

# **INVESTMENT POLICY of EVANGELICAL UNITED CHURCH of CHRIST HIGHLAND, ILLINOIS**

**December 4, 2014**

## **I. Statement of Purpose**

- A. The purpose of this Policy is to provide guidelines for the investment of financial gifts, bequests, and contributions to Evangelical United Church of Christ, Highland, Illinois (EvUCC). The Policy seeks to optimize the financial resources available for the programs, building and maintenance, and overall mission of EvUCC, now and in the future. It is the intention of the Policy that the financial gifts, bequests and contributions be handled with care and prudence. The Policy shall govern the management of existing investment assets and any new investment assets received by EvUCC providing flexibility to both donors and the church. This Policy supersedes any previous policies governing the receipt and investment of financial gifts, bequests, and contributions to EvUCC.
- B. Responsibility for the investment management of these financial resources has been delegated to the EvUCC Investment Ministry Team (IMT) by the EvUCC Consistory (Consistory). The Consistory retains full control over the use of the financial resources. This Policy does not provide guidance for the use of investment assets nor recurring church operating monies.
- C. The financial resources governed by this Policy shall be subject to the audit requirements of EvUCC's By-laws, Article XI.

## **II. Establishment of the Investment Ministry Team**

- A. The Consistory of EvUCC shall establish an IMT consisting of five (5) members. The church Treasurer shall serve as a member of the IMT along with four (4) lay members of the church nominated by the Consistory. At its annual meeting, the congregation shall confirm all IMT members. Initially, in addition to the Treasurer, two members will be elected to 2-year terms and two members will be elected to 1-year terms. Thereafter, members will be elected to 2-year terms. IMT members shall serve no more than six (6) consecutive years. Upon serving for six (6) consecutive years, an IMT member may not again serve on the IMT until they have been off the IMT for a minimum period of two (2) years. If an IMT member is unable to serve out their term, the Consistory shall name a replacement who shall serve until the next annual meeting. The five (5) IMT members shall name an IMT Chairperson.
- B. IMT Mission Statement: The mission of the IMT is to aid the Consistory through oversight of the management of investment assets held by EvUCC.
- C. Members of the IMT shall receive no compensation for their service.

- D. Communication and Reporting: The investment assets overseen by the IMT will be included in the Treasurer’s annual report to the Congregation and reported more frequently as requested by the Consistory.
- E. Limitation of Liability of the IMT: The members of the Consistory and the IMT, both individually and acting in concert, shall not be held liable for their decisions or the results of those decisions provided any decisions rendered or actions taken were not illegal, would not constitute an obvious misdeed to a prudent and informed person, and the member(s) did not individually, or in concert, personally profit from these decisions or actions.
- F. Conflicts of Interest: The Investment Advisor engaged per Section III, Article B of this Policy to assist in the management of funds held for investment shall have no business relationship with any member of the IMT. The IMT, or a member of the IMT, may not accept any gifts or gratuities from the Investment Advisor. The IMT, or a member of the IMT, may not undertake any actions or decisions related to the IMT, the investment advisor, or investment assets that may result in actual, or an appearance of, self-dealing.
- G. The IMT shall meet at least quarterly.

### III. **Investment Policy Guidance**

#### A. Definitions & Terms

1. Investment Assets: All financial assets held by EvUCC and managed collectively under this Policy. This includes financial assets obtained as Endowment Funds, Memorials, Restricted Gifts, Non-designated Gifts, Monies from Recurring Sources, and monies received from the sale of gifted Real and Personal Property.
2. Endowment Fund: The Endowment Fund is a fund maintained to provide sources of monies either in perpetuity or for an extended term for general or restricted use by EvUCC.
  - a. Unrestricted Endowment Funds: Cash, securities, and other financial assets managed to provide income and financial support for EvUCC. As determined by the Consistory, withdrawals of principal or income from these gifts may be used for any purpose consistent with the mission of EvUCC. Such purposes may include, but are not limited to, recurring operating expenses; repair, renovation, or expansion of fixed assets; mission activities; benevolent activities; and community outreach.
  - b. Restricted Endowment Funds: Gifts received by EvUCC which, due to legal or moral requirements, must be used for specifically stated purposes.
3. Memorials: Such gifts are received by EvUCC, often in recognition of, or associated with, a specific event. Common events for which such gifts are given include death, birth, marriage, confirmation, or graduation.

4. Non-designated Gifts: Gifts received by EvUCC for which the donor provides no specific guidance. Non-designated bequests exceeding ten thousand dollars (\$10,000) shall be directed to the Non-restricted Endowment Fund.
5. Monies from Recurring Sources: This includes monies received from offerings, day care and pre-school operations, or other recurring sources.

## B. Authorities

1. Investment Management of Investment Assets: The Consistory and IMT shall manage all investment assets.
2. Investment Management of Monies from Recurring Sources: The Consistory and IMT shall not commit to long term investment of such monies.
3. Selection and Reimbursement of an Investment Advisor: The Consistory is authorized by this Policy to secure the assistance of an investment advisor to assist in the management of the funds held for investment under this Policy. The IMT shall identify and interview potential Investment Advisors and present to the Consistory a proposed contract with the recommended Investment Advisor which states the duties, responsibilities, and authorities of each party. The contract shall specifically and clearly state the level of investment discretion, if any, provided to the Investment Advisor by the IMT, a requirement for the advisor to report holdings and transactions at least quarterly to the IMT, and the agreed upon fee structure. The contract shall allow the Consistory to change advisors solely at the Consistory's discretion without penalty.
4. Agreement with the Investment Advisor: The IMT shall ensure the selected advisor has the proper certifications and registrations to serve in the capacity of an advisor as established by the Securities and Exchange Commission (SEC). As part of the selection process, the IMT shall perform, and at least annually thereafter, a background check of the advisor, and his / her firm via [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) and via [www.brokercheck.finra.org](http://www.brokercheck.finra.org). The selected advisor shall be bonded and employed by, or work under the corporate umbrella of a large investment company such as, but not limited to, Merrill Lynch, Oppenheimer, Stifel Nicolaus, Wells Fargo Advisors, Morgan Stanley, UBS, etc. or an FDIC insured trust company or trust department of an FDIC insured financial institution. In addition, investment advisors employed by investment firms endorsed by the United Church of Christ may also be used so long as the advisor and related firm pass the SEC and FINRA reviews. Selection of an advisor should consider the person and related firm's ability to assist the IMT in meeting the investment goals and objectives of this policy. The advisor and firm selected shall be compensated for their assistance based on an agreed upon fee consistent with industry norms. The performance of the advisor in assisting the IMT in achieving its stated investment goals and objectives shall be reviewed by the IMT annually.
5. The Treasurer has the responsibility to ensure that all income and proceeds from all investment assets are recorded on the church's financial records.

## IV. Investment Goals, Objectives, and Strategies

### A. General Guidance on How Funds Shall Be Invested:

All investment assets may be pooled for investment management purposes. The IMT, with the aid and advice of the Consistory as to spending needs and expectations for future periods shall ensure the Investment Advisor is aware of projected future needs of both a short-term nature (such as ongoing operations) and longer-term projects (such as roof replacement, resurfacing the parking lot, or a building project) so the Investment Advisor may make informed investment decisions.

### B. Overall Investment Goals and Objectives:

1. To maximize returns on investments consistent with the risk profile of EvUCC as expressed in this Policy to support EvUCC operations and overall mission.
2. To invest the assets so that the funds provide support for church programs.
3. To achieve returns in excess of the rate of inflation to preserve the purchasing power (real value) of investment assets.
4. To establish investment risk tolerances and monitoring programs to ensure the Investment Advisor manages the Funds according to the dictates of this Policy.
5. To reduce overall portfolio volatility and risk by diversifying investment assets over a variety of asset types including cash equivalents, fixed income securities, equities, mutual funds, and other assets identified below.

### C. Allowable assets:

1. Cash Equivalents
  - a. Treasury Bills
  - b. Certificates of Deposit
  - c. Money Market Mutual Funds
  - d. Bank Checking and Savings Accounts
2. Fixed Income Securities:
  - a. U.S. Government and Agency Securities
  - b. Corporate Notes and Bonds; Municipal and State Bonds (Rated “BBB” or better by national rating firms such as Standard and Poor’s or Moody’s). See exception under paragraph 4 below.
  - c. Mortgage backed securities (Rated “BBB” or better by national rating firms such as Standard and Poor’s or Moody’s). See exception under paragraph 4 below.
  - d. Preferred Stock
  - e. Securities Issued by Sovereign Foreign Governments
3. Equity Securities:
  - a. Common Stocks of publicly held U.S. Companies
  - b. American Depository Receipts (ADR’s) of non-U.S. Companies
  - c. Common Stock of publicly held non-U.S. Companies
4. Mutual Funds:

- a. Mutual Funds that invest in securities as allowed in this Policy. Exception: A mutual fund may include investments in below investment grade and non-rated bonds so long as the below investment grade and non-rated bonds do not exceed 15 percent of the mutual fund's assets and do not exceed 10 percent of total investment assets.
5. Other Assets:
- a. Real Estate Investment Trusts (REITS)
- D. Investment Strategies and Restrictions: To achieve the desired goals and objectives, the following strategies shall be implemented with the assistance of a qualified investment advisor:
1. To ensure the IMT has adequate flexibility to address changing market conditions, equities may represent up to 65% of the investable assets. Similarly, fixed income investments may represent up to 65% of the investable assets. For the purposes of this Policy, mutual funds shall be considered equity or fixed income investments depending on the mutual funds stated goals, objectives, and holdings.
  2. Investment in any one company, both equity and fixed income, shall not exceed 10% of the total investable assets.
  3. Investments in U.S. Treasury (UST) and U.S. Agency (USA) securities are unlimited except to the parameters of paragraph 1 of this section for total investments in fixed-income investments (i.e. all of the fixed income investments can be UST and USA securities, but only 65% of the total portfolio can be fixed income).
  4. The combined average maturity of all fixed income securities is limited to 10 years.
  5. Investment in non U.S. assets is limited to 15% of investment assets.
  6. Securities may not be purchased on margin or sold short.
  7. Options may not be used except for covered calls used to increase income from security sales. Covered calls are limited at any one time to 10% of investable assets.
  8. No investments in gold or other precious metals, collectibles, or commodities.

## V. Deviation from Investment Policy

In the event an unanticipated major event results in an emergency need to go outside of the policy requirements stated in Article IV, the investment advisor may do so after first obtaining approval from a majority of the IMT or a majority of EvUCC's Executive Committee or a majority of the Consistory.

## VI. Policy Review and Revision

This Policy shall be reviewed by the Consistory and IMT annually and revised as necessary to ensure it is consistent with the needs and the mission of EvUCC.