

UUA Audit & Risk Committee – Minutes
Via Zoom
November 13, 2023

Members present: Mary Byron, Chair, Chris Harris, Judy Kleen, Azim Mazagonwalla, and David Stewart

Members absent: None

Staff: Tim Brennan, Carey McDonald, Sarah Lammert, William Lester, Richard Nugent, and Tobin SooHoo

1. Health Plan Risk Assessment – Lester, Nugent

- Continuing to see a gap between premiums and claims.
- There are several challenging factors
 - The decline in religion across the U.S has led to decreased staffing levels. Decreased staffing levels equals a decrease in enrollment.
 - Employees are covered by their spouse or partner's plan.
 - Competition, particularly on the West Coast where Kaiser has a large foothold.
 - We have an aging and shrinking population of enrollees which will lead to higher cost claims.
 - We do offer a platinum type plan which is very generous in coverage.
- Eligibility/enrollment
 - In our congregations, need to work a minimum of 15 hours a week.
 - Potentially could offer age-related adjustments, i.e. different package options based on an age scale.
 - Need to encourage employees to enroll in our plan, we offer 80% coverage of premiums and more services than most other plans.
 - Large number of congregational staff/ministers are on their spouse's plan.
 - When enrollment declines, risk for the pool increases.
- Always need to lead with our values.
- We are members of the Church Benefits Association (CBA) which provides shared negotiations and leverage in pricing.
- Currently have 3 months of premium reserves versus our target of 4 months.
- Moving away from claims experience approach to setting premiums to using a data science approach. By using this approach and looking at line level expenditures, can determine what benefits we're spending the most on and which ones are not really being utilized.
- The survival of the plan depends on growth and growth depends on expanding the pool.
 - Considering allowing non-UU nonprofit entities who share our values to enroll.

- Would help to reduce the average age of participant which will help premium pricing.
- In the process of drafting new plan options such as an essential services plan similar to an HMO but would be a PPO.
- Plan will still have our values-based benefits but would be overall less generous with lower premiums.
- Would target areas where value-based health offerings are limited/non-existent.
- There are still risks involved but the biggest risk right now is doing nothing.
- Continue to monitor risk factors like average age of enrollees, trends in months held in reserve, and organizational participants.

Action item 1: Lester to provide an updated Health Plan ERM report to clarify organizational risk to restructuring the plan, an analysis of the administrative costs of the health plan, and the structure of the Office of Church Staff Finances to the next committee meeting.

2. Investment Risk Assessment – McDonald, Stewart

- Over the last couple of years, the UUCEF has been struggling to keep pace with the markets. It does not do well in the current market that is being led by a small number of tech companies, sometimes referred to as the “Magnificent Seven.”
- Some of our investors are complaining about fees, especially so when we are underperforming, and we are not seeing many new subscriptions to the fund.
- Much like the health plan, reimagining what we offer as an investment vehicle could be valuable.
- The Investment Committee has been discussing the option of offering an Index type fund where fees are significantly less.
- The idea would be to use our existing manager Rhumblin, where we apply custom UU screening to a passively managed fund. Would continue to vote proxies but would not have the shareholder advocacy or community investing components.
- It would require a fair amount of work from us and legal to setup a new fund structure and create a new prospectus but should be easy to maintain afterwards.
- Will investigate if we have the potential to expand who could invest in the fund.
- Believe there is significant ability expand subscribers within our congregations who are with the likes of Vanguard or other who offer index funds.
- Need overall better communication with congregations regarding the endowment fund and how we think about risk, portfolio diversification, and our ability to manage it. Need to explain the importance of diversification and risk.

Action item 2: McDonald and Stewart to prepare a new Investment Risk ERM including risk related to establishing an Index type fund.

3. Real Estate Valuation Risk Assessment – McDonald

- When the first three floors were built out for UUA staff it was anticipated that between 100 and 120 staff would work there on a regular basis. Right now, the average is about 10% of that and when Beacon Press comes in maybe 25%.
- Reality is that we have more building space than needed, so we are considering consolidating the UUA space to two floors. Beacon press is also looking to reduce its space.
- We asked our real estate advisor for a review, and they concluded that it is not a good time to sell commercial real estate. They said there is not a lot of risk to remaining in place, and they recommend that we try to lease the two vacant floors. It is likely that the rental rates would have to be significantly below what WeWork way paying. Therefore, they recommend that the lease terms be shorter. Shorter terms leases could put us in a better position once the market recovers.
- Could change the usage of the building or convert part of the building to housing but this would change our real estate exemption and our tax liability. These are just options and have not been fully explored.
- Meeting with advisors this week and anticipate we will aggressively market the 5th and 6th floors.
- There are climate risks associated with owning a building in the Seaport area, flooding in particular. Insurance companies, as being seen in Florida, are raising their rates to the point that coastal real estate is becoming uninsurable.
- Our short and medium-term goal is to continue to lease the space, long-term goals remain undecided.

Action item 3: Brennan to talk with our insurance broker to see if they have any insight from a climate perspective, about our area of the country.

4. Ministerial Misconduct Risk Assessment – Lammert

- In good shape from best practice standards for denominations in handling cases.
- Have about a dozen volunteer advocates who've been trained to accompany complainants through the process of writing up their complaints and the support them through the process. For those who have a complaint filed against them, there's been a long-standing good officer program with the UU Ministers Association to support them.
- The majority of complaints being received over the last several years has been abuse of supervision, with staff filing complaints about the ministers supervising them.
- Five years ago, put together a team to see to come up with policy and practices for dealing with lower level complaints. Have come up with a Shared Ethics Statement draft which has gone out to all of the professional associations for final review. Goal is to have it approved in 2024.
- Have a draft process, based on restorative principles, intended as a lower-level place to resolve conflicts among religious professionals before they escalate to the Ministerial Fellowship Committee.
- Created a threshold document which defines what misconduct is and what the different levels are that would require different levels of response.

- Created an investigation handbook for the consultants who work with us on investigations.
- Items to be added to the ERM report:
 - the number of cases where ministers have threatened lawsuits, and of those, which could have a potential legal liability.
 - a risk analysis of ministers suing the UUA for taking action.

5. Audit update:

- Even though there have been two key departures within the last few months, the audits for the UUA and the Unitarian Universalist Common Endowment Fund (UUCEF) are proceeding well.

6. Audit and Risk Committee Topics – all

- Recruiting new members
- Chair transition
- Schedule for upcoming meetings

Motion 1: to approve the minutes from the November 21, 2022 meeting: moved by Byron, seconded by Kleen. All approved.

Next Meetings:

Monday, January 22, 2024 – 10am -12pm ET

Wednesday, March 20, 2024 – 10am – 2pm ET

Monday, May 20, 2024 – All Day, In Person