

**SYNOD INVESTMENT POLICY
FOR THE ENDOWMENT FUNDS**

I. STATEMENT OF PURPOSE

The purpose of this policy is to establish a clear understanding between The Lower Susquehanna Synod, ELCA, (hereinafter known as "SYNOD"), and Emerald Advisers, Inc. (hereinafter known as "INVESTMENT MANAGER"), regarding the investment objectives, goals and guidelines for its investments of the net assets of the endowment funds. This policy involves only the synod endowment funds, (hereinafter known as "THE FUND"), net assets held by the synod.

This document should be reviewed on a periodic basis by synod, and any modifications should be discussed with the investment manager.

The fund is set aside by various donors for investment purposes in which the earnings will provide for specific and stated ministries of this church. The synod acknowledges its fiduciary responsibility in the prudent management of the fund.

II. INVESTMENT OBJECTIVES

The fund shall be diversified among various investments to include common stock, convertibles, cash equivalents, and fixed income instruments including but not limited to Treasury, Agencies, and corporate bonds. The fund shall be oriented to growth of capital to preserve future purchasing power.

In accordance with investment objectives stated below, assets in the fund should be managed in a moderately conservative manner. In this context, conservative relates to such issues as expected long-term rates of return and return volatility, investment vehicles, diversification among economic and industry sectors, and individual securities.

Primary investment objective:

Preservation of the Purchasing Power (real value) of the permanent endowment fund: Asset growth, exclusive of contributions and withdrawals, should exceed the rate of inflation in order to preserve the purchasing power of the fund.

Secondary investment objective:

Growth of Capital: The asset value of the fund, exclusive of contributions and withdrawals, should grow over the long term to earn a rate of return in excess of an equity market index while incurring less risk than such an index.

III. INVESTMENT GOALS

Investment goals are expected to be achieved over 3 to 5 years.

Primary investment goal:

To equal or exceed the inflation rate, as measured by the National Consumer Price Index, on an annualized basis.

Secondary investment goal:

Over the long term the fund's investment objective is to equal or exceed the return of the Russell 3000 Index.

IV. INVESTMENT GUIDELINES

General:

- A. To meet the primary investment objective, the net appreciation will be retained permanently in an amount necessary to adjust the historic dollar value of original endowment gifts by the change in the National Consumer Price Index. After maintaining the real value of the permanent endowment funds, any remainder of total return is available for appropriation.
- B. The endowment spending policy will allow for a yearly appropriation not to exceed 5% of the average market value of the fund, as determined on December 31 of each of the preceding three years. All distributions will be from current and accumulated earnings of dividends, interest and net realized gains.
- C. Investments are to be made consistent with the safeguards and diversity to which a prudent investor would adhere.
- D. Investments should be screened with the intent of social responsibility as directed by action of the synod assembly June 1992, resolution number eight (8). It is the desire of the synod that, when possible, the funds reflect the mission of this church and represent good stewardship of God's gifts.

As a guideline the synod will follow the principles outlined in the recommended ELCA Social Purpose Investment Screens when making investment decisions for the fund.

Advice and counsel regarding these screens and their application is available through:

Division for Church in Society
Director for Corporate Social Responsibility
9625 Perry Highway

Pittsburgh, PA 15237-5590

Telephone: (800) 638-3522, x2548, Fax (412) 367-7411

- E. Subject to the limitations stated herein, the investment manager is given full investment discretion consistent with the investment objectives and guidelines of the fund. The investment manager shall have full discretion regarding the purchase and sale of individual securities and the selection between equity securities and cash equivalents in order to assure full flexibility in the management of the fund.
- F. The investment manager will not take any tax related issues into consideration in the management of the fund.
- G. Realization of capital gains and losses should be viewed solely in terms of investment merits.
- H. All assets selected for the portfolio must have a readily available market value, a readily available secondary market, and be readily marketable.

Asset Allocation:

- A. The target allocation of the fund shall be 60% equities/40% fixed income.
- B. Allocation shall be rebalanced annually or as often as deemed necessary by the portfolio manager.

Benchmark:

- A. The performance benchmark for the fund shall be 60% Russell 3000 Index/40% Barclays Aggregate Bond Index.

Equity Investments:

- A. The fund may consist of common stocks and convertible preferred stocks, convertible fixed income securities, and cash reserves.
- B. The fund shall be diversified to avoid excessive exposure to any single economic sector, industry group, or individual security.
- C. Common stocks and convertible preferred stocks shall be of good quality and listed on the New York Stock Exchange, the American Stock Exchange, or traded in the over-the-counter market with the requirement that such over-the-counter stocks have adequate market liquidity relative to the size of the investment.

Fixed Income Investments:

- A. Fixed Income Investments shall consist of Investment Grade securities (BBB or higher by Standard and Poor's or Baa3 or higher by Moody's).
- B. Average maturity shall be no more than 10 years.

Short-term Investments:

- A. Short-term investments shall consist of individual fixed income securities such as Certificates of Deposit, Commercial Paper, U.S. Treasury Bills, and other similar instruments with less than one year to maturity and/or money market funds.

V. INVESTMENT PERFORMANCE REVIEW:

The investment manager's achievement will be measured quarterly on the basis of the performance results of the fund. Measurement will be against commonly accepted market comparisons.

Consideration shall be given to the extent to which the investment results are consistent with the investment objectives and goals as set forth herein.

VI. COMMUNICATIONS BETWEEN SYNOD AND INVESTMENT MANAGER

Investment Manager:

- A. Will provide written confirmation of every transaction.
- B. Will provide monthly statements summarizing the valuation of the fund and displaying a detailed listing of the transactions.
- C. Will provide quarterly market overview, which will serve as a review of the previous quarter and an outlook on the forthcoming quarter.
- D. Will provide a quarterly performance review that will show fund achievement.

Synod:

- A. Will provide, on a timely basis, any change in circumstances which might affect the investment of fund assets.
- B. Will provide, on a timely basis, any change in this investment policy for the endowment fund.

Finance and Budget Committee

Adopted by Synod Council 2/21/2009

This statement is intended to be used as a guide rather than a rigid statement of policy from which there can be no deviation. However, if it is anticipated that there may be material deviations from this policy, timely written notice shall be brought to the attention of the synod with the rationale describing the necessity for a material departure from this policy. Endorsement of such action shall be made by the synod treasurer in consultation with the finance committee chair

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