

Ms. Barker also reviewed ERISA litigation trends, noting that no lawsuits had been filed against non-ERISA plan sponsors for fiduciary breaches to date, but that ERISA litigation continued in 2025, including excessive fee, underperforming investment, forfeiture, and stable value fund claims. She noted that CAPTRUST will include a stable value review in a future meeting. Ms. Barker also discussed recent amicus brief activity and observed increased support for plan sponsors in some cases, with more focus on process, burden of proof, and showing harm rather than outcome alone.

In response to a question regarding whether there had been congressional movement on allowing collective investment trusts in 403(b) plans, Ms. Barker stated that there had been no movement and that approval was not expected to come to fruition during the current year with securities law amendments being the obstacle. She noted that if approval occurs, CAPTRUST will bring the subject back to the Committee.

Ms. Barker provided market commentary for the Defined Contribution Plans. She noted that large cap U.S. equities were down 4.3% during the quarter and that the Vanguard Target Date series was slightly overweight U.S. equities, particularly in shorter-dated vintages, which detracted from quarterly results. She also noted that second-quarter markets had reversed sharply, with emerging markets up 21.9%, developed markets up 9.5%, the S&P 500 up just under 13%, and small cap up almost 16% through the date of the meeting. Yields rose slightly during the quarter, and the divergence between winning and losing equity sectors was significant, with energy up 38% and financials down 9%. Value outperformed growth, which helped some value-based strategies in the Plan.

Ms. Barker reviewed all funds in the Plans' investment menu in a manner consistent with the Investment Policy Statement with the following highlights.

The ***Vanguard Target Date Funds*** provide participants with a single solution for selection and rebalancing with a suite of low-cost index funds and actively managed strategies across capital market categories. As of March 31, 2026, the Plans had approximately $2.17 billion in assets, with approximately $361 million invested in the Vanguard Target Date series. Approximately 47% of plan contributions were directed to the Vanguard Target Date series.

The Vanguard Target Date series scored very favorably at 93 on CAPTRUST's 0-to-100 scoring system. While all vintages had negative quarterly returns, ranging from approximately -0.47% to -1.45%, this series exceeded benchmarks monitored by CAPTRUST and were generally in line with peers. CAPTRUST had no concerns with the series.

Ms. Barker reviewed capital preservation strategies and noted that they continued to provide strong rates. The ***Vanguard Federal Money Market Fund*** had a seven-day yield of approximately 3.58%, ***TIAA Traditional*** credited approximately 5.25% in the Retirement Choice contract for employer money, and TIAA Traditional credited approximately 4.5% for employee money in the liquid version.

Harbor Capital Appreciation underperformed its benchmark during the quarter but CAPTRUST did not recommend changes. Large cap growth has been a challenging category for active management because of concentrated market leadership.

MFS International Intrinsic Value which will be renamed MFS International Intrinsic Equity, had a good quarter and outperformed the EAFE benchmark.

TIAA Real Estate had a positive quarter and has stabilized over the last 12 to 18 months after difficulty when rates rose.

Ms. Barker also reviewed the three strategies marked for review:

- ***CREF Responsible Balanced*** remained at a score of 78 and had a strong quarter, returning -1.55% compared with a composite benchmark return of -2.0%. The U.S. equity and fixed income sleeves outperformed, while the non-U.S. equity sleeve lagged partly because of an underweight to energy. Since inception, the account has returned approximately 8.14% compared with 8.28% for the composite benchmark, largely meeting its objective of delivering long-term market returns while favoring companies with stronger environmental, social, and governance characteristics. The CREF Responsible Balanced remained **marked for review** because three- and five-year performance continued to lag peers and benchmark; however, the fund was coming off a strong 2025, exceeded its benchmark during the first quarter of 2026, and was in line with peers for the quarter. CAPTRUST continued to recommend retaining the fund.

- ***JPMorgan Equity Income*** improved to a score of 79 from 70 in the prior quarter; however, due to the strategy's lower-beta profile, this disciplined defensive large cap value strategy underperformed its benchmark over the trailing three- and five-year periods and ranked in the bottom half of peers. During the quarter, underperformance was driven primarily by an overweight to Financials, which detracted as the sector declined more than the benchmark. CAPTRUST **will bring alternatives to the next Committee meeting for consideration**.

- ***Victory Sycamore Established Value*** had a strong first quarter, returning 4.71% compared with 3.68% for the benchmark and ranking in the top quintile of its peer category. However, CAPTRUST remained concerned about this mid cap value fund's multi-year underperformance, which increasingly appeared to be more than a normal style-related performance dip. In addition, the downside protection had not been as reliable as expected. CAPTRUST **will bring fund comparison information to the next meeting for the Committee's consideration**.

In summary, the Plan's investments looked generally good with further review needed in large cap value and mid cap value.

Michael Pratico added that the three funds marked for review represented a little less than 5% of total plan assets. He emphasized that quarterly reviews tend to focus on funds marked for review; however, the vast majority of plan assets are in investments that are in good standing and doing well.

<u>Defined Contribution Plans - Fee Benchmarking</u>

Mr. Pratico reviewed the annual Defined Contribution Plan fee benchmarking report. CAPTRUST conducts a formal fee benchmark to review recordkeeping and administrative expenses and compare the System's costs to market. He emphasized that, nationally, fees and expenses remain a focal point in litigation and fiduciary process, and that although the System's plan is not governed by ERISA, the System follows ERISA as a best practice and is a large 403(b) plan.

Mr. Pratico noted that the plans had approximately $2.2 billion in total assets, 10,670 unique participants, and an average account balance of approximately $206,200, which he characterized as a strong average account balance and a credit to employee and employer contributions and participant guidance. He also noted that TIAA record keeps seven different contracts for the System, which adds complexity and cost relative to simpler plans.

Mr. Pratico reviewed investment management expenses by tier. The allocation tier, primarily the Vanguard Target Date funds, had a weighted average expense of approximately eight basis points and represented approximately 18% of plan assets, while receiving approximately 47% of plan contributions. The Vanguard series is one of the best target date series in the market and provides professional management through a low-cost index approach. Standalone index funds had a weighted average expense of approximately four basis points and represented approximately 13% of plan assets. Actively managed funds had a weighted average expense of approximately 22 basis points, with the caveat that TIAA Traditional is a spread product and does not have an explicit expense ratio. After revenue credits from TIAA Traditional and the TIAA Real Estate Account, the Plan's total weighted average expense ratio was approximately nine basis points, which Mr. Pratico described as a real strength of the program.

CAPTRUST provided the committee with a Fee Benchmark report. The report identified current administration & recordkeeping revenue at $45 per participant. Benchmarking the current plan expenses against the CAPTRUST database, administrative fees for comparable sized plans range from $39 to $45 per participant. Based on the plan demographic information utilized to benchmark the plan against the industry, current fees are within the benchmark range; however, Mr. Pratico will go back to TIAA to discuss additional fee reduction because plan assets have increased significantly since the most recent fee negotiation approximately eight months ago.

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

Chair Martin stated that no further vote was required and called an end to the meeting.

Tracy Elliott for

Elizabeth Stickler, Clerk