

*Notes on Investment Policy from Daryl Ackerman, Finance Chair*

*This Investment Policy has been recommended unanimously from the Finance Committee to the Congregation Council for adoption. The policy statement outlines an overall investment strategy and provides policies for long-term rate of return objectives, which will be the standard for evaluating investment performance. The possibility of short-term declines in total value is a risk the Finance Committee accepts as necessary to achieve the desired long-term results. The policy provides procedures for performance review and reporting.*

*Trinity currently has no written investment policy. Funds are currently invested \$1,040,000 in the Endowment Fund (12% rate of return in 2020), \$830,000 in checking and money market accounts (earning 0.02% to 0.25%), and \$215,000 in CDs (at 0.22% to 0.80%, and one \$10,000 CD at 2.97%). The Finance Committee advocates moving some funds away from money markets and CDs, and toward other investment possibilities. This policy provides that opportunity.*

*In the event that Council proceeds with the Investment Policy, the next questions are what amount to invest and where to place the investment. Those questions are addressed in Item #2 in the Finance report to the May11 Council meeting.*

Draft 5-06-21

Trinity Evangelical Lutheran Church, Camp Hill, PA  
Investment Policy

#### STATEMENT OF PURPOSE

The purpose of this policy is to establish the investment policy and guidelines for the financial assets held by Trinity Evangelical Lutheran Church, Camp Hill, PA (Trinity).

#### OBJECTIVE

The objective of the investment policy is to manage available financial assets to provide Trinity with income for specific and stated ministries of this church. These financial assets include the General Operating Fund and Designated Funds, including the Endowment Fund. To support this objective, the Funds shall be invested in a way that will provide reasonable safety and preservation of the Funds, while achieving the rates of return that can be attained through knowledgeable and prudent investing.

#### GENERAL CONSIDERATIONS

Trinity's Congregation Council delegates to the Finance Committee responsibility for general oversight of the Funds. The Finance Committee is responsible for selecting, supervising and auditing the performance of any investment managers and providing reports regarding such invested funds at least annually to the Congregation Council. All gifts of stock, bonds, mutual funds, or other securities will be sold as soon as appropriate, in a timely manner at a fair market price and the proceeds invested in the Funds.

#### 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 Funds. The Finance Committee will make available a distribution of up to 5% of the average market value of the Endowment Fund, as determined on December 31 of the previous year.

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.

Trinity's investment policy has a long-term perspective. A passive buy-and-hold approach will generally be utilized, rather than an actively managed approach that emphasizes market timing. These long-term investments will fluctuate in market value and may have paper gains and losses in the short term, but will be held for the long term.

#### 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 Trinity that, when possible, the funds invested reflect these socially responsible screens. All the screens can be found 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.

Asset Type	Minimum Allocation	Target Allocation	Maximum Allocation
Equity	20%	60%	60%
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 10% 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, 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 Congregation 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 Congregation 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 Congregation 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 Trinity. Investment manager(s) will be provided with a written copy of this policy, which 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 Congregation 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 Funds. 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 annually to review performance of the Fund and market overview.

## EFFECTIVE DATE

This policy shall be in effect on the day of its approval by the Congregation Council.

Adopted: Finance Committee 05/04/2021 Congregation Council xx/xx/2021