

First Lutheran Church of Venice

Investment Policy

Approved by the Voters' Assembly on July 14, 2002, as far it relates to the First Lutheran Church Endowment Fund, and approved by the Church Council on September 3, 2002, as far as it relates to the general church funds.

Objective: To provide high levels of funding for church projects while preserving the purchasing power of the invested money in the time frame for which the investments are made.

Scope: This investment policy applies to both the church endowment fund as well as the church's general funds. However, as required by the endowment fund policy, the endowment fund is to be kept in accounts fully separate from those of the general funds.

General Investment Principles:

- Investments shall be made solely in the interest of First Lutheran Church and School of Venice.
- The funds shall be invested with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in like capacity and familiar with such matters would use in the investment of funds of like character and with like aims.
- Investments shall be so diversified as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.
- Cash is to be employed productively at all times, by investment in short term cash equivalents to provide safety, liquidity, and return.

Investment Consultant: The Church Council may appoint one or more investment consultants. The investment consultant, which can be a person or an organization, provides advisory services, including advice on investment objectives and asset allocation, investment committee member search, and performance monitoring.

Investment Committee: The Church Council appoints an investment committee chairperson and a first and second deputy for up to one year. The Church Council can terminate any such appointment at any time with or without cause. The investment committee is responsible to and reports to the Church Council.

The chairperson of the investment committee buys and sells securities within the guidelines of this policy. If the chairperson is unable to execute these responsibilities in a timely manner due to absence or other incapacity, the ranking able deputy shall assume these responsibilities.

To protect the endowment fund and other mid-and-long-term investments, the endowment fund account and other non-cash-equivalent accounts must be set up such that all divested funds can only be deposited into a church checking or money-market account. No member of the investment committee or anybody else with access to the endowment fund may have check-writing authority or similar access to any such church checking or money-market account. Consequently, the church treasurer can not be a member of the investment committee.

Reports: The investment committee shall report to the Church Council on a timely basis and at least quarterly. The report shall include investment performance results, including comparisons to investment benchmarks, as well as major changes to economic outlook.

Asset allocation: The financial assets of the church are grouped into three categories in terms of investment horizon. All dollar amounts refer to 2002 and shall be adjusted for inflation after 2002.

1. **Short term assets** are funds expected to be used within **six months** of the present. This typically includes
 - The first \$60,000 of reserves.
 - All or most of early tuition payments.

2. **Medium term assets** are funds expected to be used **between six months and two years** of the present. This typically includes
 - Memorial funds.
 - Reserves in excess of \$60,000 and below \$90,000, but excluding any money from the ‘long term reserve’.
 - Possibly a small part of early tuition payments.

3. **Long term assets** are funds expected to be used **more than two years** from the present. This typically includes
 - The endowment fund.
 - The capital improvement fund.
 - The unused portion of the housing fund.
 - Reserves in excess of \$90,000.
 - Any other long term reserves (unless needed to supplement the short-term reserve fund to supply a total of \$60,000 in short term reserves).

The assets are invested as follows:

	Cash and cash equivalents	Bond category	Stock category
Short term assets	100%	0%	0%
Medium term assets	0%	90%	10%
Long term assets	0%	25%	75%

Assets are to be invested within 5% of the above target percentages. However, the investment of sizeable new assets may be spread out in time to reduce the exposure to market volatility.

Assets can only be invested in one of the investment instruments explicitly listed under the corresponding category, as follows:

Cash and cash equivalent instruments:

- Cash
- Checking accounts
- Money market funds

Bond category:

- Well-diversified, domestic intermediate-term bond funds with very low overhead, a high rating (e.g. by Morningstar), and a track record of at least five years; the bond fund has to reflect a wide range of U.S. Treasury, federal agency, mortgage-backed, and high quality corporate securities, preferably with a higher percentage than market average in high-quality, short-term corporate bonds and a lower percentage in short-term Treasury securities.¹
- About 10% of the endowment fund should be invested with the Lutheran Church Extension Fund, even though that fund might not meet the bond criteria above.

Stock investment category:

- Well-diversified, domestic index funds with very low overhead, a high rating (e.g. by Morningstar), a track record of at least five years; funds must follow a a major general index such as the S&P 500.²

Derivative investments are not allowed.

¹Example of a bond fund meeting these criteria in June 2002: Vanguard Total Bond Market Index Fund Investor Shares

²Example of a stock fund meeting these criteria in June 2002: Vanguard 500 Index Fund