

The Georgetown Congregational United Church of Christ

Investment Requirements Statement Objectives & Guidelines

Executive Summary of Investment Requirements Statement

Type of Plan:	Endowment Fund
Current Assets:	\$ 214,353 (as of September 30, 2009)
Time Horizon:	Perpetual
Expected Return:	7.5%
Risk Tolerance:	Moderate
Spending Policy:	5% of the average of principal unit value¹ for the prior three years

Asset Allocation:

	Minimum	Maximum	Preferred
Domestic Large Cap Equities	40%	70%	50%
Domestic Small/Mid Cap Equities	0%	15%	10%
Fixed Income	20%	60%	30%
International	0%	20%	10%

Evaluation Benchmark: Total return to exceed the performance of a policy index based upon the strategic asset allocation of the Fund to various broad asset classes. Specifically, the policy index will be a weighted index comprised of:

- **50% S&P 500**
- **10% Russell 2000 Small Cap Index**
- **30% Lehman Intermediate Gov/Corp**
- **10% EAFE**

¹ Based on quarter-end principal unit-value data from the 12 calendar-quarters of the previous three calendar years, calculated once per year in the January following the three calendar years.

Statement of Investment Requirements, Objectives, and Guidelines

GENERAL INFORMATION

Fund name: Endowment Fund (The Fund)

Fund's mission: The First Congregational Church United Church of Christ is a nonprofit organization authorized to receive gifts, bequests and devises of real or personal property to be administered according to the terms of specific wills or governing instruments.

The Church is a non-profit religious organization exempt from income tax under Internal Revenue Code Section 501(c)(3)-1(d)(2) and contributions to The First Congregational Church United Church of Christ qualify as charitable contributions.

The Fund's investment mission is to preserve real value of assets and pay a reasonable and stable current income which increases over time at least at the rate of inflation.

PURPOSE OF THIS INVESTMENT REQUIREMENTS STATEMENT

In general, the purpose of this statement is to outline a philosophy and attitude which will guide the investment management of the assets toward the desired results. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical.

GOAL OF THE FUND

Finance Team feels that this Fund will serve its community best by emphasizing distributions to be made in the future as being as important as distributions made today. This is consistent with our philosophy that this Fund is to exist in perpetuity. The Fund's purchasing power *may* be subject to erosion unless the investment strategy implemented can support the current and future levels of spending. That is, net of spending, the aggregate portfolio must grow at a rate equal to or in excess of the rate of inflation in order to avoid real principal invasion.

DELEGATION OF AUTHORITY

The Finance Team of the First Congregational Church of Georgetown United Church of Christ is a fiduciary, and is responsible for directing and monitoring the investment management of Fund assets. As such, the Finance Team is authorized to delegate certain responsibilities to professional experts in various fields.

These include, but are not limited to:

1. Investment Management Consultant/Financial Advisor. This role may assist the Finance Committee in: establishing investment policy, objectives, and guidelines; selecting investment managers; reviewing such managers over time; measuring and evaluating investment performance; and other tasks as deemed appropriate.

2. Investment Manager. Each investment manager has discretion to purchase, sell, or hold the specific securities that will be used to meet the Fund's investment objectives, as long as all investments are in compliance with the guidelines outlined in this Statement of Investment Policy.
3. Custodian. The custodian will physically (or through agreement with a sub-custodian) maintain possession of securities owned by the Fund, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Fund accounts.
4. Additional specialists such as attorneys, auditors, actuaries, retirement plan consultants, and others may be employed by the Finance Team to assist in meeting its responsibilities and obligations to administer Fund assets prudently.

Managers will be held responsible and accountable to achieve the objectives herein stated. While it is not believed that the limitations will hamper investment managers, each manager should request modifications which they deem appropriate.

INVESTMENT MANAGEMENT REQUIREMENTS

1. Risk Aversion - Understanding that risk is present in all types of securities and investment styles, the Finance Team recognizes that some risk is necessary to produce long-term investment results that are sufficient to meet the Fund's objectives. However, the investment managers are to make reasonable efforts to control risk, and will be evaluated regularly to ensure that the risk assumed is commensurate with the given investment style and objectives.
2. Adherence to Investment Discipline - Investment managers are expected to adhere to the investment management styles for which they were hired. Managers will be evaluated regularly for adherence to investment discipline.
3. Concentration with one investment firm – The Finance Team wishes to limit exposure to:
 - a. 5% in any single security other than US government securities, CD's or money markets
 - b. 25% in any one sector (as defined by the 10 sectors of the S&P 500).

SPENDING

All investments, excepting the original endowments amounts, may be used at any time for their designated purpose with proper authorization from the Finance Team, or in the case of the Memorial Fund, the Council or in the case of the Local Aid (Adams/Dole) Endowment, the Diaconate.

Should negative returns result in the Endowment Fund falling below the original endowed amount, distributions from the Fund will be halted until the Fund reaches its original amount.

Any use of the Fund for any reason other than its designated purpose for \$10,000 or less will require Council approval: any amount over \$10,000 will require our congregation's Membership approval.

This Fund will use the moving average method of determining year to year spending in order to smooth distributions from the Fund. Income will be calculated and distributed annually at a rate of up to 4.5% of "portfolio value" to be set annually in the first calendar quarter of the year. The "portfolio value" will be determined based on a 3 year (12 calendar quarters of data) moving average of portfolio market value. This policy serves two purposes. First, it provides for more consistent and predictable spending for the programs supported by this Fund. Second, it allows the Finance Committee to design an investment strategy which is more "aggressive" with a higher expected return than might be the case if spending were determined by annual investment performance. With an annual determination method, there is a tendency to pay out the "excess" earnings during periods of overperformance, while maintaining a certain absolute dollar floor of spending during periods of underperformance. Over the long-term, this may result in an erosion of real principal. Therefore, by smoothing the spending, the Fund reduces the likelihood of real principal erosion due to portfolio volatility.

INVESTMENT GUIDELINES

Allowable Assets and Transactions

1. Cash Equivalents
 - Treasury Bills
 - Money Market Funds
 - Certificates of Deposit
2. Fixed Income Securities
 - U.S. Government and Agency Securities
 - Corporate Notes and Bonds (BBB or better)
 - Fixed Income Securities of Foreign Governments and Corporations
3. Equity Securities
 - Common Stocks
 - Convertible Notes and Bonds
 - Convertible Preferred Stocks
 - American Depository Receipts (ADRs) of Non-U.S. Companies
 - Stocks of Non-U.S. Companies (Ordinary Shares)
4. Mutual Funds / Co-mingled funds
 - Mutual Funds which invest in securities as allowed in this statement.

Prohibited Assets and Transactions

Prohibited investments include, but are not limited to the following:

1. Commodities and Futures Contracts
2. Private Placements
3. Any use of margin credit
4. Unregistered Hedge Funds
5. Short Selling

INVESTMENT MANAGER PERFORMANCE REVIEW AND EVALUATION

Performance reports shall be compiled at least quarterly and communicated to the Finance Team for review. The investment performance of total portfolios, as well as asset class components, will be measured against commonly accepted performance benchmarks. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this statement. The Finance Committee intends to evaluate the portfolio(s) over at least a three year period, but reserves the right to terminate a manager for any reason including the following:

1. Investment performance which is significantly less than anticipated given the discipline employed and the risk parameters established, or unacceptable justification of poor results.
2. Failure to adhere to any aspect of this statement of investment policy, including communication and reporting requirements.
3. Significant qualitative changes to the investment management organization.

Investment managers shall be reviewed regularly regarding performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results.

INVESTMENT POLICY REVIEW

To assure continued relevance of the guidelines, objectives, financial status and capital markets expectations as established in this statement of investment policy, the Finance Committee plans to review investment policy at least annually.

This statement of investment policy is adopted on October 13, 2009 by the Finance Committee of the Georgetown Congregational Church of The United Church of Christ.

Attest: _____, Finance Committee Chairman