

Presbytery of the Miami Valley Investment Policy Statement A-14

I. INTRODUCTION

This Investment Policy Statement (IPS) outlines the investment goals of the Presbytery of the Miami Valley (PMV). The Presbytery Trustees (Trustees) are responsible for investment management oversight. The Trustees will be responsible for the selection of Investment Consultant(s)¹. The Trustees will also be responsible for the ongoing, periodic review of investment performance and adherence to the IPS. This document is intended to provide guidelines for the Trustees and Investment Consultant(s).

The Trustees at their sole discretion may delegate investment management oversight to a separate Taskforce. Should a Taskforce be formed, its written charter will be approved by the Trustees.

II. PURPOSE

The purpose of invested funds is to further the mission of the PMV – to prepare, equip, nurture, and connect congregations in their ministries for God’s mission. In fulfilling this purpose, the PMV intends that I Timothy 6:17-29 will provide insight and guidance:


“Instruct those who are rich in this world’s goods not to be proud, and not to fix their hopes on so uncertain a thing as money, but upon God, who endows us richly with all things to enjoy. Tell them to do good and to grow rich in noble actions, to be ready to give away and to share, and so acquire a treasure which will form a good foundation for the future. Thus, they will grasp the life which is life indeed.”

Invested funds are to be managed to support the current and future needs of the PMV. The PMV will follow a sound long-term investment policy, which balances short-term spending needs with preservation of the real (inflation-adjusted) value of the invested funds.

The Trustees are responsible for the stewardship and investment of the financial resources of the PMV to provide funds to further its mission both now and into the future. The Trustees recognize that financial resources of the PMV have been given to advance the mission and that the Trustees hold a fiduciary duty to steward those resources to fulfill the donors’ intentions both now and into the future.

The purpose of the IPS is to set forth the standards and guidelines governing the investment and management of the PMV’s investment portfolios. The IPS provides a set of general guidelines that will permit the PMV to oversee the investment of assets. The guidelines and objectives contained herein are broad in scope; more detailed information may be required for designated accounts with specific needs.

¹ As of April 2024, the PMV Investment Consultants are Money Concepts Capital Corporation and New Covenant Mutual Funds of the Presbyterian Foundation.



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The IPS will be reviewed at least every two years by the Trustees to ensure that it adequately reflects the current needs of the PMV. The IPS shall remain in force until it may be amended and approved by the Trustees.

III. DISTINCTION OF RESPONSIBILITIES

1. Trustees: The Trustees have the ultimate fiduciary responsibility for the investment portfolio. The Trustees must ensure that appropriate policies governing the management of the invested funds are in place and that these policies are being effectively implemented. The Trustees are responsible for approving and implementing investment policies, monitoring compliance with them, and reporting to the Leadership Council. This responsibility includes approving investment strategy, hiring and dismissing Investment Consultant(s), monitoring performance of the investment portfolio on a regular basis (at least annually), and maintaining sufficient knowledge about the portfolio and its advisors to be reasonably assured of their compliance with this IPS.
2. Treasurer of Presbytery: The Treasurer has responsibility for administration of the Presbytery's investment portfolio and, within the investment policies outlined, consults with the Trustees on all major and/or policy matters relating to the investment of the Presbytery's portfolio. The Treasurer is delegated the authority to vote any proxies received from the Investment Consultant(s). The Treasurer will serve as primary contact for the Presbytery's Investment Consultant(s).
3. Investment Consultant(s): The Investment Consultant(s) is/are responsible for assisting the Trustees in managing and overseeing the Presbytery's investment portfolio. On an ongoing basis the Investment Consultant(s) will:
 - Provide the Treasurer with quarterly performance reports within 30 days following each calendar quarter;
 - Meet with the Trustees annually, in person or by video conference, and as needed;
 - Monitor the activities of each investment fund;
 - Supply the Treasurer with other reports or information as reasonably requested;
 - Monitor and Report to Trustees regarding Portfolio Compliance with Section VIII – Asset Allocation

IV. INVESTMENT OBJECTIVES

1. Time Horizon: It is intended that the investment objectives stated below (Section IV-2) will be achieved by the Investment Consultant(s) over a 5-year moving period, net of investment management fees and transaction costs. However, the Trustees reserve the right to evaluate and make any necessary changes regarding the investment objectives over a shorter-term basis if deemed necessary.
2. Strategy: It is assumed that investing in securities with higher return expectations outweighs their short-term volatility risk. As a result, the majority of assets will be invested in equity or equity-like securities. (Section VIII) Fixed income securities will be



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used to reduce the short-term volatility of the portfolio and to provide income stability, especially during periods of weak or negative equity markets. Cash is not a strategic asset of the portfolio but is a residual to the investment process and used to meet short-term liquidity needs. The long-term target rate of return expectation for the portfolio is 7% on an annualized basis over a five-year time horizon, net of investment management fees and transaction costs. As stated above, the Trustees may adjust this target, but keeping the target at least two percentage points above the distribution rate (See Section IX) is necessary to protect the purchasing power of the portfolio from the impact of inflation.

3. General Performance Objectives: The primary objectives for the investment of the Presbytery's assets will be to generate sufficient long-term growth of capital, without undue exposure to risk, to provide a sustainable level of spending distributions, as well as enhance the real (adjusted for inflation) purchasing power of the investments. The priority should be total return in a risk-averse philosophy with consistency in investment performance. The objectives below shall be accomplished utilizing a balanced strategy of equities and fixed income based upon a mix which is intended to provide for real growth, net of inflation and investment fees.
 - A. Liquidity: Investments in Cash accounts shall be available upon request and in conjunction with other operating policies.
 - B. Asset Preservation: To preserve and enhance the real purchasing power of the assets over time.
 - C. Income: To provide a predictable source of annual income to the PMV for future distribution, as the Trustees deem reasonable, providing predictable contributions to the annual budget.
 - D. Growth: The objective of this portion of the investment portfolio is long-term appreciation. It is assumed that some assets in this portion of the investment portfolio will include equities (Section VIII). The assumed risk, defined as volatility of the underlying assets, is higher for this portion of the investment portfolio.

Performance will be monitored on a regular basis and reported according to Section III - 3. The performance of the assets that comprise the investment portfolio will be measured by an index recommended by the Investment Consultant(s) and agreed to by the Trustees. See Section VIII.

V. INVESTMENT GUIDELINES

1. Fiduciary Duty: In seeking to attain the investment objectives set forth below, the Trustees shall exercise prudence and appropriate care in accordance with the Prudent Investor Rule which requires a fiduciary to act in the best interest of the beneficiaries. All investment actions and decisions must be based solely in the interest of the PMV. Fiduciaries must provide full and fair disclosure of all material facts regarding any potential conflicts of interests.



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2. Operating Reserve Funds: The use and amount of Operating Reserve Funds falls under a separate PMV policy. However, the investment of the Operating Reserve Fund assets falls under this IPS. Operating reserve assets shall be invested with the objective of preserving assets to cover operating expenses and realizing earnings in a way that allows for immediate liquidity to meet the PMV's ongoing and operational needs. Operating reserve assets may be invested in the following investment category (defined in Section VI): **Cash**
3. Invested Funds: The Invested Funds of the PMV are a co-mingled "fund of funds." The Invested funds shall be invested with the objective of preserving the long-term real purchasing power of the Funds' assets while realizing appropriate investment income. Invested Fund assets may be invested in the following investment categories (defined in Section VI): **Cash, Fixed Income Investments, Equity Investments, Publicly Traded Mutual Funds and Exchange Traded Funds**
4. The Trustees encourage bequests and gifts to the Invested Funds without use restrictions (the "Unrestricted Invested Funds"). Unrestricted Invested Funds will be used to support all aspects of the PMV's mission both now and in the future. However, the Trustees recognize that a donor desiring to make a bequest or gift to the Invested Funds may have special interests to be supported by such contribution. See Gift Acceptance Policy.

Invested funds will fall into three categories:

- Unrestricted: These funds are free from any external restrictions and are available for general use. The PMV's intent is to draw a percentage of the invested funds annually to support ongoing operations. However, both principal investments and income can be withdrawn, up to 100% of the fund balance. See Section IX, Spending Policy, for details on drawing funds.
- Temporarily Restricted – These funds can have donor restrictions that may be satisfied by the passage of time (time restriction) or by performing defined activities (purpose restriction). These funds may also be Trustee restricted by the PMV Trustees for a specific purpose. The Trustees, at their discretion, may reverse their previous restriction.
- Permanently Restricted: These funds are restricted by the donor for a time restriction or designated purpose that will never expire. The intent is that the original principal balance of the contribution will remain as an investment forever and the PMV may use the interest and investment returns. A Permanently Restricted fund is also called an Endowment and may be invested separately from Unrestricted and Temporarily Restricted funds for ease of tracking.

VI. INVESTMENT CATEGORIES AND ELIGIBLE INVESTMENTS



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Securities held in the investment portfolio will be limited to investments conforming to the asset classes and parameters described in this section. The assets of the investment portfolio cannot be invested in any asset class not included in this section.

1. Cash: Cash investments should be short-term money market funds or money market instruments that would mature in not more than one year. Money market funds should be in FDIC or SIPC insured deposit accounts.
2. Fixed Income Investments: Fixed Income Investments shall be invested utilizing principally an income investment strategy. The average credit quality of the bonds held in this portion of the fixed income portfolio shall be rated investment grade or higher. Maturities of the portfolio should generally be of short to intermediate length but may emphasize shorter or longer maturities depending on yield differentials.
3. Equity Investments: The Equity portion may be diversified among Large-Cap, Mid-Cap, Small-Cap and International as well as with the Value and Growth styles. International investments are also permitted in the equity portion of the portfolio only.
4. Publicly Traded Mutual Funds and Exchange Traded Funds: Publicly traded mutual funds and exchange traded funds may be used to carry out the target asset allocation for the investment portfolio's holdings. All funds selected should be well-diversified, offer Institutional Class shares, and provide net asset valuations published daily.
5. Mission Constraints: The PMV Trustees may elect to invest in companies whose business conduct is consistent with its mission, goals, and beliefs.

VII. RISK TOLERANCE

The PMV recognizes that seeking higher returns generally requires a higher tolerance for risk and greater volatility of investment assets. The PMV seeks to maximize returns while addressing the investment portfolio targets set forth in Section IV – 2.

VIII. ASSET ALLOCATION

This section pertains to assets and funds that can be invested outside of the guidelines for Operating Reserve Funds which must be in Cash (Section VI -1).

The goal of asset allocation is to reduce risk through diversification by having exposure to a variety of investments that are expected to perform differently during various market conditions. Asset allocation is also used to align an investment portfolio's holdings with the PMV's objectives.

The Trustees have outlined the PMV's asset allocation strategy in the table below. This strategy provides for a Target Allocation of the investment portfolio and allows for an Acceptable Allocation Range to accommodate periodic inflows and outflows into the investment portfolio that occur in the normal business operations as well as fluctuations that may occur in the market.



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The Trustees recognize that no guarantees can be provided regarding the future performance of the investment portfolio, and the IPS shall not be construed as offering such a guarantee.

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Allocation Policy

Asset Category	Allocation	Target Allocation	Benchmark
Cash	1-5%	5%	Money Market Return
Fixed Income	30-50%	40%	Barclays Agg. Govt./Credit
Core Bonds	10-40%	35%	
High-Yield Bonds	0-10%	5%	
Equities	50-70%	55%	S&P 500
Large-Caps	20-30%	30%	
Mid-Caps	0-20%	10%	
Small-Caps	0-15%	10%	
International	0-10%	5%	MSCI EAFE

Note: Ranges in target allocation column total to the percentages within each main Asset Category. In the allocation column, the minimum and maximum ranges are shown.

Adjustment to Target Allocations: From time to time, market conditions may cause the investment portfolio’s investments to vary from the established target allocations. To remain consistent with the asset allocation guidelines established by this IPS, each broad asset class in which the investment portfolio invests shall be reviewed by the Trustees in consultation with the Investment Consultant(s) for potential rebalancing back to target allocations. The Trustees and Investment Consultant(s) retain the option to not rebalance the investment portfolio back to target allocations based on market conditions, economic events or account activity unless expressly disallowed within this IPS.

IX. SPENDING POLICY

The amount to be spent in the next budget year is calculated by June 30th of the current year and is reviewed and approved by the Trustees at a regularly scheduled meeting. The calculation is based on a 12-quarter average (ending of December 31st of the previous year) of the market value of the total fund, multiplied by a percentage specified by the Trustees. The Trustee’s target is to spend no greater than **5%** of the 12-quarter average each budget year but the Trustees have full authority to designate a percentage higher than **5%**. The Trustees will gain approval from the Presbytery (at a regularly scheduled Presbytery meeting in the third quarter of each year) for the proposed distribution amount from the invested funds for the next Budget year. Distributions will be made from the total return of the portfolio, including interest, dividends and realized gains. Interest and dividends payments will be reinvested as they are earned.



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X. PLEDGED OR RESTRICTED ASSETS

Should the PMV enter into legal and/or financial arrangements where certain investments are required to be pledged or restricted, such assets will be invested and managed in accordance with the terms/provisions of the governing agreement(s). Where such agreements are silent as to the management of specific assets and/or investment strategy (such as a blanket lien or pledge on assets), such investments shall be managed in accordance with this IPS.

XI. PROHIBITED INVESTMENTS AND TRANSACTIONS

Unless the Trustees give written approval, the following prohibited transactions and restrictions are in effect:

1. Short-selling and the purchase of securities on margin
2. Direct investment in commodities
3. Direct investment in oil, gas or natural resource properties or other mineral rights
4. Warrants, options, or futures contracts
5. Hedge funds
6. Private equity and/or venture capital investments
7. Non-marketable investments such as limited partnerships
8. Crypto-currencies
9. Federally prohibited businesses

See also PMV Gift Acceptance Policy.

XII. EVALUATION AND REVIEW

The objective of the evaluation and review process is to monitor the performance of Investment Consultant(s) in achieving the investment objectives as outlined in this IPS. Performance will be measured and reviewed by the Trustees. With a view toward one-year, three-year and five-year performance horizons, the Investment Consultant(s) will review and report to the Trustees no less than annually as follows:

1. The investment portfolio's performance relative to stated objectives;
2. The investment portfolio's performance relative to recognized market indices;
3. Adherence to the IPS objectives by the Investment Consultant(s); and
4. Operational and service-related performance of the Investment Consultant(s).

The Investment Consultant(s) will be reviewed on an ongoing basis and will be evaluated based upon the following additional criteria:

1. Ability to exceed the performance objectives stated in this Investment Policy Statement.
2. Adherence to the philosophy and style that were articulated to the Trustees at, or after the time the Investment Consultant(s) was retained.



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3. Continuity of personnel and practices at the firm.

XIII. AMENDMENT

The Trustees may from time to time amend these policies for the Invested Funds by the majority vote of the members of the Trustees present at a duly called meeting; provided, however, no amendment may alter the use of Invested Funds which are subject to a donor restriction without the unanimous vote of the members of the Trustees present; provided, further, no amendment shall authorize the Trustees to use all or any part of the Invested Funds in any manner or for any purpose contrary to the Book of Order of the Presbyterian Church U.S.A.

Key Dates in this policy:

- 1) Every other year - Policy Review by Trustees – Last Reviewed on 10/7/2024
- 2) Each Year – Set spending rate for next year by June 30th
- 3) Each Year - During 3rd Quarter – Presbytery to approve revenue from invested funds for next budget year
- 4) Each Year – Trustee Evaluation and Review of Investment Consultant(s) (Section IX)¹