

Samples of Investment Policy Statements*

Sample IPS 1: Presbyterian Foundation

If you are a congregation or organization in the Presbyterian Church (USA) and would like additional resources or more customized endowment documentation, please contact the Presbyterian Foundation at (800) 858-6127 or visit their website at www.presbyterianfoundation.org for these resources and much more.

Client:

Pool or Account Name: Permanent Endowment Fund

Account Number:

Investment Policy Statement

Date: January 1, 20XX

I. Financial/Investment Objectives:

- The primary financial objectives of the Fund are to:
 - support a stream of regular distributions in support of annual budgetary needs; and
 - preserve the real (inflation-adjusted) purchasing power of the Fund net of regular distributions.
- In order to achieve the financial objectives, the Fund will target a real total annualized return of at least X.XX%, net of investment expenses, on average, over a five- to seven-year period.
- Diversify the portfolio across multiple sub-asset classes.
- Maintain appropriate levels of liquidity to meet three months of expected cash flows.

II. Guidelines and Parameters:

- Tax Exemption: The Fund is a tax-exempt fund that is qualified under Section 501(c)(3) of the Internal Revenue Code of 1986 (the “Code”). As such, those responsible for the Fund are required to adhere to the requirements of the Code, as amended from time to time to maintain such qualification.
- Responsible Investing: The Fund is invested in accordance with social witness principles. These principles include . . .
- Distribution Policy: Distribution Policy encompasses Spending Policy and administration fees. The distribution for each fiscal year will be determined by the Spending Policy. As of <<DATE>>, the current Spending Policy is X.XX% of the three/five-year moving average of quarterly valuations. For the management of the Endowment Fund, there is an annual administration fee of approximately X.XX% of the month-end valuation. Distributions are made monthly/quarterly.

* Editor’s note: As a reference, we have included two sample investment policy statements (IPS). You can also find many samples online, but we recommend that you reach out to your denomination or your denominational foundation for similar “template” documents for use in your specific context. The first sample is from the Presbyterian Foundation and the second is from the Episcopal Church Foundation. Congregations and organizations from these denominations may contact these foundations for direct assistance with editing these documents and to receive additional documents and materials that are also recommended.

Before your congregation/organization finalizes any investment decision, please seek the assistance of appropriate financial and investment advisors, such as provided from your denomination or denominational foundation.

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- Prudent Management: Follow the Uniform Prudent Management of Institutional Funds Act (UPMIFA) for all funds.
- Account Type: <True> < Quasi> Endowment Fund
- Governing Law: <<State>> Note most states apply UPMIFA.
- Illiquidity Constraint: In order to manage consistently with the Valuation Policy, the Fund will have a maximum of 25% (based on current Net Asset Value [NAV]) of the portfolio allocated to illiquid private investment strategies (e.g., Private Equity, Venture Capital, Distressed, Natural Resources, Real Estate, and Timber).
- Annual Contributions: New gifts
- Performance Measurement: Total returns shall be compared to a weighted benchmark composite.

III. Targets:

Item	Level	Note
Target Return	X.XX%	X.XX% Spending and Administration plus X.XX% inflation
Volatility	XX%	Based on strategic allocation
Downside Exposure	-XX%	-5th percentile (2 standard deviations) outcome for one year
Beta to ACWI [All Country World Index]	X.X	Based on target allocation
Illiquidity Constraints	XX% (NAV); XX% (NAV + unfunded)	See illiquidity constraint note above
Manager Fee Budget	X.XX%	Weighted average across all managers
Target Volatility of Distributions	XX%	Volatility of stream of distributions
Spending Policy	X.XX% of XX quarter average of market value of Fund	Help support smoothing of distributions from Fund
Administration Fee	X.XX%	Fee recovered from Fund to provide for costs of administration

IV. Asset Allocation:

A. Asset Structure

The Fund's investments shall be diversified by manager, by asset class and investment strategy, and within asset classes. The purpose of diversification is to provide reasonable assurance that no manager, class of securities, or individual holding will have a disproportionate impact on the Fund's aggregate results.

The asset allocation of the Fund should reflect the proper balance for liquidity, preservation of purchasing power net of distributions, and risk tolerance.

Asset Class	Target	Range
Cash	X%	X% - X %
Intermediate Government Bonds	X%	X% - X%
Private Growth (Equity)	X%	X% - X%
US Equity	X%	X% - X%
Non US Equity	X%	X% - X%
Public Real Assets	X%	X% - X%
Hedge Funds	X%	X% - X%
Total	100%	

B. Asset Allocation Rebalancing Strategy

The portfolio’s asset allocation will be analyzed quarterly. Portfolio rebalancing will generally be done when one or more asset classes develop a plus or minus variance from the target allocation greater than X%. Account specific income, short- and long-term capital gain or loss may warrant some leeway in executing the rebalancing strategy.

V. Investment and Administration Team:

Investment Officer

Relationship/Trust Officer

VI. Communications and Review Plan:

Statements	Quarterly
Investment Reviews	Annually
Performance Measurement	Quarterly
Online account viewing system	As needed

< > Officer

Date

Sample IPS 2: Episcopal Church Foundation (ECF)*

The sections below are excerpted from a longer, more comprehensive set of “best practice” Endowment and Gift Acceptance Policies, which ECF staff would be happy to share and adapt for use in any Episcopal parish. ECF also has customized documents for other institutions, schools, camp and conference centers, and of course, for dioceses. Please contact ECF at 800-697-2858 or by e-mail at endowment@episcopalfoundation.org for these resources and much more.

**FOR THE ENDOWMENT AND INVESTMENT FUND
OF
ST. SWITHIN’S EPISCOPAL CHURCH
ANYTOWN, USA**

SECTION A
Investment Policy Statement

Purpose

This Investment Policy Statement establishes the philosophy, guidelines, and investment objectives for managing the investments of the FUND.

Responsibility

The ultimate responsibility for managing the FUND resides with the Vestry, which has chosen to delegate portions of its responsibility to the COMMITTEE, which will administer the portfolio of the FUND in accordance with these guidelines, as adopted and amended from time to time. These guidelines shall be reviewed at least annually by the COMMITTEE to determine whether they should be amended or remain unchanged. The COMMITTEE may choose to employ an outside investment manager.

Objectives

The assets of the FUND are to be invested with the same care, skill, and diligence that a prudent investor would exercise in investing institutional endowment funds. The primary objective will be to provide a total return commensurate with the Spending Rule Policy and achieve growth in principal to keep pace with inflation, net of all investment fees.

INVESTMENT GUIDELINES

Time Horizon

The FUND’S investment objectives and strategic asset allocation are based on a long-term time horizon.

Risk Tolerance

Because of its long-term time horizon, the FUND can tolerate some interim fluctuation in market value and rates of return in order to achieve its objectives. High-level risk, high volatility, and low-quality rated securities, however, are to be avoided.

* Before your congregation/organization finalizes any investment decision, please seek the assistance of appropriate financial and investment advisors, such as provided from your denomination or denominational foundation.

Prohibited Investments

The COMMITTEE shall not invest in private placements, restricted stock or other illiquid issues, arbitrage, and other uncovered options, and shall not engage in short sales, margin transactions, or other similar specialized investment activities; however, the use of funds that use these investment activities in a constructive manner is permitted.

Socially Responsible Investing

The FUND is invested in accordance with social witness principles. These principles include . . .

Standard Asset Allocation and Diversification

The portfolio is to provide for long-term growth of principal and income without undue exposure to risk. The portfolio shall be invested in equities, fixed income securities, and cash equivalents based upon an acceptable asset mix that is conducive to participation in rising markets, while permitting adequate protection in falling markets. In addition, the investment mix will take into consideration the payout requirements to satisfy the annual draw, normally between 3% and 5% of the average market value of the twelve trailing quarters. Should there be a need to change the spending rate, the COMMITTEE will review the asset mix and the asset allocation. In addition, the target allocations should be reviewed at least annually by the COMMITTEE in conjunction with the investment manager(s) to reflect a prudent response to current market conditions.

The initial target asset allocation and ranges shall be as follows:

Asset Class	Low	Target	High
Equities	60%	70%	80%
Fixed/ Cash	20%	30%	40%
Other	0%	0%	20%

The investment manager will be asked to consult with the COMMITTEE regarding the use of sub-asset classes and their initial strategic targets and ranges. The manager will then have the discretion to make asset allocation decisions within these ranges. The COMMITTEE will review these decisions quarterly. The grid below provides an example of sub-asset class targets and ranges.

Asset Class	Low	Target	High
US Large Cap	10	x	50
US Mid Cap	0	x	15
US Small Cap	0	x	15
International Developed	10	x	55
International Emerging Markets	0	x	20
REITS [Real Estate Investment Trusts]	0	x	25
Commodities	0	x	15

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Asset Class	Low	Target	High
Investment Grade Fixed Income	10	x	40
Non-Investment Grade Fixed Income	0	x	15
International Emerging Market Fixed Income	0	x	10
Treasury Inflation Protected Securities	0	x	15
Cash	0	x	5

[The targets and ranges shown here are for illustration only. Please consult with your investment manager when establishing your long-term strategic targets and ranges based on current market conditions, time horizons, expected draws, risk tolerance, and other factors.]

Allocation of Responsibilities

The COMMITTEE, along with any and all fiduciaries, is responsible for ensuring that all assets are managed effectively and prudently. It is responsible for formulating overall financial objectives and investment standards of the FUND. Additionally, with respect to asset management, the COMMITTEE is responsible for:

- Allocating the assets among investment media that are deemed appropriate and prudent.
- Selecting and evaluating the performance of a qualified Trustee/Custodian, Investment Manager(s), and Investment Consultant, if applicable.
- Monitoring performance by means of regular reviews (no less than annually) to assure that objectives are being met and that standards are being followed.
- Taking appropriate action if objectives are not being met or if standards are not being followed.
- Communicating on a structured, ongoing basis with managers responsible for investment results.

The COMMITTEE shall meet at least semiannually and shall provide a written report to the Vestry.

Responsibilities of the CUSTODIAN

The Custodian is responsible for:

- Fulfilling all the regular fiduciary duties required of a Custodian/Trustee by pertinent state and federal laws and regulations.
- Safekeeping the assets of the Parish. Securities must be held by a Custodian/Trustee that is a reputable, well-established financial institution.
- Supplying timely reports of transactions and valuations of the assets.

Responsibilities of the INVESTMENT MANAGER(S)

The Investment Manager is responsible for:

- Designing an investment strategy within policies established by the COMMITTEE.
- Implementing security selection and timing within policy guideline limitations.

- Supplying timely written quarterly reports of investment performance results to the COMMITTEE.
- Meeting and/or communicating in writing with the COMMITTEE at least semiannually to review the performance and discuss current strategy.
- Notifying the COMMITTEE in writing of any material deviation from the stated investment approach.

Assets are to be managed in conformity with the stated investment guidelines unless, in the manager's opinion, to do so would clearly be imprudent. The Investment Manager(s) shall notify the COMMITTEE *in writing* immediately of any material deviations from the investment standards.

Monitoring Asset Allocation and Rebalancing

The Investment Manager(s) should review the asset allocation of the portfolio at least quarterly. The portfolio should be kept within +/-3% of the current tactical position of the portfolio.

Performance Measurement Guidelines

The primary measurement of performance will be benchmark-relative returns. However, providing protection against inflation is an additional goal where possible.

The following are the benchmarks to be used for performance measurement:

Asset Class	Benchmark
US Large Cap Equity	S&P 500 Index
US Mid Cap Equity	S&P MidCap 400 Index
US Small Cap Equity	Russell 2000 Index
International Developed Large Cap Equity	MSCI EAFE Index
International Developed Small Cap Equity	S&P EPAC SmallCap Index
International Emerging Markets Equity	MSCI Emerging Markets Index
US REITS	DJ US Select REIT Index
International REITS	DJ Global ex-US Select RE Securities Index
Commodities	Bloomberg Roll Select Comm Total Ret Index
US Fixed Income—Investment Grade	BCAP US Aggregate Bond Index
—Investment Grade Intermediate Term	BCAP US Intermediate Credit Bond Index
—TIPS	BCAP US TIPS Index
—Non-Investment Grade	Bloomberg Barclays US High Yield Custom BB/B ex-144A Index
International Fixed Income	JPM EMBI Global Diversified Index

Each investment strategy will be measured against the benchmark listed above, and each portfolio will be measured against a blended benchmark, weighted based on the target asset allocation of each portfolio.

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If the Investment Manager proposes an investment strategy that should be measured against a benchmark different from those listed above, the COMMITTEE must approve it.

SECTION B

Spending Policy

Money will be distributed from the FUND upon written request of the Vestry and with the approval of the COMMITTEE for those uses which conform to the purposes and restrictions established by donors or incorporated in the Enabling Resolution.

Funds available for distribution will be determined by using a total return principle, i.e., return derived from dividends and interest *as well as* realized and unrealized capital gains. The funds available for distribution during any one year will be limited to a percentage of the market value of the FUND that is based on a three-year rolling average, with measures taken at the end of each of the preceding twelve quarters. The market value for this purpose will be taken net of the fees for investment management.

The percentage of the FUND made available for distribution shall be determined each year by the COMMITTEE and will normally fall in the range of 3% to 5%. In so doing, market performance of the portfolio will be an important consideration. It will be the goal of the COMMITTEE to grow, or at least maintain, the purchasing power of the FUND, taking into account the impact of inflation and fees.

[A disagreement between the Vestry and the Endowment Committee about the spending rate—should it be 3% or 5% of a rolling three-year average value—is not a dire emergency. Ultimately the Vestry decides if they will accept the Committee's recommendation or not. Note, however, that in some states the Uniform Prudent Management of Institutional Funds Act (UPMIFA) says that spending 7% is considered "imprudent." The goal of the Committee is to maintain the spending power of the endowment over time, considering factors such as the spending rate, inflation, fees, and what other nonprofits are spending. The Committee then invests in such a way as to achieve a rate of return equal to or greater than the annual draw plus inflation plus fees.

Some churches use a five-year rolling average to smooth out the ups and downs of the market. Churches just starting out that do not have a multiyear average can apply the spending rate to one year's average value in the first year, then two years, and finally three (or five) years.]

Any unexpended funds from those available for distribution in a given year will be accrued and will continue to be considered available for distribution in subsequent years unless otherwise designated by action of the COMMITTEE with the approval of the Vestry. Expenses related to the management and administration of the FUND will be deducted from the funds available for distribution.