

PRESBYTERY INVESTMENT POLICY

6/13/20

PURPOSE

This policy statement is designed to guide staff and external agents in procedures and standards for the handling of investment funds of the Presbytery of Genesee Valley (PGV).

INVESTMENT FUNDS

Investment Funds are those monies and assets which are not required for short-term needs. They are held for future income, growth and use.

FUNDS OF PRESBYTERY OF GENESEE VALLEY

Funds of the PGV can be used for any lawful purpose as determined by PGV governance, except that certain funds are restricted by the terms of their donation or by a designation previously adopted by PGV (the later subject to subsequent amendment by PGV).

PGV DESIGNATED FUNDS ARE:

A. GENESEE VALLEY FUND

This fund was created as of January 1, 2020 from the value of the Acquired Assets Fund (excluding the Presbytery's commitment to ROC SALT), the Revolving Loan Fund, and the Budget Support Fund. Assets acquired thereafter from the dissolution of congregations, the sale of property, bequests (unless specified by the donor and accepted by the Board of Trustees) and any other undesignated gifts will be held in this fund.

The purpose of this Fund is to grow in value with investment return and to provide Total Return/Spend income for the Presbytery operating budget annually. A Total Return/Spend policy is a defined calculation methodology that determines the annual amount of non-restricted investments that may be used to support the Presbytery's operating budget on a sustainable basis, year over year.

- Total Return is the combination of investment fund income, dividends, and market fluctuation.
- Total Spend is the calculated annual amount available using a pre-determined percentage (5%) and a rolling average investment market value (20 quarters) in order to smooth out the impact of market volatility.

The Trustees, at the time this policy is adopted, recommended to the Big Picture Team and the Presbytery and they accepted, that 5% of the Fund's value be drawn annually as income, calculated over the preceding 20 quarters for a rolling investment market value. For subsequent years, the Trustees shall review these in advance of the budget preparation and proposal process

of the Budget Development and Oversight Committee. Any change in either figure will be recommended by the Trustees, approved by the Big Picture Team and reported to the Presbytery.

The operating budget will show the amount to be drawn for each year in the line item: Budget Support from Investments. Any amount approved by the Presbytery in addition to this draw will be shown at the bottom of the Operating Statement and Annual Budget as Deficit Offset from the Genesee Valley Fund to show clearly to the Presbytery that this is additional support beyond the annual draw.

Additional Uses of this Fund:

Loans and Lines of Credit

Churches seeking loans or lines of credit for building repair/renovations will be encouraged, with the consultation and approval of the Trustees, to apply first to the Presbyterian Investment and Loan Program (PILP).

Reserves

The Trustees will calculate the amount of the reserve to be held within the Fund to back the loan guarantees for all PILP Loans or loans from other lenders, including mortgages for new construction. The Fund will be managed in such a way that there are always sufficient reserves to make nine months of payments on loans and loans guaranteed, and to fund any approved lines of credit.

DONOR DESIGNATED FUNDS OF PGV

B.1. SLATER FUND

Established through bequest of Eleazer Slater in 1822 and judicially reformed by Orleans County Surrogate Court and Orleans County Court to benefit five Presbyterian Churches located in Orleans County, namely First Presbyterian Church of Albion, Barre Center Presbyterian Church, First Presbyterian Church of Holley, Lyndonville Presbyterian Church and First Presbyterian Church of Medina. The original book value of \$22,623 is restricted. Annual Income attributable to the Slater Fund is to be divided equally among the five designated churches. PGV encourages these churches to tithe this income. Realized capital gain attributable to the Slater Fund is also for the benefit of those five churches. They may submit proposals for the use of this realized gain to the Trustees of PGV for determination and disbursement.

B.2. DONOR SPECIFIED USE FUNDS

Background

Over the years, the Presbytery has acted as banker, receiving agent, disbursing agent, and/or bookkeeper for funds coming from Synod and GA to member churches, funds going from member churches to Synod and GA, and funds related to various Presbytery groups that do not have bookkeeping or banking capabilities. From time-to-time, the Presbytery will also receive gifts, grants, and bequests, while not permanently restricted, are given with a donor-specified use or functional understanding.

Policy

The Presbytery may perform the banking and bookkeeping function for Presbytery-related groups, pass-through funds, and donor-specified use funds. These moneys shall be accounted for in a 3100 series account in the Presbytery General Ledger. The Financial Administrator shall give these groups reports as to their account activity whenever they request. These Donor Specific Use Funds shall not be placed in the professionally managed Investment Fund and shall not participate in any capital gains or losses that may occur in the Investment Fund.

Responsible Committees:

Presbytery Peace OfferingGrants Working Group
Ministry Candidates Aid FundCommittee on Preparation for Ministry

B.3. GRACE FUND FOR URBAN MINISTRY

The proceeds from the sale of Grace Presbyterian Church formed the original corpus of this portion of PGV Investment Funds. The Board of Trustees and the Big Picture Team shall make recommendations to the Presbytery for uses of this fund

B.4. YOUTH TRIENNIUM ESCROW FUND

Annually, PGV deposits moneys in this separate Fund which are spent every three years to send youth to the General Assembly sponsored Youth Triennium event. These monies will not be placed in the Investment Fund and shall not participate in the gains and losses generated by the Investment Fund.

B.5. WESTMINSTER WORSHIP MINISTRY AT RPH FUND

The proceeds from the sale of Westminster Presbyterian Church formed the original corpus of this portion of PGV Investment Funds. The sole purpose of this fund is to support the work of a Mission Co-worker Chaplain at the Rochester Presbyterian Home. The demands on the fund and the progress of the program at the Home will be reviewed annually by the Big Picture Team and the PGV Board of Trustees. If for any reason the Mission Co-worker Chaplain program were terminated, the remaining money in this fund shall be combined with the Grace Fund for Urban Ministry which will then be re-named the Grace-Westminster New Church Development Fund, thus insuring that the Westminster Funds will be used for purposes consistent with the vision and goals of the Westminster Congregation.

APPLICABLE LAW

Use of PGV funds is subject to The Book of Order and the directives of the General Assembly of the Presbyterian Church, USA and to the laws of the United States and the State of New York, including, but not limited to, the New York Prudent Management of Institutional Funds Act, Article 5 of New York Not-for-Profit Corporation Law (NYPMIFA).

GOALS AND OBJECTIVES

INVESTMENT GOALS (GENERAL)

Preserve Capital

Achieve adequate return net of Inflation and Expenses

Grow the fund

INVESTMENT OBJECTIVES

Preserve Capital

Control risk

Generate income

Grow assets

Follow investment discipline

Maintain enough liquid assets to meet distributions

Meet or exceed reasonable market benchmarks chosen by PGV

Ambitious goals of profit maximization and market timing through short-term and/or speculative investments will not be sought.

RESTRICTIONS ON INVESTMENTS

PGV will adhere to the directive of the General Assembly on Divestment. The General Assembly urges divestment and/or proscription of those corporations on its Divestment List, which is updated annually. PGV seeks to follow this directive by avoiding direct holding of any securities or debt of the listed corporations. PGV recognizes that avoiding any indirect holding of such securities or debt through holding of mutual funds or similar instruments which, in turn, hold securities or debt of the listed corporations, is difficult to achieve, but aspires to minimize these positions as well.

Currently this list is available through a link on General Assembly website at: <https://www.presbyterianmission.org/ministries/mrti>.

PGV has a desire for the management of its investments to reflect its ethical, social, and moral principles. Accordingly, investment strategies that include a focus on positive Environmental, Social, and Governance practices are encouraged, subject to the availability and expected effectiveness of such strategies.

PGV will not invest in the following:

Commodities and Future Contracts

Private Placements

Limited Partnerships

Venture Capital Investments

Hedge Funds

Fixed Income securities that are not denominated in U.S. Dollars or Euros, or Pounds Sterling.

Hard assets, including, but not limited to, precious metals, gems, art, collectibles.

International Equities not traded on domestic exchanges or in over-the-counter markets unless included in a U.S.-based commingled fund.

Real estate other than through publicly traded REITS.

Auction rate securities.

PGV will not engage in the following prohibited transactions:

Short selling

Margin Transactions

ROLES AND RESPONSIBILITIES

BOARD OF TRUSTEES of PGV shall:

Be responsible for oversight of Investment Funds and Investment Policy. That oversight includes:

1. Appoint External Investment Manager.

2. Monitor activity of External Investment Manager, including, but not limited to:

a. Set standards of performance, including, but not limited to, market benchmarks. Currently, these standards are: “total return of at least 3-7% above the rate of inflation annually over a market cycle.” (Policy for the Professionally Managed Investments in Investment Policy at p. 11.)

b. Set minimum credit risk for individual investments, and average weighted credit quality for entire fixed income portfolio.

c. Set strategic goals, including, but not limited to, asset allocation. The targeted asset allocation is 70% Equity, 30% Fixed income. Variations from these targets should be maintained within plus/minus ten percentage points.

d. Set standard for mix between U.S. and foreign holdings. Foreign stocks are expected to comprise 30% of the equity portion of the portfolio, with an allowable range of 10%-40%.

e. Monitor investment positions against the list of prohibited investments set forth in this Policy and GA Divestment List.

f. Review all statements and reports issued by External Investment Manager and Custodian.

g. Meet face to face with External Investment Manager, not less frequently than annually.

h. Provide the External Investment Manager with a copy of the current Investment Policy at least annually and as soon as reasonably possible after the adoption of any amendments or changes.

3. Report at least quarterly to the Big Picture Team and to the Presbytery on Investment Fund's performance and the performance of the External Investment Manager.

EXTERNAL MANAGER:

Any External Agent to whom PGV delegates the management and investment of its Investment Fund (hereinafter sometimes referred to as "External Manager") shall:

Invest PGV assets pursuant to the terms of this Policy and its successor Policies as communicated to External Manager.

Maintain a relationship with PGV terminable at any time, without penalty, upon not more than sixty days' notice. (NYPMIFA, Section 554(e))

Engage, interface, supervise and pay brokers, dealers and custodians. The custodians shall maintain possession of all PGV Investment Fund securities and funds, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian will also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the PGV accounts.

Provide PGV with Quarterly Reports including a list of assets priced at market value at the end of the quarter and including earnings on an accrual basis, transaction activity and a balancing report for the previous quarter.

Monitor changes in management or other material changes for each of the investments chosen.

Notify PGV promptly of material changes of ownership, structure or key personnel of the External Manager and of the individual account representative of the External Manager assigned to the account of PGV.

Notify PGV promptly of any actual or potential conflicts of interest that could affect PGV account.

Notify PGV promptly of any litigation or enforcement actions outstanding against the External Manager or any of its investment professionals and any notice External Manager has of impending initiation of such.

INVESTMENT MANAGEMENT STANDARDS OF CONDUCT

The following standards will be met in the management of the Funds:

- a. Subject to the intent of a donor expressed in any gift instrument, the Board of Trustees, in managing and investing the Funds, shall consider the Purposes of the PGV and the purposes of the Funds.
- b. In addition to complying with the duty of loyalty imposed by law, each person responsible for managing and investing the Funds shall manage and invest in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances. A person who has special skills or expertise, or is selected in reliance upon the person's representation that the person has special skills or expertise has a duty to use those skills or that expertise in managing and investing the Funds.
- c. In managing and investing the Funds, the Trustees and External Manager may only incur costs that are appropriate and reasonable in relation to the assets, the purposes of the PGV, and the skills available to the PGV.
- d. The Trustees and External Manager shall make every reasonable effort to verify the facts relevant to the management and investment of the Funds.
- e. Except as otherwise provided by a gift instrument, the following apply:
 1. In managing and investing the Funds, The following factors, if relevant, will be considered:
 - i. General economic conditions;
 - ii. The possible effect of inflation or deflation;
 - iii. Any expected tax consequences, if any, of investment decisions or strategies;
 - iv. The role each investment or course of action plays within the overall investment portfolio of the Funds;
 - v. The expected total return from income and the appreciation of investments;
 - vi. The needs of the PGV and the Funds to make distributions and preserve capital;
 - vii. Other resources of the PGV; and
 - viii. Any specific asset's special value, or special relationship, if any, to the purposes of the Funds.
 2. Management and investment decisions about an individual asset must be made, not in isolation, but rather in the context of the Funds' portfolio of investments as a whole and

as part of an overall investment strategy having risk and return objectives reasonably suited to the Funds and the PGV.

3. The Trustees and the External Manager shall diversify the investments of the Fund unless the Trustees determines that, due to special circumstances, the purposes of the Funds are better served without diversification. The Trustees shall review a decision not to diversify as frequently as circumstances require, but at least annually.

4. Within a reasonable time after receiving property, the PGV shall make and carry out decisions concerning the retention or disposition of the property or to rebalance a portfolio, in order to bring the Funds into compliance with the purposes, terms, and distribution requirements of the Funds.

f. This IPS sets forth guidelines on investments and delegation of management and investment functions in accord with Prudent Investor standards and the standards of the New York Prudent Management of Institutional Funds Act (NYPMIFA).

POLICY ADOPTION

This investment policy statement was approved and adopted by the Board of Trustees at its meeting on _____ and is included in the minutes thereof. The Trustees recommend the Policy to the Presbytery for Approval and Adoption.