

**First United Church of Christ, Carlisle, PA
Endowment & Investment Fund**

INVESTMENT POLICY STATEMENT

I. Introduction

The First United Church of Christ, Carlisle, PA Endowment & Investment Fund (hereafter referred to as the “Fund”) was created to provide asset growth and a commensurate level of spending to assist in meeting the financial needs of the First United Church of Christ, Carlisle, PA (the “Church.”). The purpose of this investment policy statement is to establish guidelines for the Fund’s investment portfolio (the “Portfolio”) in the areas that most influence investment returns and risks. The statement also incorporates accountability standards that will be used for monitoring the progress of the Portfolio’s investment program.

II. Role of the Investment Committee

The Investment Committee (“Committee”), as a subcommittee of the Stewardship Council is acting in a fiduciary capacity with respect to the Portfolio, and is accountable to the Stewardship Council and to Consistory for overseeing the investment of all assets owned by, or held in trust for, the Portfolio, which are separate and exclusive of funds held in trust by Wilmington Trust.

- A. This Investment Policy Statement (“Policies”) sets forth the investment objectives, distribution policies, and investment guidelines that govern the activities of the Committee and any other parties to whom the Committee has delegated investment management responsibility for Portfolio assets.
- B. The Policies for the Fund contained herein have been formulated consistent with the Church’s anticipated financial needs and in consideration of the Church’s tolerance for assuming investment and financial risk, as reflected in the majority opinion of the Committee.
- C. The Policies contained in this statement are intended to provide boundaries, where necessary, for ensuring that the Portfolio’s investments are managed consistent with the short-term and long-term financial goals of the Fund. At the same time, they are intended to provide for sufficient investment flexibility in the face of changes in capital market conditions and in the financial circumstances of the Church.
- D. The Committee will review these Policies at least once per year. Changes to the Policies can be made only by affirmation of the Stewardship Council, and written confirmation of the changes will be provided to all Council members and to any other parties hired on behalf of the Portfolio as soon thereafter as is practical.

III. Investment Objective and Spending Policy

- A. The Fund is to be invested with the primary objective of preserving the long-term purchasing power of the assets through fund growth. The secondary objective is to maximize return without incurring excess risk.
- B. For the purpose of making distributions, the Fund shall make use of a total return-based spending policy, meaning that it will fund distributions from net investment income, net realized capital gains, and proceeds from the sale of investments, but will be carried out at the direction of the Stewardship Council.
- C. The distribution of Fund assets will be permitted to the extent Consistory approves such actions with the goal that such distributions do not exceed a level that would erode the Fund's real assets over time. The Committee will review its spending assumptions annually as part of the budgeting process for the operating funds for the purpose of deciding whether any changes therein necessitate amending the Fund's spending policy, its target asset allocation, or both.
- D. Periodic cash flow, either into or out of the Portfolio, will be used to better align the investment portfolio to the target asset allocation outlined in the Asset Allocation Policy at Section IV. A. herein. As the Church receives unrestricted gifts and/or bequests from members or other contributors in the form of stock or mutual funds, such stock or mutual funds will be converted to cash immediately and then invested as soon as practical to closely match the Asset Allocation Policy.
- E. First Church will endeavor to integrate its commitment to social justice, protection of life and dignity, stewardship for the planet, and promotion of the common good into its investment policies. The Stewardship Council, through its investment committee, has a moral responsibility to pursue investment returns in a manner consistent with Christian teachings and values in an effort to be exemplary stewards of God's gifts. In a general sense, this means to seek investment in companies that "do no harm" but "lean to the positive" in activities that have a direct effect on human dignity and the environment. These investments should "promote the common good" by promoting renewable energy, energy efficiency, healthcare, financial inclusion, education and sustainable agriculture.

IV. Portfolio Investment Policies

A. Asset Allocation Policy

1. The Committee recognizes that the strategic allocation of Portfolio assets across broadly-defined financial asset and sub-asset categories with varying degrees of risk, return, and return correlation will be the most significant determinant of long-term investment returns and Portfolio asset value stability.
2. The Committee expects that actual returns and return volatility may vary widely from expectations and return objectives across short periods of time. While the Committee wishes to retain flexibility with respect to making periodic changes to the Portfolio's asset allocation, it expects to do so only in the event of material changes to the Fund, to the assumptions underlying Fund spending policies, and/or to the capital markets and asset classes in which the Portfolio invests.
3. Fund assets will be managed as a balanced portfolio comprised of two major components: an equity portion and a fixed income portion. The expected role of Fund equity investments will be to maximize the long-term real growth of Portfolio assets, while the role of fixed income investments will be to generate current income, provide for more stable periodic returns, and provide some protection against a prolonged decline in the market value of Portfolio equity investments.
4. Cash investments will, under normal circumstances, be considered as part of the fixed income portion, and will be used for Fund liquidity needs or to facilitate a planned program of dollar cost averaging into investments in either or both of the equity and fixed income asset classes. Until such time, cash will be invested in certificates of deposit and/or money market funds returning the highest yields.
5. Outlined below are the long-term strategic asset allocation guidelines, determined by the Investment Committee to be the most appropriate, given the Fund's long-term objectives and short-term constraints. Portfolio assets will, under normal circumstances, be allocated across broad asset and sub-asset classes in accordance with the following guidelines:

<u>Asset Class</u>	<u>Sub-Asset Class</u>	<u>Target Allocation</u>
Equity		40 - 55%
	U.S.	70%-80%
	Non-U.S.	10%-30%
Fixed Income*		45% – 60%
	Investment Grade	80%-90%

Below-Investment Grade	10%-20%
*May include cash holdings	

B. Diversification Policy

Diversification across and within asset classes is the primary means by which the Committee expects the Portfolio to avoid undue risk of large losses over long time periods. To protect the Portfolio against unfavorable outcomes within an asset class due to the assumption of large risks, the Committee will take reasonable precautions to avoid excessive investment concentrations. Specifically, the following guidelines will be in place:

1. With the exception of fixed income investments explicitly guaranteed by the U.S. government, no single investment security shall represent more than 5% of total Portfolio assets.
2. With the exception of passively managed investment vehicles seeking to match the returns on a broadly diversified market index, no single investment pool or investment company (mutual fund) shall comprise more than 20% of total Portfolio assets.
3. With respect to fixed income investments, the minimum average credit quality of these investments shall be investment grade (Standard & Poor's BBB or Moody's Baa or higher).

C. Rebalancing Policies

It is expected that the Portfolio's actual asset allocation will vary from its target asset allocation as a result of the varying periodic returns earned on its investments in different asset and sub-asset classes. The Portfolio will be re-balanced to its target normal asset allocation under the following circumstances:

1. Utilize incoming cash flow (contributions) or outgoing money movements (disbursements) of the portfolio to realign the current weightings closer to the target weightings for the portfolio.
2. The portfolio will be reviewed quarterly (March 31, June 30, September 30, and December 31) to determine the deviation from target weightings. During each quarterly review, the following parameters will be applied:

- a. If any asset class (equity or fixed income) within the portfolio is +/-5 percentage points from its target weighting, the portfolio will be rebalanced.
 - b. If any fund within the portfolio has increased or decreased by greater than 20% of its target weighting, the fund will be rebalanced.
3. The investment manager may provide a rebalancing recommendation at any time.
 4. The investment manager shall act within a reasonable period of time to evaluate deviation from these ranges.

V. Monitoring Portfolio Investments and Performance

The Committee will monitor the Portfolio's investment performance against the Portfolio's stated investment objectives, and at least quarterly, it will formally assess the Portfolio and the performance of its underlying investments.

- A. In keeping with the Portfolio's overall long-term financial objective, the Committee will evaluate performance over a suitably long-term investment horizon, generally across full market cycles or, at a minimum, on a rolling three-year basis.
- B. Investment reports shall be provided by the investment manager(s) on a (calendar) quarterly basis or as more frequently requested by the Committee. Each investment manager is expected to be available to meet with the Investment Committee and/or Stewardship Council quarterly to review portfolio structure, strategy, and investment performance.

APPROVED: Investment Committee
on behalf of Stewardship Council

ADOPTED: Consistory

By: _____

By: _____

Date: _____

Date: _____