
Investment

United Church of Christ, Congregational, of Boxborough

Effective Date: 9 November 2023

Supersedes Date: 18 June 2015

1 Purpose

This Investment document provides guidance for the investment of funds, including any Endowment funds that are not otherwise dictated by specific legal documents with respect to investment instruments.

2 Definitions

Gifts that are made to provide for the Church's ministry and mission fall into one of four categories. Collectively all four categories of gifts are included in investable funds.

- *Unrestricted Gifts* - Gifts that are unrestricted, to be spent by the Church as it deems best.
- *Temporarily Restricted Gifts* - Gifts that are restricted by the donor, and are to be spent only for a specific purpose or at a specified time.
- *Endowment Gifts*
 - Gifts that are permanently restricted, to be invested to produce income that is unrestricted in its purpose. This is a gift in which the donor stipulates that the principal remain intact and that only the income may be spent for any purpose by the Church as it deems best.
 - Gifts that are permanently restricted, to be invested to produce income that is restricted in purpose or time. These are gifts in which the donor not only stipulates that the principal remain intact, but also indicates a specific purpose (or time) for which the income may be spent.

Note that the term *income* used above refers both to dividends or interest as well as to accumulated appreciation of invested funds. The allocation of investment return for Endowment funds is governed by Massachusetts law. Also, according to Generally Accepted Accounting Principles (GAAP), any investment return earned from the investment of unrestricted or temporarily restricted funds is not restricted unless specified by the donor.

3 Policy

Endowment funds shall be pooled for investment purposes. The Church's investment objectives shall be to:

- Provide a satisfactory return on investments as compared to established market indices without incurring undue risk.
- Enable the Church to make long-term financial commitments in support of its ministry that will not be dependent on annual contributions or influenced by other operating expenditure requirements.

4 Procedures

4.1 Fund Management

Endowment Funds shall be managed to:

- Invest the corpus of the funds to maximize the goals and purposes of each fund as specified by the donor.
- Invest the pool so that the corpus of each fund is maintained in real dollars (the original gift plus an allowance for inflation).

Funds invested in money market, Certificates of Deposit (CD's), or other liquid short-term instruments such as cash shall be subject to oversight by the Church Finance Committee.

The Finance Committee shall monitor Endowment Fund performance and make recommendations for changing funds and/or their allocations within the guidelines of this document. At least one member of the Finance Committee shall have a background in and be knowledgeable about finance and investments or, alternatively, seek the advice of a professional investment counselor.

4.1.1 Use of an Investment Manager

The Finance Committee may use the services of an Investment Manager to execute transactions in accordance with this document. The Investment Manager shall be recommended by the Finance Committee and approved by the Council.

- If the Finance Committee invests in funds that are not actively managed then the Investment Manager may be a member of the Finance Committee.

- If the Finance Committee invests in instruments that are actively managed funds (i.e., not directly tied to an index), then the Committee shall engage the services of an outside Investment Manager.

4.1.1.1 Identification of Current Investment Manager(s)

While the intent of this document is to have the Endowment funds managed by one Investment Manager, it is recognized that as assets transition into management in accordance with this document, it may be appropriate to maintain more than one Investment Manager to facilitate such transfer. The Finance Committee will move expeditiously to unite funds again under one Investment Manager. At this time, Fidelity Investments serves as the Investment Manager, overseen by a sub-team of the Finance Committee.

4.1.1.2 Change in Investment Managers

The designation of a new investment manager can be accomplished by the Finance Committee, with the approval of the Council, and does not require Congregational approval.

4.1.2 Reporting Requirements

4.1.2.1 Semi-annual Reporting to Council

The Finance Committee shall review at least semi-annually the performance and compliance of the Investment Manager and shall report to Council semi-annually. The Finance Committee shall recommend changes in investment direction and strategy to Council, based on the advice of the team interacting with the Investment Manager. If the Investment Manager is a designated member of the Finance Committee, he or she shall get a majority approval of the Finance Committee before recommending adjustments to funds to maintain a specified mix. This can be done more frequently than semi-annually. All decisions regarding the following changes must be ratified by the Council if index funds are used:

- Changes of the Investment Manager
- Changes to the target mix of funds and/or the percent allocation of the funds. Index fund selections must target the same assets as those represented by the indices shown in paragraph 4.1.2.2 below.

4.1.2.2 Annual Reporting to Council

At the end of each fiscal year, the Finance Committee shall prepare a report to Council that details the current investment status and the total return associated with Church investments. The report will include performance measurement of the investments compared to various appropriate market-utilized indices such as the S&P 500.

Donor specified gifts may be commingled among the invested funds, and performance of these gifts will be indicated by reporting of unrealized gains in the Church financial reports.

4.2 Investment Guidelines

To achieve its investment objectives, Church investments will be managed in a balanced manner. The goal for the portfolio mixture in a normal investment environment will be a 60/40 ratio of equity to fixed income investments. This 60/40 target mix may be changed up to 10 points [50/50 to 70/30] with approval of the Council. Any further deviation to this mix must be approved by the Congregation. If market activity causes the ratio of equities to bond funds to move beyond 5% of the target mix (either 65/35 or 55/45 for the current 60/40 equity/bond target mix), the Finance Committee will make recommendations for either rebalancing the portfolio mix or changing the target mix within 60 days after the variation greater than 5% occurs. Any rebalancing will be directed by the Treasurer, or his/her designee on the Finance Committee, at the direction of Council.

The investments will be diversified both by asset class (equities, bonds, cash equivalents) and within asset classes (within equities by economic sector, industry, quality, and size) to have reasonable assurance that no single security or class of securities will have a disproportionate impact on the total portfolio. Investments in any one security (e.g., stock) will be limited at the time of purchase to 5% of the total market value of the portfolio when the security is purchased.

Investments shall be conducted in accordance with the following restrictions:

- Preference is given to investing in socially responsible financial instruments that align with the mission of the Church when feasible. While it is acknowledged that some funds may not have an entire portfolio of socially responsible stocks, the Church will not invest solely in stocks that are not socially responsible or in keeping with the mission of the Church.
- Securities may not be purchased on margin.
- Securities may not be sold short.
- Options (e.g., puts, calls) may not be sold short. The use of options is limited to covered call writing, a conservative strategy.
- The average quality of the fixed income securities (including those owned by mutual funds) shall be at least 'AA' and the minimum quality of any issue shall be 'BBB'.

4.3 Spending Policy

The investments guided by this policy are expected to achieve long term capital appreciation while also supporting short-term income needs. The following spending policy ensures achievement of this goal:

- The budgeted target for spending from the Endowment funds and non-endowment invested funds shall not exceed 4% of the average market value of the Endowment funds over the previous 12 trailing calendar quarters.
- Withdrawals from the Endowment funds cannot reduce the initial investment value of assets received for investment.

This spending policy does not pertain to gifts where spending requirements are specified by the donor.

4.4 Auditing

The Auditors of the Church shall conduct a documented audit to ensure compliance with this Investment Policy as dictated by the Audit Policy of the Church.

4.5 Conduct and Liability

The Finance Committee members shall conduct themselves following the principles of the Prudent Man Rule. Under the Prudent Man Rule, investments made in accordance with this document shall be invested with care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

The Finance Committee shall not be liable for any losses that may be incurred upon the investments of the assets covered under this document, except to the extent such losses shall have been caused by willful misconduct. Each member shall be liable only for her/his own willful misconduct, and shall not be liable for the acts of any other members.

No member of the Church Council or Finance Committee shall benefit financially, either directly or indirectly, from managing the Endowment funds or making investment decisions on the Church's behalf.

5 Amendments to this Document

Editorial amendments to this document can be proposed at any regularly scheduled Council meeting and approved by a simple majority at the next Council meeting.

Substantive amendments to this document can be made through the following actions:

- Finance Committee members shall first approve the proposed amendment for recommendation to the Council.
- The Council shall next approve the proposed amendment for recommendation to the Congregation.
- The proposed amendment shall be approved at a Congregational Meeting of the Church, and must receive at least a two-thirds majority in favor for adoption.

Examples of amendments that require a two-thirds vote of approval at a Congregational meeting include:

- Changes to the portfolio mix range in this document
- Changes to the restrictions regarding what is allowed in the portfolio of investments
- Changes to the spending limits
- Other changes to this document representing a change in intent of the Investment policy and procedures

The designation of a new Investment Manager can be accomplished by the Council and is not considered an amendment to this document.

6 Forms

None.