

St. Luke's Lutheran Church
Investment Policy, Principles and Guidelines
Approved August 10, 2018
Amended December 14, 2023 – TBD

INVESTMENT POLICY

1. It is the responsibility of the church council to appoint an Investment Advisory Committee to recommend and monitor the investments of St. Luke's liquid assets in accordance with prudent standards, "in good faith," and with care. The number of appointees and duration of time shall be at the discretion of the church council. The Council Treasurer is an ex officio member of the Investment Advisory Committee.
2. The Investment Advisory Committee shall elect a member to schedule meetings at a minimum of annually shall meet during the month of April annually, and at other times as needed. The Council President shall ensure the meeting occurs. The Council Treasurer shall work with the committee to schedule the meeting.
3. The Investment Advisory Committee recommends sets the length of time for investments that is are consistent with the church's short term and long term financial objectives and with a goal of principal preservation. This includes recommending a safe level of principal to preserve, recommending the use of investment income for supporting current ministry activities, and recommending a diversified portfolio. The Investment Advisory Committee will make investment recommendations. The Council Treasurer is the ex-officio member of the Investment Advisory Committee. A member of the committee or the Treasurer may present the recommendations to the church council.
4. Investment Advisory Committee recommendations require the review and approval by the church council before execution at the bank. A member of the committee or the Treasurer may present the recommendations to the church council.
5. The Treasurer and the President are the authorized signers on the investment accounts. Only one signature is required to initiate a transaction. The bank and investment account may only be linked to the St. Luke's checking account, and changes to the accounts may only be made with an approved council resolution. Money transfers between the bank checking account and investment account(s) should be made by the Treasurer, after the approval of the church council. However, the Treasurer may transfer funds from the investment account(s) to the checking account to meet operating needs between council meetings if approved in writing (email for example) by the Executive Committee (President, President-Elect, Treasurer, and Secretary).
7. On a monthly basis within 10 days of the first day of the month, the church's Administrative Director will reconcile all checking, savings, and investment statements and record investment income and equity adjustmentsechanges to investment account balances in the accounting system (QuickBooks). The exception for monthly reconciliation is for accounts which do not provide monthly statements. In the case when no monthly statement is provided, the frequency of reconciliation will match the statement frequency.
- 5.8. The Treasurer shall review the church's financial, bank and brokerage statements monthly for reporting to the council. The Investment Advisory Committee and Treasurer should shall review the Treasurer's Reports which shall be made available to the congregation after approval by the church

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Commented [1]: Please cite the Constitution or By Laws reference here and change church council to "Administrative Council" which is how we are referenced in the Constitution.

Commented [SM2R1]: The current constitution lists Church Council. My understanding is that Administrative Council will not be applicable until after the Dec 2025 vote.

Commented [SM3R1]: The current constitution and by-laws doesn't specify responsibility nor does it specify anything about investments. It is possible the responsibility was conferred upon the Council to establish an Investment Advisory Committee.

Commented [SM4R1]: There is nothing in the current constitution and by-laws which assigns responsibility in particular to investments. The new by-laws make mention of investments in 4.4.5

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Commented [5]: I suggest "investment parameters"

Commented [SM6R5]: Investment parameters could work except that the committee wants to specifically recommend actual investment vehicles.

Commented [7]: Suggest inserting "...of investment accounts."

Commented [SM8R7]: Portfolio is common language for a group of investments for an organization.

Commented [9]: The by laws have preservation of principal as the wording for this section. We thought to clarify what principal is being preserved. We can't preserve all of it. Some needs to be spent on capital items, repairs and ministry.

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Investment Policy, Principles and Guidelines DRAFT 5-16-2025

~~council~~ review the church's financial, bank, and brokerage statements to insure compliance with this policy.

~~6.9.~~ The Investment Advisory Committee should review this policy at least ~~bi~~annually, or more often if necessary.

GENERAL INVESTMENT PRINCIPLES

1. The investment strategy of St. Luke's is ~~to earn dividend and interest~~ investment income and capital appreciation at a rate between 4% and 7% in conjunction with the preservation of safety principal.
2. ~~Excess cash should be productive at all times~~ by the use of short-term investments in cash equivalents, which provide safety, liquidity, and interest/dividends.

LIQUIDITY

To minimize the possibility of a loss occasioned by the sale of a security forced by the need to meet a required payment, the Investment ~~Advisory~~ Committee will periodically review an estimate of expected net cash flow to allow sufficient time to build up necessary liquid reserves.

~~The Investment Advisory Committee shall recommend a minimum and maximum balance to be held in the checking account to guide the Treasurer in managing cash flow for the purposes of operational expenses. This recommendation shall be presented to the Council for approval.~~

INVESTMENT GUIDELINES - Allowable Assets

Cash and Equivalents

1. ~~Treasury Bills/Bonds:~~ U.S. Government debt obligations with maturities of 2.5 years or less.
2. Money Market Funds - portfolios comprised of high-quality debt and monetary instruments.
3. Certificates of Deposit - savings certificates with fixed interest rates and maturity dates of 2.5 years or less.
4. Government-Sponsored Enterprise Bonds – debt obligations explicitly or implicitly backed by the U.S. Government, issued by entities such as Fannie Mae, Freddie Mac, Sallie Mae, and the Federal Home Loan Banks.
5. Treasury Inflation-Protected Securities (TIPS) - Treasury notes or bonds paying interest every six months and paying the principal when the security matures. The coupon payments and principal automatically increase to compensate for inflation as measured by the consumer price index (CPI).
- 5.6. ~~Index funds for example broad market funds such as S&P 500 index fund.~~

ASSET ALLOCATION GUIDELINES

Investment management of the assets shall be 100% in Cash & Equivalents and / or Fixed Income Securities as follows:

1. ~~Average credit quality should be~~ ~~A~~A Standards & Poors or ~~Aa2~~ Moody's (or equivalent) or better, or FDIC insured if a banking product.
2. Fixed income maturity restrictions are:

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Commented [10]: I think we need some more specifics here. The terms in this section are too broad and there are some principles missing; For example, what is our Risk Profile? Do we want high yield/high risk investments? Low yield/low risk? Somewhere in between? International stocks, US stocks, or a blend of both? How do we decide what percentage of our principal goes into each investment account, e.g., cash/money market/bonds/LCEF, etc.? Please advise.

Commented [11]: What does this mean more specifically?

Commented [SM12R11]: "Preservation of Capital" is written in the new by-laws 4.4.5. We added the word "safety" to be more specific. The vague language of 4.4.5 leave room for interpretation.

Commented [13]: This is written in the by laws.

Commented [14]: How often? Monthly? quarterly? yearly?

Commented [SM15R14]: Consistent with the annual meeting.

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Commented [16]: The investment committee is keen to have more investment options, and they believe index funds are conservative while having more opportunity for higher returns.

Commented [17]: A rating is still conservative but allows for a broader range of investment options.

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- a. Weighted average portfolio maturity should generally not exceed 2 years.
- b. Money Market Funds selected shall contain securities whose credit rating at the absolute minimum would be rated investment grade by Standard and Poor's, and/or Moody's.

~~3. The Investment Advisory Committee shall maintain balances below the \$250,000 FDIC limit for all balances in bank checking, savings and money market accounts.~~

4.3. Lutheran Church Extension Fund ("LCEF") is a nonprofit religious organization and investments are not FDIC-insured bank deposit accounts, but have the backing of \$1.5 billion in reserves and have been around for 100+ years. There has never been a loss with this entity. Funds transfer electronically between LCEF and St. Lukes within 3-business days are there are no fees. Two (2) signers from the list below are required to transfer funds along with the approval from the Investment Advisory Committee and church Council. Current LCEF account signers are:

- Senior Pastor
- ~~Pastor Emeritus being replace with~~ Treasurer
- Administrative Director
- ~~President~~ Member at Large

4. Change History

Approved August 10, 2018,

Amended December 14, 2023,

Commented [18]: Should this be added to the Investment Guidelines list above?

Commented [SM19R18]: No, it's a specific allocation of assets, not an investment guide. I think it's here to establish that St Lukes want to maintain an account at LCEF. Perhaps it could be explained why this is the case.

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