

Minutes from Investment Committee Meeting January 12, 2016

Members present: The Rev. Herbert Sprouse, David Poch, Rob Jones, William Graffius, the Rt. Rev. Audrey Scanlan. Ken Quigley, from the Episcopal Church Foundation, attended as a guest.

Transfer of Funds from BNY to SSgA

Bill Graffius reported that he met with BNY Mellon's Jim Hepfer and signed the final documents required to transfer monies to the new investment manager, State Street Global Advisors. Bill noted that because the funds at BNY were converted to cash by December 31, 2015, the severe market downturn in early January did not affect the value of the funds. The Diocese avoided the loss of several hundred thousand dollars as a result of the timing of the transfer.

Initial Asset Allocation and Investment Timing

The Committee decided to re-invest all monies at once rather than try to time the market with a staggered re-investment sequence. They agreed to invest in an initial long-term investment strategy of 70% equities and 30% fixed income following the suggested strategic and tactical asset allocation of the SSgA Investment Manager. (See attached for opening allocation of the portfolio.) The Committee can adjust the allocation at any time.

Bill Graffius and one other member of the team will have access to the SSgA Client Corner, an on-line view of the portfolio that shows daily valuation, current positions, transactions, and all monthly statements.

Sharing Information about the Diocesan Pool

Anyone can attend the Investment Team meetings (will be posted). Also, performance reports will be posted on the Diocesan website.

The Committee spent considerable time discussing how to communicate with the churches of the Diocese regarding financial resources. Endowments and invested funds involve much more than dollars and cents, the Committee believes, describing their vision as the connecting financial resources to ministry resources. The structure of endowments, use of endowments, and understanding of legal, moral and fiduciary responsibilities of endowments will be part of a diocesan wide teaching effort.

The focus of that effort, the Committee agreed, should be Treasurers, Senior Wardens and Priests. A T.H.R.I.V.E. session has been scheduled for April and Bill will discuss with Robyn who will be notified and invited. Ken Quigley will

also contact Robyn. Members also talked about attending Convocation meetings and making Committee members available for individual Parish visitations.

They also talked about developing Power Point Presentations and a video.

Record Keeping

Bill reported that a record keeping system specific to Parish investments has been created. He also noted the lack of responses from parishes regarding the trust agreements and Parish response/requests forms. The Committee acknowledged that it will take some time to get all records up-to-date and forms filed.

Determining the Total Return Spending Rate

The Committee determined that a 4% draw for 2016 would be a prudent draw based on long-term asset class forecasts and historical data. The goal of the Committee is to “maintain the spending power of the endowment” over time, taking into consideration the investment strategy, rate of inflation, and fees. Churches will be informed of the suggested draw percentage. Under PA Act141, churches can elect to use a total return spending policy and apply it to both true and quasi endowment funds.

For 2016 the draw percentage and “funds available for expenditure” will be based on September 30, 2015 values. The draw for 2017 will be calculated based on values at the end of June 2016 so that a report can be made to the fall convention and churches will know what they can expect to draw from their funds in 2017 in time for budget preparation.

Discussion

Much discussion ensued about true endowments and quasi endowment and how Act 141 applies. The Committee also discussed endowment funds that are restricted as to purpose, and the importance of fulfilling that purpose in perpetuity.