

## **The Lower Susquehanna Synod, ELCA**

### ***Investment Policy for the Vision of Mission Legacy Fund***

#### **STATEMENT OF PURPOSE**

The purpose of this policy is to establish the investment policy and guidelines for the assets of the Vision of Mission Legacy Fund (Fund) held by the Lower Susquehanna Synod (Synod).

#### **OBJECTIVE**

The objective of the investment policy is to manage available assets to provide the Synod with income for specific and stated ministries of this church. In support of this objective, the Fund shall be invested in a way that will provide reasonable safety and preservation of the Fund, while achieving the rates of return that can be attained through knowledgeable and prudent investing.

#### **GENERAL CONSIDERATIONS**

The Synod Council delegates to the Finance Committee responsibility for general oversight of the Fund. The Finance Committee is responsible for selecting, supervising and auditing the performance of investment managers and providing reports regarding such permanently invested funds at least semi-annually to the Synod Council. The Finance Committee is also given responsibility to be custodian of all noncash gifts. All noncash gifts will be sold as soon as appropriate, in a timely manner at a fair market price and the proceeds invested in the Fund unless the Synod Council deems that the gift be retained for use by the Synod.

#### **INVESTMENT MANAGEMENT PHILOSOPHY**

The Finance Committee will use a total return investment management philosophy, (include dividends, interest and net realized gains), for managing the investments of the Fund. The Finance Committee will make available a distribution of up to 5% of the average market value of the Fund, as determined on December 31 of each of the preceding three years.

The Finance Committee may employ professional fund managers to select the specific equity and fixed income investments or use mutual funds or ETF's (exchange traded funds) which, by their nature, have a diversified investment portfolio. In selecting professional fund managers, the Finance Committee will seek managers with established records of good performance and a management approach that is clearly stated and consistently followed.

### PERMISSIBLE ASSET CLASSES

The Fund will be diversified by both asset class and within each asset class. The purpose of the diversification is to limit the specific risk associated with any single security or class of securities. The Finance Committee will periodically review the overall asset allocation of the Fund to ensure appropriate diversification.

### ELCA CORPORATE SOCIAL RESPONSIBILITY

The Evangelical Lutheran Church in America (ELCA) gives expression to this church's concern for corporate social responsibility—both in its internal activities and in its interaction in the broader society. In determining precise actions to take or recommend, the ELCA draws on the foundation of its social policy.

The objective of social criteria investment screens is to identify the dimensions of a given problem area and within those dimensions focus on egregious problems that are most critical to address. All social criteria investment screens have the overall objective of addressing the ELCA's concern that corporations practice social, environmental and economic sustainability, which includes particular concern for weighing the impacts on those who are poor or disenfranchised.

The Corporate Social Responsibility Program currently maintains screens regarding: alcohol, community development, the environment, gambling, military weapons, political and civil human rights, pornography, private prisons, and tobacco. It is the desire of this Synod that, when possible, the funds invested reflect these socially responsible screens. You can find all the screens at <https://www.elca.org/Resources/Corporate-Responsibility#Screens>

## ASSET ALLOCATION

It is understood that changing market environments require some flexibility in asset allocation. Minimum, target and maximum asset allocation restrictions are given to allow movement of funds within the asset classes as deemed appropriate by the manager. Changes in the asset allocation will be for purposes of increasing investment return and/or reducing risk.

<u>Asset Type</u>	<u>Minimum Allocation</u>	<u>Target Allocation</u>	<u>Maximum Allocation</u>
Equity	20%	60%	80%
Fixed Income	20%	40%	80%
Cash Equivalents	0%	0%	20%

Allocation shall be rebalanced annually or as often as deemed necessary by the fund's manager.

## EQUITY GUIDELINES

- Equity investments may be chosen from the New York Stock Exchange (NYSE), Nasdaq Stock Market (NASDAQ) and regional exchanges.
- The portfolio will generally be fully invested with emphasis on growth-oriented securities with no single security exceeding 6% of the equity portfolio at the time of purchase.
- All dividends and capital gains should be automatically reinvested into each fund generating the respective earnings.

## FIXED INCOME GUIDELINES

- Investments in fixed income securities of a single issuer (except for U.S. Government or fully guaranteed agencies), must not exceed 5% of the total fixed income portfolio at the time of purchase.
- For investment grade bond portfolios, the average portfolio quality should exceed a Standard and Poor's "BBB" rating.
- All dividends and capital gains should be automatically reinvested into each fund generating the respective earnings.

## CASH EQUIVALENT GUIDELINES

Cash reserves should be invested in interest bearing securities and should be instantly marketable. The manager may invest in Treasury Bills, certificates of deposit, and/or money market funds to provide income, liquidity for expense payments, and preservation of the fund's principal value. All such assets must represent maturities of less than one year at the time of purchase.

## RESTRICTED TRANSACTIONS

The following are prohibited transactions and assets:

- Commodity trading, including all futures contracts
- Short-selling
- Option trading, except for covered calls
- Private placements
- Nonmarketable securities
- Investments not specifically addressed by this document are forbidden without written consent of the Finance Committee and Synod Council.

The investment manager should not purchase short-term financial instruments with speculative characteristics (uncertainty of principal and/or interest). The investment manager should not invest more than 5% of the fund's market value in the obligations of a single issuer, except for U.S. Government and its agencies. No uninvested cash reserve should be maintained.

## DESIGNATED GIFTS

Designated gifts accepted by the Synod Council may require exceptions to the Investment Policy. These exceptions will be handled on a case-by-case basis by the Finance Committee. Unless expressly prohibited by the gift language, designated gift assets will be invested under the total return investment management philosophy as outlined above in this investment policy.

## MONITORING POLICIES AND RESULTS

All policies are in effect until modified by the Finance Committee and approved by the Synod Council. If at any time an investment manager believes that any policy inhibits investment performance, it is the manager's responsibility to clearly communicate this view to the Finance Committee.

Investments and disbursements shall be made only in the name of The Lower Susquehanna Synod of the ELCA.

Investment manager(s) will be provided with a written copy of this policy and will be made a part of the investment management contract with such manager.

The Finance Committee will review the Investment Policies and Guidelines during the first quarter of each year. Any revisions will be submitted to the Synod Council for approval. Copies of any changes will be given to the investment manager(s).

The investment manager will provide to the Finance Committee, a quarterly statement and performance results of the Fund. The investment manager will also provide a market overview, which will serve as a review of the previous quarter and an outlook on the forthcoming quarter. The Finance Committee will meet with the investment manager semi-annually to review performance of the Fund and market overview.

## EFFECTIVE DATE

This policy shall come into effect on the day of its approval by the Synod Council.

Adopted:	Finance Committee	09/07/1994	Synod Council	09/24/1994
Revised:	Finance Committee	05/24/2007	Synod Council	09/28/1996
Reviewed:	Finance Committee	05/24/2007		
Revised:	Finance Committee	11/20/2008	Synod Council	02/21/2009
Reviewed:	Finance Committee	09/26/2018		
Revised:	Finance Committee	12/06/2018	Synod Council	04/06/2019