

Investment Policy of Acton Congregational Church

Adopted October 21, 2012

Investment Policy Objective

This policy supersedes the Endowment Policy of Acton Congregational Church, adopted on May 1, 2005.

The objective of this Policy is to provide guidance for investment of funds and any Planned Gifts, Principal Preservation Gifts, and Fixed Payment Gifts that are not dictated by specific legal documents with respect to investment instruments (see current Acton Congregational Church Gift Fund Policy). The investment objective shall be:

- To provide a satisfactory return on investment as compared to established market indices without incurring undue risk.
- To enable ACC to make long term financial commitments in support of its ministry, so-called “Standing Commitments”, that will not be dependent on annual contributions or influenced by other operating expenditure requirements.

Funds invested in money market, Certificates of Deposit (CDs), or other liquid short term instruments such as cash shall be subject to oversight by the Trustees as stipulated in Article III Section V of the Bylaws of ACC.

Management Policy

The Trustees

The Trustees shall establish an Investment Committee as a subcommittee under the Trustees to monitor fund performance and make recommendations for changing funds and/or their allocations within the guidelines of this Policy. The Investment Committee shall consist of three members of ACC that can include Trustees and at-large members. At least one of the members of the Investment Committee shall have a background in and be knowledgeable about finance and investments or, alternatively, seek the advice of a professional investment counselor. In addition, the Investment Committee will use the services of an Investment Manager to execute transactions in accordance with this Investment Policy. The Investment Manager will be designated in writing at the end of this Policy and may be a Trustee or a professional portfolio manager/management team depending on the nature of the investments.

- If the Trustees simply invest in index funds that are not actively managed, such as the Vanguard Admiral 500 fund that invests in the S&P 500, then the Investment Manager may be a member of the of the Investment Committee.

- If the Trustees invest in other instruments that are actively managed funds (i.e. not directly tied to an index), then the Trustees shall engage the services of an outside Investment Manager/Management Team.

The membership of the Investment Committee and the Investment Manager shall be approved by the Trustees.

The Investment Committee shall meet at least semi-annually with the Investment Manager to review performance and compliance and report to the Trustees semi-annually. The Investment Committee shall recommend changes in investment direction and strategy to the Trustees, based on the advice of the Investment Manager. If the Investment Manager is a designated member of the Investment Committee, he or she shall get a majority approval of the Investment Committee before recommending adjustments to funds to maintain a specified mix. This can be done more frequently than semi-annually, and may be approved through the Trustees email policy. All decisions regarding the following changes must be ratified by the Trustees if index funds are used.

- Changes of the Investment Manager
- Changes to the target mix of funds and/or the percent allocation of the funds

At the end of each fiscal year, the Investment Committee shall prepare a report to the Trustees that details the current investment status and the total return associated with ACC investments made under this policy. The report will include performance measurement of the investments compared to various market indices such as the following:

- Vanguard Stock Index – Aggregated performance measures for all stocks
- Vanguard Bond Index - Aggregated performance measures for all bonds
- Barclays U.S. Long Government/Credit Float Adjusted Index for Long Term Bonds
- S&P 500 Index for S&P 500 funds
- MSCI US Prime Market 750 Index for Large Cap Funds
- MSCI US Mid Cap 450 Index for Mid Cap Funds
- MSCI US Small Cap 1750 Index for Small Cap Funds
- MSCI Emerging Markets Index for Emerging Market Funds

Donor specified gifts may be comingled among the invested funds, and performance of these gifts will be indicated by reporting of unrealized gains in the Treasurer's report.

The Trustees shall conduct themselves following the principles of the Prudent Man Rule. Under the Prudent Man Rule, investments made under this Policy shall be invested with care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

The Trustees shall not be liable for any losses that may be incurred upon the investments of the assets covered under this Policy, except to the extent such losses shall have been caused by willful misconduct. Each member shall be liable only for her/his own willful misconduct, and shall not be liable for the acts of any other members.

Investment Guidelines

To achieve its investment objectives, investments under this Policy will be managed in a balanced manner. The goal for the portfolio mixture in a normal investment environment will be a 60/40 ratio of equity to fixed income investments. This 60/40 target mix may be changed up to 10% (from 50/50 to 70/30) with approval of the Trustees. Any further deviation to this mix must be approved by the ACC congregation. If market activity causes the ratio of equities to bond funds to move beyond 5% of the target mix (either 65/35 or 55/45 for the current 60/40 equity/bond target mix), the Investment Committee will make recommendations for either rebalancing the portfolio mix or changing the target mix within 60 days after the > 5% variation occurs. Any rebalancing will be executed by the Treasurer at the direction of the Trustees.

The investments will be diversified both by asset class (equities, bonds, cash equivalents) and within asset classes (within equities by economic sector, industry, quality, and size) to have reasonable assurance that no single security or class of securities will have a disproportionate impact on the total portfolio. Investments in any one security (e.g. stock) will be limited at the time of purchase to 10% of the total market value of the portfolio when the security is purchased.

Investments under this Policy shall be conducted in accordance with the following restrictions:

- Preference is given to investing in socially responsible financial instruments when feasible. While it is acknowledged that some funds may not have an entire portfolio of socially responsible stocks, ACC will not invest solely in stocks that are not socially responsible (e.g. stocks in companies that sell tobacco, liquor, or gambling).
- Securities may not be purchased on margin.
- The average quality of the fixed income securities (including mutual funds) shall be at least 'AA' and the minimum quality of any issue shall be 'BBB'.

Spending Policy

The investments guided by this policy are expected to achieve long term capital appreciation while also supporting short term income needs. The following spending policy ensures achievement of this goal.

- The budgeted target for spending shall not exceed 5% of the average market value of the investments over the previous 12 trailing calendar quarters.
- Withdrawals cannot reduce the initial investment value of assets placed under this policy (as of May 2013, the initial investment value was \$494,994).

This spending policy does not pertain to gifts where spending requirements are specified by the donor, and does not include any withdrawals from the Trustees Discretionary Fund and Reserve Fund assets invested under this policy since there may be instances when an immediate need for cash may exceed 5% of the average value of assets over the past 3 years.

Auditing

The Auditors of ACC shall conduct a documented audit to assure compliance with this Investment Policy at least annually. No member of the Investment Committee can be an auditor.

Amending the Investment Policy

Any amendment to this policy that will change, alter, or amend the purpose of this Investment Policy must be adopted by a two-thirds (2/3) vote of the ACC members present at a duly noticed congregational meeting conforming to the minimum quorum as specified in the ACC bylaws. Examples of amendments that require congregational approval include:

- Changes to the portfolio mix range provided in this Policy.
- Changes to the restrictions regarding what is allowed in the portfolio of investments
- Changes to the spending limits.
- Other changes to this Policy representing a change in intent of the Policy

Note that the Designation of Investment Manager below can be accomplished by the Trustees and does not need ACC member approval (The Designation of Investment Manager is not considered an amendment to the policy).

Designation of Investment Manager

The Investment Manager is Griff Resor.

Amendments to Policy

December 1, 2012 – Changed Investment Manager from UCF to Griff Resor after investments moved to Vanguard Index Funds.

May 2013 – Provided more clarity regarding Investment Committee reporting requirements, Investment Guidelines, and the Spending Policy (none of the revisions were deemed to have changed the intent of this policy). Also noted that our initial investment value has increased with an additional \$45,000 deposit into Vanguard.