

REPORT OF THE COMPENSATION, BENEFITS, AND PENSION COMMITTEE

April 8, 2010

During the past two years, the Compensation, Benefits, and Pension Committee has undertaken an exhaustive review of firms that are capable of providing recordkeeping services to the UU Organizations Retirement Plan. The Committee issued a request for proposals for firms interested in providing recordkeeping services, and received adequate proposals from two firms, Fidelity Investments and TIAA-CREF. The Committee considered five broad issues in evaluating the two firms:

- Recordkeeping and administrative capacity
- Investment performance and fees
- Customer service
- Ease of transition
- Compatibility with the mission of the Unitarian Universalist Association

Recordkeeping and Administrative Capacity

The Committee retained Angell Pension Group to evaluate the administrative and participant service capabilities of Fidelity Investments and TIAA-CREF, including their capacity in the areas of customer service, communications, education, and recordkeeping. Angell Pension Group reported its conclusion as follows:

“The proposed recordkeeping and administrative services for Fidelity and TIAA-CREF have more similarities than differences. No single issue eliminates either from consideration.”

In addition to the evaluation performed by Angell, UUA staff members carefully examined the capabilities of both companies. Their work included site visits to both vendors’ operations centers. Their conclusion was that TIAA-CREF has the capabilities necessary to serve the UUA and the plan participants in a manner substantially comparable to Fidelity Investments.

Investment Performance and Fees

The Committee retained Fiduciary Investment Advisors (“FIA”) to negotiate with Fidelity and TIAA-CREF to develop for each firm a recommended menu of investment choices that would be available to participants in the Plan. FIA concluded that significant changes in the fund menu would be warranted even if the UUA retained Fidelity as recordkeeper.

After extensive negotiations with each firm, FIA recommended a menu of choices for each firm that would, when compared to the current fund menu, provide higher return, broader opportunities for diversification, and lower fees. FIA concluded that the selection of either firm would be prudent.

Customer Service

The Committee paid particular attention to the quality of customer service that individual plan participants, congregations, and the UUA staff could expect to receive in their dealings with the recordkeeper. Relating to participants, this included statements, telephone contacts, on-line access to

accounts and information, and in-person access (e.g., at offices of the recordkeeper or workshops conducted by recordkeeper for plan participants). For congregations and the UUA, this included dealing with administrative issues, contributions and any problems that might arise. The Committee and the UUA staff have concluded that TIAA-CREF offers a high level of customer service and responsiveness to queries and issues. During our discussions, TIAA-CREF made an especially strong commitment to providing outstanding service to the UUA's plan participants and to the UUA in matters relating to the retirement plan.

Ease of Transition

Because FIA recommended that the preponderance of the money in participants' accounts should be moved to different mutual funds even if Fidelity is retained, there will be some transition issues regardless of which firm is selected. Both Angell and FIA concluded that the transition will not be difficult for participants, because all existing investments will be "mapped," or automatically transferred, to a new fund that is similar in investment characteristics. Participants will be given the option, but will not be required, to make changes to their investment mix.

Mission Compatibility

The 2005 UUA General Assembly voted "that Unitarian Universalists should advocate for immediate action to end the crisis in Darfur." UUs have been active in efforts to end the genocide in Darfur.

In 2007 the Save Darfur Coalition called on Fidelity to "stop investing in companies that fund genocide in Darfur." In the first three months of 2007 Fidelity sold 90% of its Darfur-related stock, while stating that the sales were unrelated to outside pressure, and then persuaded media companies to pull scheduled ads by SaveDarfur.org that were critical of the firm's investments in the Sudan.

During discussions with the Committee, Fidelity explained its refusal to divest as follows: "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." However, a senior Fidelity official also told the Committee that "we do not have an active program in shareholder advocacy and shareholder engagement."

The UUA sponsored 18 shareholder resolutions on various subjects in 2008 and 2009, only 5 of which were supported by Fidelity.

By contrast, TIAA-CREF is a leader in socially responsible investing, including the full range of environmental, social and governance issues as expressed through its record of corporate engagement, social screening of investments, and community investing. TIAA-CREF supported 17 of the 18 UUA-sponsored shareholder resolutions in 2008 and 2009.

In January 2010 TIAA-CREF announced that it had divested from four firms linked to genocide in Sudan, prompting the Unitarian Universalist Service Committee to report that "In a major victory for activists in the Sudan divestment campaign, TIAA-CREF has become the first large U.S. investment management company to sell its shares of Asian energy companies because of their failure to take meaningful steps to help end the genocide in Darfur."

The non-profit heritage of TIAA-CREF and its demonstrated record of workplace diversity and transparent corporate governance make it a highly desirable business partner for the UUA.

After reviewing the records of the two firms, the UUA Committee on Socially Responsible Investing wrote to “strongly recommend choosing TIAA-CREF as the retirement plan record-keeper.”

Angell Pension Group reported its conclusion as follows:

“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.”

Committee Recommendation

On April 8, 2010, the Compensation, Benefits, and Pension Committee adopted the following two motions:

Motion 1: The Rev. Fred Campbell moved that the Compensation, Benefits, and Pension Committee recommend the selection of TIAA-CREF as recordkeeper for the UU Organizations Retirement Plan. The Committee recommends shifting to TIAA-CREF 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.

Seconded: Ms. Barbara Ridge.

Vote: Unanimous

Motion 2: Mr. Tim Brennan moved that, if the Board selects TIAA-CREF, the proposed fund line-up prepared by Fiduciary Investment Advisors and presented to the Committee on April 8, 2010 be adopted. If the Board selects Fidelity Investments, the proposed fund line up for Fidelity dated April 8, 2010 that includes the Wells Fargo Stable Value Fund and the T Rowe Price target date funds be adopted.

Seconded: Ms. Marj Lynn

Vote: Unanimous