

THE OPERATING RULES AND INVESTMENT POLICY
FOR THE ENDOWMENT FUND COMMITTEE
BAYSIDE PRESBYTERIAN CHURCH, INC.
VIRGINIA BEACH, VIRGINIA
JANUARY 1, 2015

I. COMMITTEE ORGANIZATION

1. MODERATOR

The MODERATOR of the Committee will be approved by the Corporation Trustees and shall be responsible to conduct meetings and to ensure that the current version of the ARTICLES OF THE ENDOWMENT FUND is followed.

2. SECRETARY

The Committee shall elect from their members a Secretary who will be responsible for:

- a. Maintaining a record of the proceedings of the Committee.
- b. Submitting, via the Moderator, reports to the president of the corporation detailing actions taken, or contemplated by the committee, financial status of the Endowment Fund, recommendations for expenditures from the fund, and other items of interest and concern of the corporation.
- c. Submitting an annual report to the trustees for inclusion into the Bayside Presbyterian Church Annual Report to the Congregation.
- d. Acting for the Moderator in cases where the Moderator is unavailable.

3. HISTORIAN

The Committee shall elect from their members a Historian to be responsible for:

- a. Maintaining the membership roll of the Committee and the term each is selected to serve.
- b. Keeping a detailed and accurate historical record of contributions and their intended usage and/or any restrictions upon their use. As part of these records information shall be shown concerning the wish of the donor as to whether the Committee has permission to make public the terms of the gift and/or the name of the donor.
- c. Documenting and honoring the confidentiality of a donor if the donor wishes to remain anonymous.

4. TREASURER

The Church Treasurer will function as Treasurer for the Committee by: a. providing financial accounting, collecting and depositing fund assets, and b. Disbursing monies as directed by the Committee.

II. OPERATIONS

1. AUTHORITY TO SIGN AGREEMENTS

Any one of a. the President of the Corporation, b. the Moderator of the Committee, or c. the Treasurer are authorized to sign any necessary documents as directed by the minutes of the Committee meetings, including opening or closing accounts, directing the movement of funds, sale or purchase of investments (within approved investment policies), and other documents necessary for operation of the Endowment Fund.

2. POWERS AND RESPONSIBILITY

The committee will take full cognizance of the guidance provided in the ARTICLES OF THE ENDOWMENT FUND, especially those contained in the paragraph on Powers and Responsibilities of the Endowment Committee. In operation, they should routinely be reminded of both that section, and the Statement of Purpose of the fund.

III. SUB-COMMITTEES

The Moderator of the Committee may appoint one or more Sub-Committees from the members of the Committee to share the responsibility for operations, and the Sub-Committees may recruit from congregational members at large, should this be deemed advisable. The following Sub-Committees are authorized when in the opinion of the Moderator they are needed.

1. GIFT REVIEW COMMITTEE

This sub-committee may review all financial gifts that are received and/or proposed gifts to the Fund with restrictive provisions to determine whether such gifts are appropriate in keeping with the provisions of the Articles of the Fund. Should any gift be questionable, recommendations will be made to the full Committee as to what action should be taken. In addition, this sub-committee will determine the expected time frame for use of any gift, and along with any other considerations deemed appropriate, make recommendations to the full Committee as to whether or not any particular gift should be segregated for investment purposes as allowed under Section 5 of Article IV of these Operating Rules, and if so make recommendations as to the appropriate investment policy for such gift.

2. EDUCATION COMMITTEE

This sub-committee may:

- a. Prepare the full Committee to educate the congregation about the Endowment Fund.
- b. Plan meetings to provide information to the congregation.
- c. Seek opportunities to provide information to the congregation.
- d. Support the concept that the Fund is not in competition with the General Fund or any fund of the Church, but rather is intended to provide a manner of long term endowment to enlarge the scope of the work of the church.

3. INVESTMENT COMMITTEE

The Investment Sub-Committee shall make appropriate investments of the Fund's assets in accordance with Article IV of these Operating Rules.

IV. STATEMENT OF INVESTMENT POLICIES AND GUIDELINES

1. RESPONSIBILITY FOR INVESTMENT POLICY AND MANAGEMENT

The Committee is responsible for all investment activity of the Endowment Fund, including development of policies, guidelines and objectives. The Committee is authorized to appoint such agents, such as an investment advisor, as deemed necessary for transaction of the business and affairs of the Endowment Fund, and to pay reasonable compensation to such persons, subject to the limitations of Article VI of the Articles of the Fund.

2. STATEMENT OF OBJECTIVES

The primary objectives of the investment of the Endowment Fund will be:

- a. To maximize the long-term, total return of funds invested consistent with a total return investment practice and prudent investor guidelines.
- b. To provide a reliable, growing source of funds for distribution pursuant to the **Spending Rate**. The **Spending Rate** will be based on a three year moving average and current market conditions. The Committee shall not disburse more than five percent (5%) of the total value of the Fund annually without one hundred percent (100%) of the Committee's approval.

While there cannot be complete assurance that the defined objectives will be realized, it is believed that the likelihood of their realization is reasonably high based upon this investment policy and historical returns of the financial markets.

Market performance varies from period to period. Accordingly, relative performance benchmarks are set forth in the Control Procedures.

3. INVESTMENT GUIDELINES

It will be the policy of the Committee to invest assets of the Endowment Fund in accordance with the maximum and minimum range of each asset class as follows:

<u>Asset Class</u>	<u>Minimum</u>	<u>Maximum</u>
Total Equities	0%	60%
Fixed Income	20%	80%
Cash Equivalent	20%	80%

Total Equities investments may include both domestic and international securities. In addition to direct investments in individual securities, mutual funds and other pooled-asset portfolios are acceptable investment vehicles, provided they substantially conform to any and all restrictions and guidelines relating to investing as set forth by the Committee. Investments may be made in convertible securities as an appropriate medium for the equity portfolio when they offer a better risk/return ratio than the direct equity of the same company. For the purpose of these investment guidelines, convertible preferred securities of a company shall be considered equity investments. Equity securities in any single corporation shall not exceed one percent (1%) of the total portfolio market value. Investments in any single mutual fund shall not exceed forty percent (40%) of the total portfolio's market value.

Fixed Income investments shall be restricted to (i) fixed income securities rated A or higher by Standard & Poor's (S&P), (ii) securities issued by the PC (USA) Loan Investment Program, Inc., and (iii) certificates of deposit issued by federally insured institutions with a maturity of a year or more. In addition to direct investments in individual securities, mutual funds and other pooled-asset portfolios are acceptable investment vehicles, provided they substantially conform to any and all restrictions and guidelines relating to responsible investing as set forth by the Committee. For the purpose of these investment guidelines, non-convertible preferred securities of a company shall be considered fixed income investments. The fixed income portfolio shall be diversified with no one issuer of any one company comprising more than two percent (2%) of the fixed income portfolio (not including US government bonds or certificates of deposit).

Cash Equivalents are considered to mean cash, money market funds, and certificates of deposit with a maturity of less than a year.

Direct investment in real estate or commodities is not permitted. Indirect investments in real estate and commodities are authorized. Gifts of real estate or commodities to Endowment Fund shall be liquidated as soon as practical given the market conditions then prevailing for such assets. Direct investments in futures, options, swaps, forwards, collateralized mortgage obligations, or any other financial derivative are not permitted. Indirect investments in futures, options, swaps, forwards, collateralized mortgages and final derivations are allowed if a component of an outside managed fund.

The assets of the Endowment Fund shall not be loaned, used as collateral, assigned, or otherwise encumbered, except as set forth in section 1 of Article VI of the ARTICLES OF THE ENDOWMENT FUND.

4. CONTROL PROCEDURES

Consistent with the desire for adequate diversification, the investment policy is based on the assumption that the volatility of the equity portfolio will be similar to that of the markets. Consequently, it is expected that the volatility of the equity portfolio, in aggregate, will be reasonably close to the volatility of an overall equity market index (e.g., S&P 500).

While the primary objective of the investment policy for the Committee is to maximize return on investments consistent with the objectives and guidelines herein, it is realized that there can be compelling social and ethical

consideration in the administrations of an investment program. The basic policy of maximizing investment return does not preclude considering the undesirability of investments, particularly substantial direct investments, in certain companies, industries, and countries because of their social, ethical and moral posture, as determined by the Committee.

The performance and results of the Endowment Fund will be reviewed regularly to determine the continued feasibility of achieving the investment objectives and the appropriateness of the investment policy for achieving the objectives. It is not expected that the investment policy will change frequently. In particular, short-term changes in the financial markets should not require an adjustment in the investment policy.

The securities held in the portfolio will be reviewed regularly, to insure their continued compliance with and consistency with the investment policy, and to make decisions on dispositions, acquisitions, etc. Concentrations in single industries or market sectors, not otherwise in contravention of this document, shall nevertheless be reviewed for appropriateness. No specific restriction shall be placed on portfolio turnover, though the portfolio should be managed from the two (2) to eight (8) year perspective.

The most important performance expectations are the achievement of investment results that are consistent with Article IV Statement of Objectives and Investment Guidelines.

5. SEGREGATED FUNDS

Under Article IV of the ARTICLES OF THE ENDOWMENT FUND, the Committee may, upon the direction of the Trustees, be assigned responsibility for the investment, reinvestment, transfer and general management other Funds by the Corporation. In addition, under Section 1 of Article III of these Operating Rules, a Gift Review Sub-Committee may make recommendations regarding the segregation of, and appropriate investment policy for, other gifts to the Endowment Fund. Upon receipt of such funds or gift, and from time to time thereafter, the Committee shall determine, whether the assets of such funds or gifts will be non-segregated and invested pursuant to this Statement of Investment Policies and Guidelines, or whether because of the nature of the restrictions or other considerations, the assets of such funds or gifts will be segregated and subject to their own special investment objectives and guidelines. Any such determination of the Committee, and if applicable any such special investment objectives and guidelines, shall be recorded in the minutes of the Committee.