



## **ST. PAUL'S UNITED METHODIST CHURCH**

910 East North Street

Manteca, CA 95336

209- 823-7154

### **Endowment Policy**

#### **Resolution**

We, the Endowment Committee of the Board of Trustees (hereinafter referred to as "The Endowment Committee" move to establish the St. Paul's United Methodist Church Endowment Fund (hereinafter referred to as "The Endowment Fund" classified as restricted funds of the St Paul's United Methodist Church, Manteca, California (hereinafter referred to as "The Church."))

#### **I. The Church Mission**

We believe and practice

**Open hearts** to the journey of faith in today's diverse and challenging world.

**Open mind** to the transformation God seeks in us and in the world through us.

**Open doors** to be a spiritual home of radical hospitality, welcome, and unconditional love.

#### **Statement of Welcome:**

We endeavor to be a church that is open, loving, welcoming, and accepting of all persons. We are enriched by the gifts of persons of different ages, ethnicity, gender, sexual orientation, handicapping conditions, education, and economic class. As followers of Jesus, we seek to help each one through our ministries of worship, education, and care giving find his/her way to God and God's will.

#### **II. Purpose of Endowment Committee**

We seek accumulated, inherited and appreciated resources. It is understood that special gifts and bequests should not take the place of faithful stewardship of current income, but should be made to enable The Church to accomplish areas of work it might otherwise be unable to undertake.

The purpose is to establish a regular policy and procedure for the effective management and disposition of funds or other properties, which are contributed to The Church and received by the Endowment Committee as endowment through:

- A. Bequest by will or living trust
- B. Charitable remainder trusts
- C. Transfer of property (e.g., cash, stocks, bonds, real estate)
- D. Life income gift
- E. Assignment of life insurance
- F. Charitable Gift Annuity
- G. Other instructions as provided by the donor.
- H. Other gift

All such gifts will be administered in accordance with the instructions of the donor and the investment guidelines set forth in this policy statement.

### **III. The Endowment Fund Mission Statement and Structure**

The Endowment Fund is a fund maintained to provide income in perpetuity, or for a designated term, for general or restricted use by The Church. The fund objectives are to conserve the principal and utilize the investment income in accordance with the Endowment spending policy. The income, from undesignated gifts to The Endowment Fund, may be used for any purpose consistent with the mission of The Church. This would include, but not be limited to, such projects as the following:

- A. Areas of need beyond the local church, such as General agencies of the United Methodist Church such as the General Board of Global Ministries (GBGM).
- B. Improvement of space and facilities
- C. Maintenance of buildings and grounds
- D. Program or staff expansion in Children, Youth or Adult Ministries
- E. Music program
- F. Scholarships
- G. Unrestricted General Fund (for special needs and ministries determined by the church leadership).
- H. Local Ministries
- I. In Perpetuity Pledge Fund. Earnings to be distributed annually to the St. Paul's United Methodist Church General Fund.

The Endowment Fund shall be subject to the laws of the State of California, the Articles of Incorporation of The Church, the Discipline of the United Methodist Church, and the actions of The Church Conference of The Church.

#### **IV. The Endowment Committee**

The Endowment Committee shall exist under the authority of The Church Conference and shall report via the Board of Trustees and the Church Council.

The Endowment Committee shall be composed of up to 7 members, including 3 members-at-large. The members at large shall be elected for a three (3) year term by The Church's Nominating Committee process, with one member rotating on and one rotating off each January. One of these members at large shall be elected to serve as Chairman-elect the first year, Chairman the second year and Past Chairman the third year. Other voting members are Chairperson of Trustees, Church Treasurer, Finance Chairperson and Church Financial Secretary. These members shall serve as long as they are elected or appointed to those positions. Non-voting ex-officio members may include the Pastor and Lay Leader. The initial length of terms of the members-at-large shall be determined by draw after the new members are elected. The Church Treasurer shall act as the Fund's Treasurer. The Church's Financial Secretary shall act as the Fund's Secretary. The Secretary will be responsible for keeping minutes of Endowment Committee Meetings and will provide quarterly financial statements.

The Endowment Committee shall be responsible for:

- A. Emphasizing the value for adults of all ages to have a will and/or estate plan and provide information on the preparation of these to members of the congregation.
- B. Encouraging church members and constituents to support God's work in the world, by giving through United Methodist Churches, institutions, agencies and causes by means of their wills, annuities, trusts, life insurance, property, and special gifts as methods they can use to extend their Christian stewardship.
- C. Maintaining a record of all gifts to The Endowment Fund: the value, the donor, the date and the type of each gift, as well as any formal expression by the donor(s) of the use to which the gift might be put.
- D. Investing and managing appropriately all assets of The Endowment Fund.
- E. Reporting to the Church Conference, via the Board of Trustees and Church Council, annually, the status of The Endowment Fund, acceptance and rejection of gifts, the income available for distributions, and the distributions made to date.
- F. Promoting and publicizing The Endowment Fund frequently and consistently throughout The Church and its membership. Expenses for this activity may be charged to The Endowment Fund.
- G. The Board of Trustees is given the authority by the Book of Discipline to be the legal recipient of gifts and bequests on behalf of The Church.

## **V. Gifts of Property**

Normally, gifts received in forms of property other than cash will be converted to cash at their market value as soon as practicable. However, there may be occasions when the Endowment Committee will decide that it is consistent with the purpose of The Endowment Fund to retain a gift of property in the form in which it is received and treat the income from the investment as part of The Endowment Fund's income.

## **VI. Designated or Restricted Gifts**

The Endowment Committee shall review all gifts. The Board of Trustees, with the recommendation of the Endowment Committee is charged with the responsibility to accept or decline a gift for investment in The Endowment Fund. No gift shall be accepted that comes with restrictions inconsistent with the mission of The Church.

If a testator's will, or the instructions accompanying other special gifts, designates an acceptable particular purpose for which the income from the gift is to be used, the income will be used in accordance with such designation.

If a donor wishes to establish a named endowment as a separate sub-account of The Endowment Fund, a minimum gift of \$10,000 is required.

## **VII. Investment of Assets**

In determining the investment of assets of The Endowment Fund, the Committee may assign this responsibility to the California-Nevada United Methodist Foundation, a bank trust department or a professional investment management service. The Endowment Committee's investment policy shall be to maintain a conservative balance between income and growth, with the security of invested principal the primary concern. Guidelines recommended by The Church Conference or the denomination regarding social responsibility and ethics in investments shall be taken into account. The Endowment Committee is charged with the responsibility to develop specific policy guidelines for the investment and management of The Endowment Fund's assets, which will be reviewed annually by The Church Conference. (See Appendix A)

## **VIII. Use of Earnings**

All The Endowment Fund income or earnings shall be deposited in an interest-bearing account as received, pending distribution. Distributions from The Endowment Fund shall be made on the basis of the following procedures.

- Designated Funds: The Endowment Committee shall instruct the Investment Service to distribute the Endowment Fund income at least annually, in accordance with the Endowment Spending Policy.
- Undesignated Funds: Each Church Committee/Group may put in writing their requests for funds and the Endowment Committee shall determine their allocation and shall instruct the Investment Service to distribute undesignated The Endowment Fund income at least annually, in accordance with the Endowment Spending Policy.
- A moderate sum may be kept in non-interest bearing demand account to satisfy administrative needs unless interest earning checks are reasonably available.
- Sufficient earnings should be retained to keep pace with current inflationary factors.

#### **IX. Limitations on Use of Principal**

The fund objectives are to conserve the principal and utilize the investment income in accordance with the Endowment spending policy. Any part of the principal may be withdrawn only in extreme and overwhelming circumstances, bordering on the survival of The Church. Any withdrawal of principal must be approved by a three-fourths (3/4) vote of those present at an official Church Conference with a declaration to pay back the funds when deemed possible.

#### **X. Accountability and Audit**

The Endowment Committee shall make a complete financial report annually to The Church Conference, including all funds received by The Endowment Fund during the year, the total amount in each type of fund at the end of the year, how the investment of the funds is being handled, all disbursements, and the income or earnings received during the year.

An Auditor or an Audit Committee elected by The Church Conference, outside the Endowment Committee, shall conduct an audit annually to ensure that standard accounting procedures are being followed and to protect the interests of the donors, the Endowment Committee and The Church.

#### **XI. Liability of Trustees and Members of The Endowment Committee**

In the absence of gross negligence or fraud, no member of the Board of Trustees of the St. Paul's United Methodist Church or of the Endowment Committee, shall be personally liable for any action made or omission with respect to The Church's Endowment Fund.

**XII. Merger, Consolidation or Dissolution of the Saint Paul's United Methodist Church:**

If at any time St. Paul's United Methodist Church is lawfully merged or consolidated with any other church, all the provisions hereof in respect to the Fund shall be deemed to have been made in behalf of the merged or consolidated church, which shall be obligated to administer the same in all respects and in accordance with the terms thereto. If St. Paul's United Methodist Church should ever be dissolved without any lawful successor thereof, the Fund, including both the principals and interest to date, shall empower the California-Nevada United Methodist Foundation, a bank trust department or a professional investment management service of the continued distribution of income will maintain the preservation of endowment principal and authorizing a successor United Methodist Church or institution to assume the powers afforded to St. Paul's Methodist Church.

**XIII. Effective Date and Modification**

This policy will become effective when adopted by The Church Conference of The Church.

Changing times, unusual circumstances and new thoughts or ideas may lead to desirable changes in this policy statement at some future date. Any change or amendment must be approved by a three-fourths (3/4) vote of those present at The Church Conference.

SIGNED THIS \_\_\_\_\_ Day of \_\_\_\_\_, 20\_\_

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Chairperson, Endowment Committee

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Chairperson, Church Council

\_\_\_\_\_  
Chairperson, Board of Trustees

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Presiding Officer, Charge Conference

## **Appendix A – Investment Policy Statement for Saint Paul’s United Methodist Church The Endowment Fund**

### **Draft**

#### **Purpose**

The purpose of this Statement is to establish a clear understanding between Saint Paul’s United Methodist Church The Endowment Fund) and the Investment Managers (the Managers) of the investment policies and objectives for the assets of The Saint Paul’s Endowment Fund. This statement will outline an overall philosophy that is specific enough for the Managers to know what is expected, but sufficiently flexible to allow for changing economic conditions and their impact on investments. The policy provides realistic risk parameters to guide The Endowment Fund toward its long-term rate of return objectives, which will serve as standards for evaluating investment performance. The policy also will establish the investment restrictions to be placed upon the Managers, and will outline procedures for policy and performance review.

#### **Statement of Responsibilities**

The Endowment Fund Committee (the Committee) is responsible for overseeing the administrative and investment management of The Endowment Fund. This includes, but is not limited to, the selection of appropriate asset classes, allowable ranges of holdings by asset class, individual investment managers, as well as the definition of acceptable securities, investment performance expectations and monitoring compliance with state and federal investment regulations. The Committee will communicate investment policy, guidelines, and performance expectations to the Investment Consultant and Managers. In addition, the Committee will also review and evaluate investment performance regularly to assure The Endowment Fund’s policy is being following and progress is being made toward achieving the objectives.

The Investment Consultant is responsible for rendering advice on The Endowment Fund's investment program, in addition to providing other advisory services. Such advise and services many include but are not limited to the following: (1) the assistance in the development and/or modification of the Endowment Fund's investment policy, objectives, and guidelines; (2) the selection of and monitoring of performance of individual investment managers; and (3) the measuring the evaluating of performance of the total portfolio relative to the objectives and guidelines described herein.

The Investment Manager is responsible for making investment decisions (purchasing, holding or selling securities) for the sole interest and exclusive purpose of providing returns for The Endowment Fund. The assets must be invested with the care, skill and diligence that a prudent person acting in this capacity would undertake. All investments will be made within the guidelines of quality, marketability and diversification mandated by controlling statutes.

The Custodian will physician (or through agreement with a sub-custodian) maintain possession of securities owned by The Endowment 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 Endowment Fund's accounts.

## **Objectives**

This policy should serve as notice to the Managers that the objectives of the portfolio should be pursued as a long-term goal designed to maximize the returns without exposure to undue risk, as defined herein. Knowing that The Endowment Fund understands that fluctuating rates of return are characteristic of the securities markets, the Manager's greatest concern should be long-term appreciation of the assets and consistency of total portfolio returns. It is the responsibility of the Manager to notify The Endowment Fund should circumstances occur in which the Manager believes the policy needs to be modified to achieve the objectives.

The Endowment Fund expects The Endowment Fund portfolio to achieve the following objectives over a three year moving time period:

- The investments of The Endowment Fund should produce a total return exceeding the median of the universe of managers with similar average asset allocation objectives.
- The portfolio's total return should exceed the increase in the Consumer Price Index (CPI) by 6.5% annually. The CPI is defined as the Urban Wage Earners' and Clerical Workers' Consumer Price Index, U.S. City Average.
- The total return should exceed The Endowment Fund's actuarial assumption. (Currently 8.0%).

The Endowment Fund has established the following short-term objective:

- The portfolio should be invested to minimize the likelihood of low or negative total returns.
- The combined security selection and asset allocation skills of the Managers should enable them to outperform the target asset allocation as measured by the representative indices.
- While it is understood that the Managers may deviate from the target asset allocation below, The Endowment Fund wishes to limit the extent of the potential underperformance. Because of the inherent difficulty in defining specific restrictions, which would cover all possibilities, The Endowment Fund expects the Managers to invest so as to insure the returns of the total portfolio will meet or exceed the returns of the target asset allocation.

### **Asset Allocation**

The following table represents the target asset allocation and asset allocation ranges as established by The Endowment Fund. Furthermore, it details the indices used to evaluate the composite performance of The Endowment Fund and the performance of the individual Managers.

The Endowment Fund is aware that the allocation to the investment classes is a target that will vary according to the prevailing market conditions. The purpose for establishing a range is to allow the investment managers the flexibility to manage the assets under their control.

The Endowment Fund shall review the asset allocation on an annual basis. In the event the actual percentage of assets in any asset class exceeds the upper limit of the range, The Endowment Fund shall rebalance The Endowment Fund.

**Target Asset Mix Table**

<b>Asset Class</b>	<b>Min Weight</b>	<b>Target Weight</b>	<b>Max Weight</b>	<b>Representative Index</b>
Domestic Equities	35%	50%	65%	S&P 500
Three Managers as follows:				
Large Capitalization Growth	17.5%	22.5%	27.5%	Russell 1000 Growth
Large Capitalization Value	17.5%	22.5%	27.5%	Russell 1000 Value

<b>Asset Class</b>	<b>Min Weight</b>	<b>Target Weight</b>	<b>Max Weight</b>	<b>Representative Index</b>
Small/Mid Capitalization Value	0%	5%	10%	Russell 2500
Fixed Income	25%	40%	55%	LB Inter Government
Two Managers as follows:				
Core Fixed Income	10%	15%	20%	LB Aggregate
Treasury Portfolio	15%	25%	35%	LB Inter Government
International Equity	5%	10%	15%	MCSIEAFE
Cash & Equivalent	0%	0%	40%	SB 3 Month T-Bill

- Equities (including all convertible securities) may be represented in the portfolio up to 55% in large cap equities and 10% in small cap equities of the portfolio's market value, with a minimum requirement of 35% large cap stocks and 0% in small cap stocks.
- Fixed income securities (including preferred stocks) will not exceed 55% of the portfolio's market value, with a minimum requirement of 25%.
- Cash equivalents (including all senior debt securities with under 1 year to maturity) may be held to a maximum 40% of the portfolio's market value, with a minimum of 0%.
- International equity securities will be held to a maximum of 15% and a minimum of 5%.

### **Policies and Guidelines**

The Endowment Committee intends to use the investment policies and guidelines presented in this statement as a framework to help achieve the investment objectives at a level of risk deemed acceptable. These policies and guidelines are designed to provide a necessary framework for the Managers to attain the overall objectives, and to minimize risk without preventing the Manager from taking advantage of appropriate investment opportunities. When appropriate, The Endowment Fund also gives to the Manager board responsibility to shift the commitment of industry sectors and individual securities to pursue opportunities presented by changes within the capital markets and in accordance with these guidelines.

The Manager will not purchase assets other than those mentioned below without the written consent of The Endowment Fund. It is important for the Manager to be sensitive to the mission and the goals of The Endowment Fund. While the Manager should use its best judgment as to the inclusion of stocks that are unclear as to their categorization, the manager should contact The Endowment Fund for clarification.

### **Domestic Equities**

Equity holdings may be selected from the New York, American and Regional Stock Exchanges, or the NASDAQ markets. These holdings must represent companies meeting minimum capitalization requirements of \$100 million with reasonable market liquidity. The Manager is prohibited from investing in private placements, letter stock, and uncovered options; or from engaging in short sales, margin transactions or other specialized investment activities. With prior written consent from The Endowment Fund, the Manager may write covered options against common stocks held in the portfolio to increase investment returns and/or reduce risk. No assets will be invested in securities whose issuers have filed a petition for bankruptcy.

Within the above guidelines, The Endowment Fund gives the Manager full responsibility for security selection, diversification, turnover and allocation of equity holdings among selected securities and industry groups subject to the following restrictions:

- The market value of an individual security may not exceed 5% of the total market value of the portfolio, with the exception of the securities of the U.S. Government and its agencies.
- The market value of the holdings of any one particular market sector may not be more than twice the industry weighting of the Manager's representative index.

### **International Equities**

American Depository Receipts (ADR's) may be selected from the New York, American and Regional Stock Exchanges, or the NASDAQ markets. Ordinary share holdings may be purchased in the national exchange facilities of the representative nation. These holdings must represent companies meeting a minimum capitalization requirement of \$100 million with reasonable market liquidity. The Manager is prohibited from investing in private placements, letter stock, and uncovered options; or from engaging in short sales, margin transaction or other specialized investment activities. With prior written consent from The Endowment Fund, the Manager may write covered options against common stocks held in the portfolio to increase investment returns and/or reduce risk. No assets will be invested in securities who issuers have filed a petition for bankruptcy.

With the above guidelines, The Endowment Fund gives the Manager full responsibility for security selection, diversification, turnover and allocation of equity holdings among selected securities, industry groups and countries subject to the following restrictions.

- The market value of an individual security may not exceed 8% of the total market value of the portfolio.

### **Fixed Income**

Investments in fixed income securities will be managed actively to pursue opportunities presented by changes in interest rates, credit ratings, and maturity premiums. The Manager may selection from appropriately liquid (sold within 7 days at market value) preferred stocks, corporate debt securities, obligations of the U.S. Government and its agencies, foreign fixed-income securities, mortgage securities and securities convertible to equities. Derivatives may be used to pursue portfolio strategy. These investments will be subject to he following limitations:

- No issues may be purchased with more than 40 years to maturity.
- Investments in securities of a single issuer (with the exception of the U.S. Government and its agencies) must not exceed 10% of the market value of the portfolio.
- Non Investment Grade securities may be purchased up to a maximum of 20% of the portfolio value.
- A minimum of 80% of the portfolio will be invested in investment grade securities.

The Manager is prohibited from investing in private placements with the exception of securities issued under rule 144B, and prohibited from speculating in fixed income or interest rate futures and derivatives.

Within the above restrictions, the Manager has complete discretion over timing and selection of fixed income securities within the above guidelines.

### **Cash and Equivalents**

The Managers may invest in commercial paper, bankers' acceptances, repurchase agreements, U.S. Treasury Bills, certificates of deposit, and money market funds to provide income, liquidity for expense payments, and preservation of the portfolio's principal value. All such assets much represent maturities of one year or less at the time of purchase. Commercial paper must be rated A-1 and P-1 by Standard & Poor's and Moody's, respectively. Bankers' acceptances and certificates of deposit should only be purchased from larger, well-capitalized domestic and foreign banks with a minimum of an A rating from one of the major rating agencies. The Managers may not purchase short-term financial instruments considered to contain speculative characteristics (uncertainty of principal and/or interest). The Managers also may not invest more than 5% of the portfolio's market value in the obligations of a single issuer, with the exception of the U.S. Government and its agencies. Uninvested case reserves should be kept to minimum levels. Within the limitations mentioned above, the Managers have complete discretion to allocate and select short-term case and equivalent securities.

## **Other Assets**

The Managers will not purchase assets other than those mentioned above without the written consent of The Endowment Fund.

## **Voting of Proxies**

The Endowment Fund shall have sole and exclusive right to vote any and all proxies solicited in connection with securities held by The Foundation.

## **Communications**

The Managers are required to give The Endowment Fund, a quarterly portfolio review detailing investment performance (time-weighted), strategy, and portfolio value. In addition to the quarterly portfolio review, the Managers' with commingled accounts are required to give The Endowment Fund monthly valuations. Also, The Foundation must receive information about changes in the Managers' investment philosophy, management, ownership, and key personnel in a timely fashion, which is not to exceed one month from the change.

Meetings will be held as requested by the Endowment Fund Committee and the Managers to discuss:

- The Managers' investment performance and risk levels in light of the states policies and objectives.
- The Managers' views on important developments within the economy and securities markets, and their potential effect on the investment strategy, asset allocation, and portfolio performance.
- The effects of changes within the Managers' organization on investment philosophy, strategy, and performance.
- Proposed amendments to the policies and objectives present in this Statement.

The Endowment Fund Committee may call more frequent meetings if significant concerns arise about the Managers' performance, strategy, personnel, and organizational structure.

By executing the Investment Advisory Agreement, the Managers agree to the terms and conditions of this Investment Policy Statement. Should the Managers believe at any time that changes, additions, or deletions to this statement are advisable, the manager will be responsible for communicating these in writing for review by The Endowment Fund.

This statement shall be reviewed on an annual basis. Any modifications to this policy shall be reviewed with the Managers prior to implementation.

## **SAINT PAUL'S UNITED METHODIST CHURCH**

### **Endowment Spending Policy – Draft**

**Can be drafted by a Subcommittee of the Board of Trustees**

Member at Large

Finance Committee Chairperson, ex-officio with voting privileges - x

Financial Secretary - x

Treasurer - x

Member at Large - x

Trustee Chairperson, ex-officio with voting privileges

Member at Large, Chairperson -x

#### **Overview**

- The Spending Policy should correctly recognize that **Total Return**, not current income, is what endowment funds earn. Market value fluctuations are measured for what they are, an integral part of investment returns.
- The Spending Policy concept should also separate or de-link the investment decisions from the cash flow needs.

#### **Endowment Fund Development Process**

The Spending Policy is developed to implement the Endowment Policy.

- The level of cash needed, the need for cash flow stability, and the need for the cash flow to grow to offset inflation is examined.
- Various asset classes are examined to determine what asset classes are needed to achieve the total return objective.
- Historic and projected outcomes are examined on a portfolio basis, to determine how the asset classes work together.
- The Endowment Fund trustees then must decide how to balance the different possible combinations of current cash flow, stability, growth, investment risk and total return.

## Example

Let's assume, using the asset classes of stocks and bonds that the Board of Trustees of ( ) United Methodist Church have decided the following:

- We need a cash flow equal to about 5.0% of the fund assets annually.
- The cash flow should be relatively stable, but some modest year-to-year variation can be tolerated.
- The cash flow and assets should grow at a rate that is at least .5% higher than inflation (.5% real growth).
- The Trustees' initial projection is that inflation will be 3.0% but the real measure going forward will be the Consumer Price Index (CPI).
- This means that the fund needs to earn about 8.5% over the long run (5.0% cash flow, plus 3.0% inflation, plus 0.5% real growth over inflation).
- The "income" generated by this portfolio is not sufficient to meet the cash flow needs. The source of the investment returns (income or capital gains) is irrelevant to the spending policy concept. Spending policy focuses on total return, not the income component.
- Since the market value of a portfolio with 60% in stocks will vary from year-to-year in value, and one of the objectives is stability of cash flow, a straight 5% of each year's market value will result in a variable cash flow.
- The trustees, therefore, need to adopt a smoothing technique by basing distribution on a 5-year average of the market value of the fund. This evens out the cash flow and also focuses on long-term results, not single year performance results. If more stable cash flow is desired, a longer-period average can be used.
- Once the objectives and expected outcomes have been balanced the church's Spending Policy can then be stated as:

## Spending Policy

### Goal

The Endowment Fund will annually distribute 5% of a five-year moving average of the market value of the fund. Based on expectations for long-term returns and inflation the Endowment Fund will be invested 60% in equities and 40% in bonds.

### Objectives

- Provide equal endowment fund benefits to present and to future generations.
- Education and information are the keys to moving an Endowment Fund into a more productive structure. Implementing a Spending Policy requires knowledgeable trustees, with a long-term approach, an understanding of proper governing authority, an understanding of properly measuring investment returns, and portfolio construction. This written policy statement and investment statement memorializes these concepts and helps to enforce the long-term approach.

### Analysis

Because total return focuses on both income and appreciation, the spending policy recognizes that income and appreciation are the same, i.e. they are equally valuable, particularly to the church investor that is exempt from income and capital gains taxes.

A typical spending goal under a total return model is to have a spending rate that will produce constant real spending, i.e., endowment spending that will grow at a rate equal to the rate of increases in church costs.

Measuring Total Return:

The calculation of total return is quite straightforward:

- Total return = income received (interest and dividends)
- Plus

- Realized and unrealized gains and losses
- Divided by
- Beginning market value

### **Motion**

**In order to provide a sustainable level of income to support the church operating budget while preserving the real (inflation adjusted) purchasing power of the endowment funds:**

**It is moved that Saint Paul's United Methodist Church establish a Spending Policy with regard to the use of available endowment funds as follows:**

- **Up to 5% of the total market value of the available funds shall be available annually and that this percentage shall be reviewed annually and adjusted as appropriate.**
- **The policy shall be effective beginning in July 1, 2000.**