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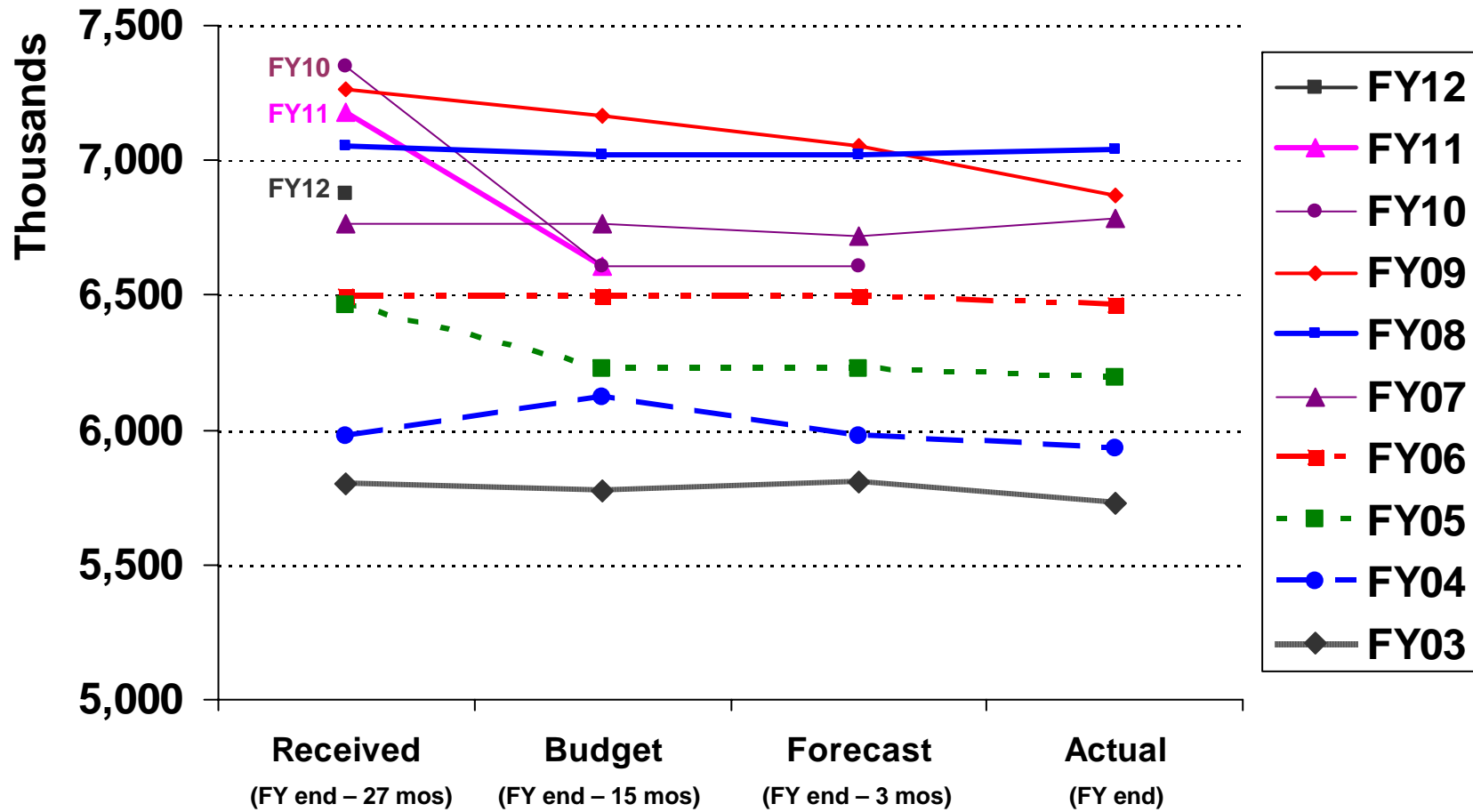
# Financial Advisor's Presentation to UUA Board of Trustees

Dan Brody

April 2010

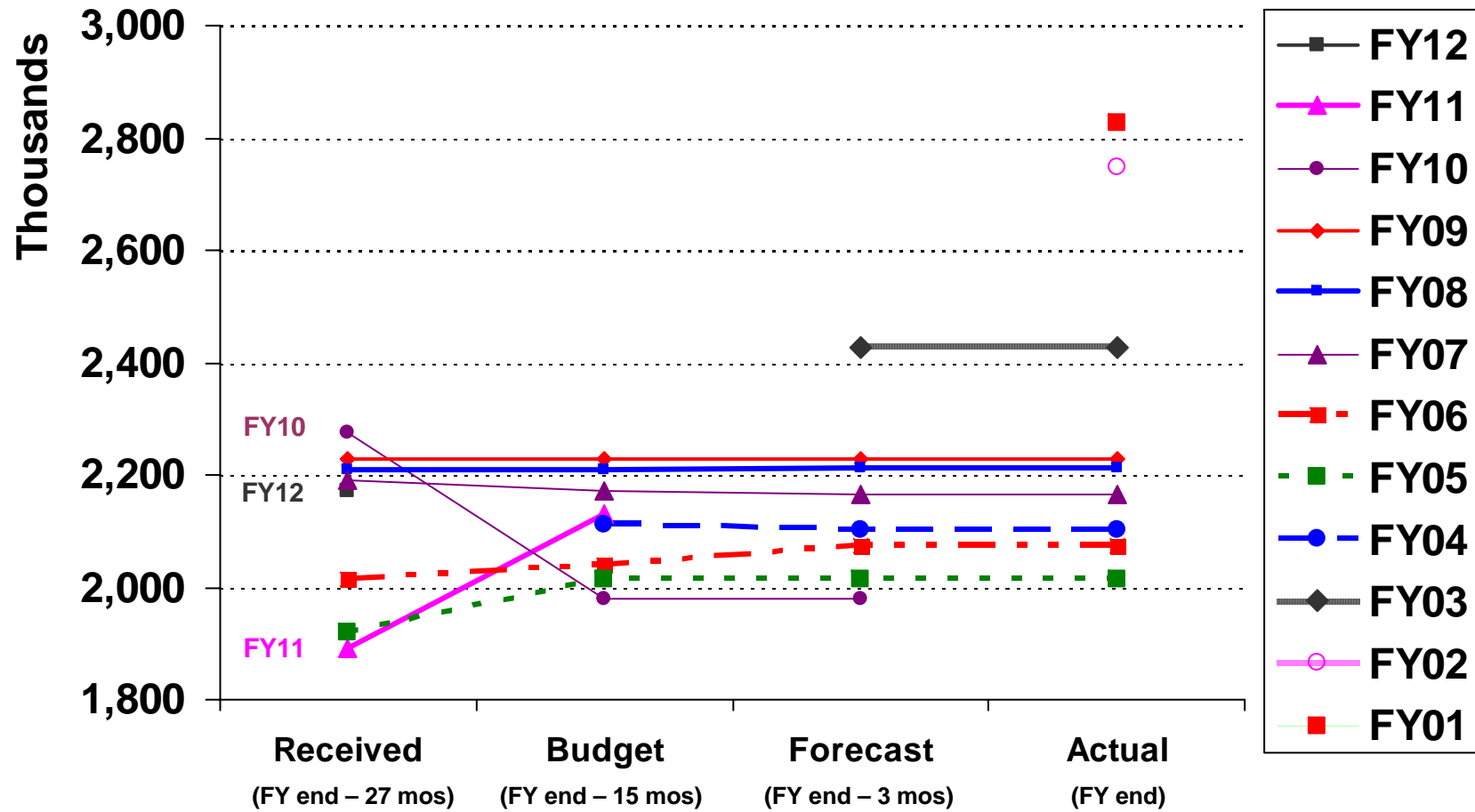


# Annual Program Fund





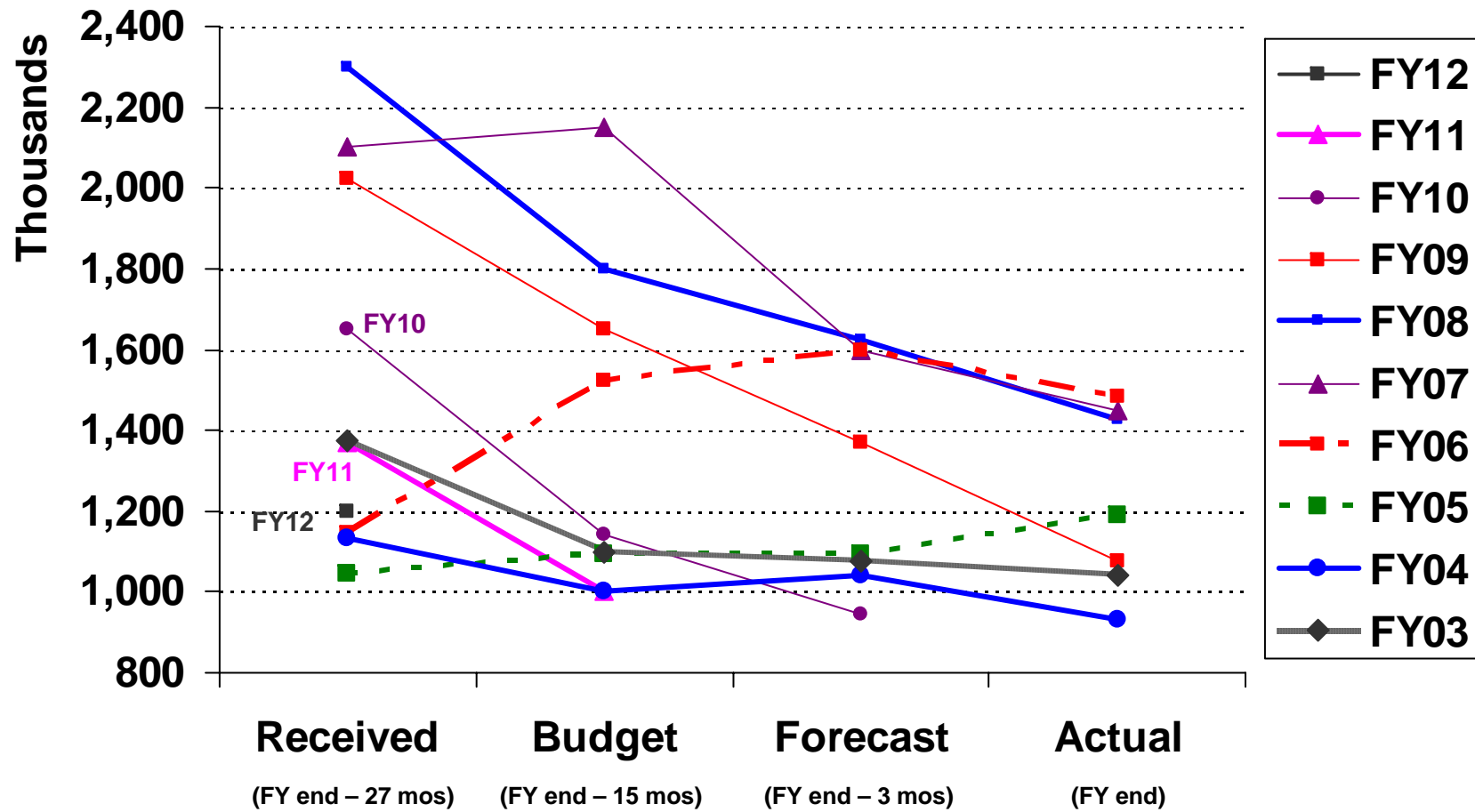
# General Investment Income



# Friends of the UUA

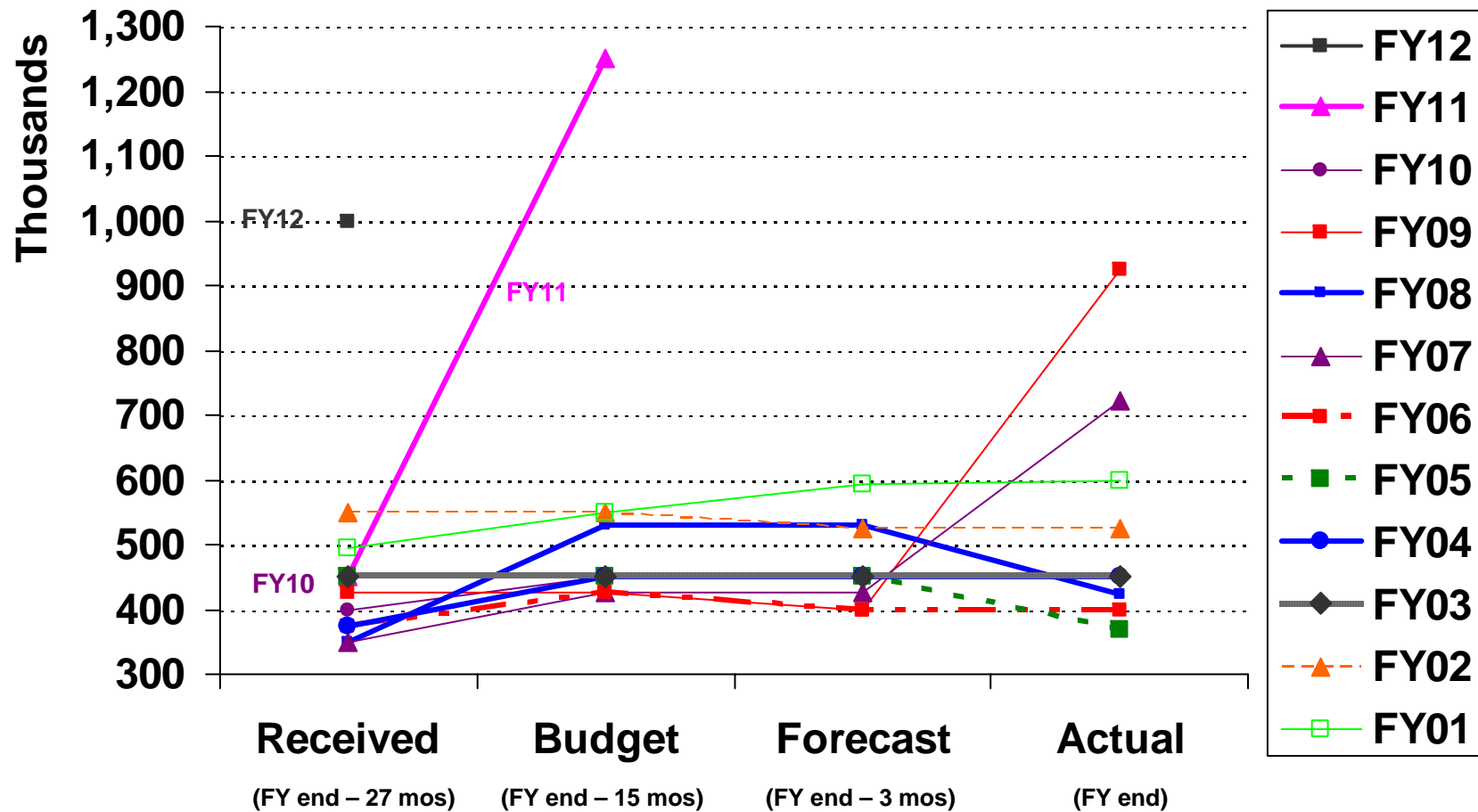


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# Unrestricted Bequest Income



# Proposed Revisions to Policy 2.8



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- Delete prior Trust Payout Policy (Appendix 2.C) and replace with requirement for President to “to follow applicable law, trust documents, and prudent financial management practices” (2.8.5)
- Clarify that limit on debt applies only to secured debt (2.8.6)
- Authorize 15% overhead fee on spending from restricted funds (2.8.7) (slight wording change from provision adopted in January)
- Require reports on the use of budget surpluses, staffing levels, and income and expenses from gift funds (2.8.10)
- Clarify expectations concerning management of each budget segment (2.8.12)

continued on next slide



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## Policy 2.8, cont'd

- Add new language concerning acceptance of gifts (2.8.13)
- Clarify responsibility concerning audit, including new requirement for President to sign annual audit report (2.8.16)
- Include policy adopted in 2006 concerning travel expenses by President (2.8.21)
- Rewrite Beacon Press Financial Policy (Appendix 2.F) to reflect previous deficit policy and new policies on use of reserves



## Revisions to Policies 2.2 and 2.5

- Delete 2.2.4: Loans to congregations
  - Included in amended 2.8.12.E
- Delete 2.2.5 and 2.5: Mandate to distribute compensation information
  - A prescribed means, not an executive limitation: shall not “fail to provide information necessary to help our congregations remunerate all staff with fair, equitable, and geographically consistent compensation packages”

# Pension Plan Record-Keeper



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Fidelity has been record-keeper for ten years

Firms responding to RFP:

- Fidelity Investments
- TIAA-CREF

Issues:

- Ease of transition
- Administrative and customer service capabilities
- Investment performance and fees
- Mission compatibility

# Compensation, Benefits, and Pensions Committee



Vern Blodgett

Chair; business consultant

Tim Brennan\*

UUA Treasurer

Dan Brody

UUA Financial Advisor

Rev. Fred Campbell\*

retired minister

Rev. Paul Johnson\*

parish minister

Marj Lynn\*

spouse of retired minister

Rev. Richard Nugent\*

Director, Office of Church Staff Finances

Barbara Ridge

HR executive

Paige Roth

investment advisor

Glenn Solomon

UUA compensation consultant

\* = plan participant

# Fidelity and Darfur



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A woman wearing a red headscarf with white floral patterns is holding a white document with the Fidelity logo. The background shows a vast, arid landscape with a large settlement of makeshift tents and structures, characteristic of a refugee camp in Darfur.

Fidelity portfolio managers make their investment decisions based on business and financial considerations

WHEN FIDELITY WAS TOLD THEIR INVESTMENTS SUPPORT GENOCIDE IN DARFUR, THIS WAS THEIR RESPONSE.

WHAT'S YOURS?

Fidelity is a major shareholder in PetroChina, whose parent, China National Petroleum Corporation, provides the Sudanese government with hundreds of millions of dollars in oil revenues that help fund genocide in Darfur.

SaveDarfur.org 

# Administrative Capability



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- Pension Committee hired Angell Pension Group to evaluate the administrative and customer service capabilities of Fidelity and TIAA-CREF
- Angell's conclusion:
  - **“The proposed recordkeeping and administrative services for Fidelity and TIAA-CREF have more similarities than differences. No single issue eliminates either from consideration.”**

# Investment Performance and Fees



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- Pension Committee hired Fiduciary Investment Advisors (FIA) to negotiate with Fidelity and TIAA-CREF a menu of investment choices
- FIA presented, for each company, a fund menu that it believes will provide more diversity, lower risk, higher returns, and lower fees than the current fund menu
- Total fees paid by participants will fall by \$150,000
- Whichever firm is selected, over 90% of participant investments will be moved to new mutual funds
- FIA believes that either firm is a prudent choice from the perspective of investment return and fees



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## Transition Issues

- Investment consultant recommended mostly new funds in Fidelity lineup
- Automatic “mapping” from old to new funds in either Fidelity or TIAA plan
- TIAA commitment to address issues concerning loans, stable value fund
- TIAA has offered enforceable performance guarantees
- Are we “married” to Fidelity?

# Mission Compatibility



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Which firm has closer mission compatibility to the values of Unitarian Universalism?

**“All things being considered as outlined above and after factoring all fiduciary considerations to make an informed and prudent decision on behalf of the participants, if mission compatibility is an institutionally important decision making factor to UUA, then TIAA-CREF may be the more appropriate choice.”**

--Angell Pension Group report to CBPC, 8/20/09

**“If equivalent services are available from both providers, which seems to be the case based on the briefing our committee received on the selection process in September 2009, we, the members of the Committee on Socially Responsible Investing, strongly recommend choosing TIAA-CREF as the retirement plan record-keeper.”**

--UUA Committee on Socially Responsible Investing, 2/14/10

# Fidelity Darfur Chronology



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- 5/1/07: Save Darfur Coalition announces advertising campaign urging Fidelity and Berkshire Hathaway to divest from companies doing business with Sudan
- 5/10/07: Fidelity convinces CNN and Newsweek to pull scheduled ads
- 5/17/07: Fidelity discloses it has sold 90% of Sudan-related investments, but states that sales were not in response to criticism about Darfur



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# Fidelity and Corporate Engagement

- “We have concluded that when it is appropriate to remain actively invested in a company, we will do so, thus retaining the ability to oppose company practices that we do not condone.”
- “We do not have an active program in shareholder advocacy and shareholder engagement.”

--Charles O. Black, Jr., Senior Vice President

# TIAA-CREF Darfur Chronology



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- Spring 2009: TIAA says it “would divest by year-end 2009 from those [oil companies] that refused to acknowledge the genocide and engage in a productive dialogue about how to confront it”
- Summer 2009: Chairman and CEO Roger Ferguson meets with Indonesian oil company Petronas, which agrees to continue to negotiate about Darfur issues
- Summer 2009: Ferguson spends 5 days in Beijing trying to meet with Chinese oil companies
- Fall 2009: TIAA-CREF divests from 4 Chinese and Indian oil companies
  - “TIAA-CREF has become the first large US asset manager to sell stakes in four Asian oil groups over concerns about human rights abuses in Sudan, a move that will increase pressure on other investors to sever ties with those companies.” --CNN report, 1/4/10

# TIAA-CREF: Corporate Structure



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- Affiliated non-profit corporations
- Participants have a role in selecting trustees
- Any surpluses returned to plan participants
- 36% of TIAA trustees are women, and nearly 30% are minorities
- Women make up 37% of senior leaders and 27% of Executive Management Team
- Numerous awards received for diversity



**Roger W. Ferguson**  
**President and CEO**

# Fidelity Corporate Structure













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- Privately held company, controlled by the Johnson Family:
  - Edward C. Johnson III
    - Chairman and CEO
    - # 30 on Forbes “400 Richest Americans”
    - Net worth \$8.0 billion
  - Abigail Johnson
    - President, Personal and Workplace Investing
    - # 17 on Forbes “400 Richest Americans”
    - Net worth \$11.5 billion

# Pension Plan Scorecard



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Criterion	Fidelity	TIAA-CREF
Ease of transition	 	
Administrative capability		
Fund performance and fees		
Mission compatibility		  



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## CBPC Motion

The Committee recommends the selection of TIAA-CREF as recordkeeper for the UU Organizations Retirement plan ... for the following three reasons:

- 1) it is a good business decision,
- 2) it is advantageous to our plan participants, and
- 3) it is an expression of our UU values.

--Adopted by **unanimous** vote of the  
Compensation, Benefits, and Pensions Committee, 4/8/10



# Future Agenda Items

- Health insurance plan
- Investment policy and SRI
- Internal rent allocations
- Conflict of interest and whistleblower policies
- Paying for future capital campaigns
- Endowment spending policies
- Pension plan record-keeper
- Financial reporting and chart of accounts
- Use of bequest income
- Audit committee
  - Compliance with state planned giving rules
- LRCS
- Status of Pension Comm.
- Asset management
  - Debt management
  - Cash management
  - Short-term investments in UUCEF
  - Facilities renewal
- ... and more