Second Presbyterian Church
Endowment Policy

Section 1. Mission Statement

1.1 The primary mission of the Endowment Policy is to establish a platform, and to encourage planned giving support, for activities of Second Presbyterian Church (the "Church") in order to provide for the longevity, sustenance, and on-going support of the Church. Establishment of this Endowment acknowledges the responsibility to prudently manage assets under its stewardship by policies established to provide a maximum return without assuming undue risk, to preserve the value for the future, and to promote perpetual life. It shall also provide a mechanism to support short-term operating deficit needs, on-going building maintenance and capital requirements of the Church, and provide support as needed for program expenses and mission giving.

It is the intent and purpose of the Endowment of the Church to build up all of the funds created hereunder to provide a reasonably predictable flow of supplemental income to be available to support the work of the funds created. As with any endowment, invasion of the principal should be avoided, and is inconsistent with its intent and purpose.

Two exceptions are applicable to the Church program: use of the operating endowment for an unplanned deficit in the budget, and accommodation of the formula in Section 4.1 to smooth financial support from year to year.

Section 2. Scope of Responsibilities and Powers

2.1 To establish and maintain an active planned giving program.

2.2 To manage all financial assets currently held by the Church, which are referred to on the balance sheet as Endowment Funds and General Funds (other than Capital Campaign, Memorials and miscellaneous assets for various Church activities), together with all future gifts, bequests or other transfers to the Endowment, which will be maintained in four separate funds (collectively referred to as the Endowment):

(a) Operating Endowment Fund
(b) Capital Endowment Fund
(c) Designated Endowment Funds
(d) Special Mission Fund

All future gifts, bequests or other donations to Second Presbyterian Church will be covered by this document.

2.3 The managers of the Endowment shall cause those directly responsible for the above funds to prepare, a monthly written statement showing the status of the Endowment including receipts, disbursements, and costs associated with managing the assets of the Endowment, including fees paid for investment management. A summary of such report shall be presented to the Session semi-annually, or when requested, and also to the congregation in the Church's annual report, or otherwise.

2.4 To accept and to refuse assets for incorporation into the Endowment. Although it is contemplated that the majority of gifts made to the Endowment will be in the form of cash or other liquid assets, the Session realizes that some gifts may be in the form of real property, or an interest in real property, that may carry with it liability which may include, but not necessarily be limited to, environmental issues, lien issues, property tax issues, or other matters which might or could create liability for the Church. For these reasons, and possibly others, the Session reserves the right to decline any such gift which might, or could present liability, or other detrimental issues for the Church. To refuse a specific dedication of assets for a special purpose selected by the donor in an original principal amount of less than $100,000 and to require any special purpose fund not grandfathered hereunder to be moved to the Special Mission Fund if the principal amount in the future is less than $100,000.

2.5 To assist committees established by the Session of the Church (the "Session"), for compliance with donor intent when designated by the donor for a specific purpose ("Designated Endowment Funds") and to interpret the donor's intent consistent with the mission of the Church. All existing Designated Endowment Funds of the Church, including those having under $100,000, shall be continued intact.

2.6 To establish and manage an operating reserve fund (the "Operating Endowment Fund"), a capital facilities fund (the "Capital Endowment Fund") and a Special Mission Fund to provide, respectively, for short-term deficits in the operating expenses of the Church, its on-going building maintenance and capital needs, and to fund special mission activities.

Section 3. Management

3.1 The management of this Endowment Policy is designated to the Finance and Stewardship Committees of the Session of the Church.

3.2 Investment Policy

(a) Investment Objectives: The primary objectives are to produce from those assets sufficient cash to meet the commitments of the Church's various funds and to grow the principal of the fund at a rate of CPI plus one percent at a reasonable level of risk. Over a rolling 8-year period, the minimum goal for the total annualized rate of return of the fund should be 5%. No amendment to this policy may be made without a two-thirds vote of the members of the Session.

(b) Investment Philosophy: The investment objectives require a disciplined and consistent management philosophy. The objectives do not call for a philosophy that represents extreme positions or opportunistic styles. The portfolio shall be diversified with both fixed income and equity holdings. The purpose of such diversification is to provide reasonable assurance that no single security, or class of securities, will have a disproportionate impact on the total portfolio. The managers of the Endowment may decide that an investment is inconsistent with the witness of Jesus

Christ. Any such decision may be made only after discussion and reflection based on the widest variety of information, including the General Assembly Divestment List. A decision to not purchase, or not retain, an investment may be made only after a two-thirds majority vote of Session.

(c) Portfolio Asset Allocation: The target asset allocation mix will be 70% equities and 30% fixed income, with cash holdings kept to a minimum, and used mainly for distributions and temporary movements between securities or asset classes. Target allocations can vary plus or minus 5%. Any variance beyond 5% should be discussed with and approved by the managers of the Endowment.

					Suggested
				Target	**Benchmark**
Fixed Income Securities and Cash:				30%	
Core Investment Grade			22%		Barclay US Aggregate
International			2%		Barclay Gbl Aggregate
High Yield			2%		Barclay Corp Hi Yld
TIPS			4%		Barclay TIPS Index
Equities:				70%	
Domestic			45%		
Large Cap		25%			
Growth	11%				Russell 1000 Growth
Value	14%				Russell 1000 Value
Mid Cap		10%			
Growth	4%				Russell Mid-Cap Growth
Value	6%				Russell Mid-Cap Value
Small Cap		10%			
Growth	4%				Russell 2000 Growth
Value	6%				Russell 2000 Value
International			25%		
Large Cap		15%			MSCI EAFE Net Index
Small Cap		5%			MSCI EAFE Small Cap Index
Emerging Markets		5%			MSCI Emerging Mkts

The allocation of assets between fixed income securities and equities shall be based primarily on the relative attractiveness of the investments and economic outlook over an eight to ten year period. The debt/equity ratio will be reviewed quarterly by the Church's Finance Committee. If the investment manager of the portfolio at any time feels the asset mix should be outside of the set of ranges because of extreme market conditions or extra-market opportunities, this should be communicated to the managers of the Endowment for a joint allocation decision.

(d) Fixed Income Portfolio: The purpose of fixed income investments is to provide a relatively predictable and dependable source of income, to reduce the variability of the total portfolio market value, and when appropriate, to provide a source of funds for other investments or endowment needs.

Cash will be considered to be part of the fixed income allocation.

Bonds will be used by the investment manager as part of a fixed income strategy that seeks to maximize current income and limit volatility.

(i) Issues shall meet investment grade criteria (not less than the "A" rating category by a major rating service) and may include any one or more of the following: U.S. Government and Agency obligations; corporate issues having credit ratings A or better by Moody's or S&P; certificates of deposit; commercial paper; mortgage backed securities including CMO's; money market funds; common trust funds and mutual funds containing a pool of securities of grade qualified for direct investment hereunder. The exception to this would be the use of a high yield fixed income mutual fund or ETF not to exceed 3% of the total portfolio.

(ii) The average duration of fixed income securities shall not exceed 3 years, with a maximum maturity of 10 years for any individual bond.

(iii) U.S. Government Agency securities for any one Agency shall not exceed 30% of the total market value of managed assets.

(iv) Securities from any one issuer, other than U.S. Treasuries & Govt. Agencies, shall not exceed 10% of the portfolio.

(v) The equity holdings of any one company, together with the investment in such company's fixed income securities, shall not exceed 10% of the total market values of managed assets.

(vi) Individual certificates of deposits should be fully insured by the Federal Deposit Insurance Corporation, or its successor.

(e) Equity Portfolio: The purpose of equity investments is to provide growth of income and appreciation of principal with the recognition that this requires the assumption of greater market variability and risk of loss.

Equity management should stress an approach that focuses on the real rate of total return over three to five year periods. This encourages investment in stocks with better appreciation potential over the indicated time period and less emphasis on current yield.

(i) Common stocks, including stock mutual funds, shall constitute no less than 80% of all equity type investments.

(ii) Investment in any single company shall not exceed more than 10% of the market value of the equity portfolio managed by the investment manager.

(iii) Investments in any one economic sector shall not exceed more than 30% of the equity portfolio.

(iv) Other acceptable equity type investments are: convertible issues (preferred or debentures, rated no less than “A”); American Depository Rights of Non-U.S. Companies listed on U.S. exchanges; the stocks of Non-U.S. Companies (Ordinary Shares); common trust funds, mutual funds, and exchange traded funds consisting of a pool of high quality equity type investments.

(v) For direct investments in Mutual Funds, any investment made by the Endowment shall be deemed an acceptance of the investment policy of that Fund.

(f) Prohibited Investments:

(i) Commodities and Futures Contracts
(ii) Private Placements
(iii) Options
(iv) Limited Partnerships
(v) Venture-Capital Investments
(vi) Direct Investment in Real Estate Properties
(vii) Interest-Only (IO), Principal (PO), and Residual Tranche CMOs
(viii) Any Investment not specifically listed herein shall be deemed prohibited without written consent of the Endowment Committee.

(g) Performance Reporting: As a standard procedure, the fund manager shall meet with the managers of the Endowment on a quarterly basis. These reports shall consist of investment performance, and will include absolute and comparative rates of return data, maturities, significant portfolio changes, asset mix recommendations, and an indication of market outlook and strategy changes.

(h) Life Insurance: If life insurance policies shall be accepted by the Endowment, then, during the lifetime of the donor, the Endowment shall be under no obligation with respect to such policies, other than the safekeeping thereof, unless the managers of the Endowment have agreed to pay the premiums thereon. As to policies in regard to which no such agreement has been made, the Endowment may, but shall be under no obligation to, pay the premiums, dues assessments or other charges not paid, and neither the Church, nor the Church Corporation, nor the Session, nor the Endowment shall be responsible for any result of the failure to make such payments. Upon receipt of notice of the death of the insured, the managers of the Endowment shall use their best reasonable efforts to collect the proceeds of any policy under which the Endowment (or the Church) is beneficiary, and for such purpose, working with Session, shall execute and deliver any receipt or other voucher for such proceeds, and to institute any suit or proceeding, and do and perform any and all acts necessary for the collection of any sums which may be due and payable on account of said policy. All decisions as to whether or not litigation shall be instituted and maintained shall be within the absolute discretion of the Session. The managers of the Endowment shall be responsible for the proceeds of all policies only when, as, and if, the proceeds are collected by them.

(i) Income: Interest and dividends, net of any realized and unrealized increase or decrease in value of investments, of the Endowment (“Income”) shall annually be credited to all Endowment funds on a pro rata basis according to year-end market value.

Section 4. Disbursement and Maintenance of the Endowment Funds

4.1 Yearly, the managers of the Endowment will make known to Session the amount of monies available for withdrawal as of September 30 from each of the Endowment funds according to the average rate of return of the Endowment for the preceding 12 quarters (ARR_{12}) shown here and subject to the restrictions stated in 4.2 through 5.1:

(i) If ARR_{12} is greater than 5%, distribute 5%,

(ii) If ARR_{12} is above 4% and less than 5%, distribute ARR_{12},

(iii) If ARR_{12} is 4% or less, distribute 4%.

After Session has approved the annual allocation percentage for the endowment funds, committees appointed by Session for the oversight and management of those funds may approve disbursements from the current and any prior year remaining allocations subject to the Expense and Disbursement Policy.

4.2 Operating Endowment Fund and the Capital Endowment Fund. By the terms of the Shelden General Endowment Fund (the “Shelden Fund”), no principal may be invaded for any purpose and the intent of the grant is to provide investment return for operations, maintenance, and capital needs. Initially, this Fund shall be allocated as follows:

(a) $500,000 of the principal of the Shelden Fund plus the Operating Reserve along with their earnings or losses shall initially be allocated to the Operating Endowment Fund.

(b) $500,000 of the Shelden Fund plus the Capital Reserve, Capital Maintenance and Replacement fund and their earnings or losses shall initially be allocated to the Capital Endowment Fund.

(c) Any disbursements beyond the amount dictated in 4.1, requires a two-thirds vote of all members of the Session but is still subject to the restrictions stated in 4.2 and 5.1.

4.3 Special Mission Fund. All other undesignated Endowment funds along with the Mission Sustaining Fund shall initially be allocated to the Special Mission Fund. With no protected (Shelden Fund) funds in this account, Special Mission funds may be expended beyond the percentage formula stated in 4.1 but only with a two-thirds vote of all members of the Session, and subject to restrictions established in Section 5.1. This fund may receive endowed assets pursuant to 2.4 restrictions in the future. This would require appropriate changes to 2.2 (d) and all related references to 2.2 (d).

4.4 Any new gifts, bequests or other donations added to any Fund which by its terms is endowed shall not be invaded and only investment return may be expended.

Section 5. Preservation of the Operating Endowment Fund, Capital Endowment Fund, and Special Mission Fund

5.1 If at any time the principal amount of the undesignated endowment portion of either the Operating or Capital Endowment Funds is less than $200,000, or if the value of the Special Mission Fund is less than $200,000, that fund shall be deemed impaired and no new funding commitments shall be incurred until the amount of the impairment is fully restored to the original allocation by growth of the fund itself, or amounts credited from Income, without a two-thirds vote of all members of the Session.

5.2 Any new grants received by the Endowment which are not designated as to their use by the grantor shall be allocated as follows:

(a) under normal conditions with no impairment of any of the funds, one-third to the Operating Endowment Fund, one-third to the Capital Endowment Fund, and the remaining one-third to the Special Mission Fund.

(b) under conditions in which one or more of the funds is impaired, any and all impairments will be reduced or eliminated, with the remainder allocated as above in 5.2 (a).

Amendment

A clearly defined, conservative and diversified Endowment Policy is integral to attracting planned giving to the Church. No amendment to this policy may be made without a two-thirds vote of the members of the Session.

For the January, 2017 meeting of Session, the Endowment Committee shall make a thorough analysis and report on the efficacy of this new committee at which point the Session will vote to continue the committee as is or make adaptations.

Approved by Session November 15, 2010
Amended by Session December 20, 2010
Amended by Session April 16, 2012
Amended by Session June 16, 2014
Approved by Session June 20, 2016
Approved by Session December 19, 2016