

Investment Guidelines for _____ Church

These are meant to provide a template that you can use to fashion your investment guidelines. There are places where you'll need to make decisions and places where you'll want to rewrite things. Take these as a starting point, and make them your own.

Investment Objectives

The Church is committed to a long-term, balanced approach to preserve and enhance the real purchasing power of its investments so as to provide a stable stream of current income for annual needs. The Church invests for total return: all interest, dividends and gains are reinvested and are included in the calculation of the portfolio's total return.

The Church's investment objective is to attain an average real total return (i.e., adjusted for inflation and net of fees) of at least ___% per year, measured over rolling 3-, 5-, and 10-year periods.

Pooling

All long-term investments of the Church, whether restricted or unrestricted, will be pooled so that every fund within the pool shares equally in the risks and returns of the investments and for efficiency and consistency in management. Named and restricted funds will be tracked within the pool and reported on quarterly.

The investment pool is only for those assets of the Church that are available to be invested long-term. No short- or mid-term reserve funds will be held in the pool.

Total Return

The Church invests

Portfolio Composition and Asset Allocation

The Church's assets will be diversified both by asset class (e.g., stocks, bonds, etc.) and within each asset class (e.g., within equities by sector, size, etc.).

Assets will be broadly divided into two parts, the Equity allocation and the Fixed income allocation. The target ratio of equities to fixed income instruments is ___% equities and ___% fixed income.

The portfolio will be rebalanced to the target allocation when the actual ratio is more than 5% from the target.

Spending Policy

The Church understands that the percent that can be drawn from the long-term investments each year is determined by the allocation between equities and fixed income. By approving these Guidelines the Church's Vestry/Board/Session confirms its policy of limiting annual spending from the Church's long-term investments to ___% of a three-year moving average. The three-year average will be calculated using the September 30

balances of each year. No amounts will be withdrawn from the investments except the authorized spending rate.

Investment Management Structure

Here you need to talk about who will manage the portfolio and how the manager(s) will be overseen. Some possibilities are:

- 1) You'll use a managed vehicle provided by your judicatory or denomination. In the Episcopal Church many dioceses have investments vehicles, and parishes can also invest with the Episcopal Church Foundation or as part of the investment pool of the corporate entity of The Episcopal Church, the Domestic and Foreign Missionary Society at 815 Second Avenue, New York NY.*
- 2) You can invest in index funds that track the major indices and have low fees. The Investment Committee could be responsible to choose and oversee them.*
- 3) You can have a manager. In this case you will still want to stipulate that the manager must invest in mutual funds, not individual stocks.*

Monitoring of Objectives and Results

The portfolio will be monitored by the Investment Committee on a quarterly basis for consistency in investment philosophy, return relative to objectives, investment risk as measured by asset characteristics, exposure to economic conditions and market volatility. For the purposes of this review the Investment Committee will measure the performance of the Church's portfolio against appropriate benchmarks (e.g., S&P 500, Lehman Aggregate).

The Investment Committee will report to the Vestry/Board/Session quarterly with summary reports that compare the total return to the benchmarks.

Donor Gifts

Unless otherwise required as a condition of a gift, endowment gifts received by the Church will be invested in accordance with this policy. Securities received as gifts will normally be sold on receipts and the proceeds invested in accordance with this policy.

Additions to Principal

The Church's investment objectives intend (1) to maintain the purchasing power of the investments with respect to inflation; and (2) to provide a stable stream of funding annually. In adopting these Guidelines the Church also commits itself to an ongoing effort to add to the principal of the investments with a goal of increasing the corpus by an average of 1% per year.

Periodic Review

The Investment Committee will review these guidelines and the allocation policy from time to time as appears necessary.