

DRAFT 9/11/2013

First Universalist Church Foundation

**PLAN OF OPERATION: STATEMENT OF INVESTMENT AND SPENDING OBJECTIVES AND
POLICIES**

Pursuant to Article VI¹ of the Bylaws of the First Universalist Church of Minneapolis ("the Church,") the following Plan of Operation has been adopted by the Board of Trustees ("the Board") of the Church and may be amended by the Board from time to time.

I. INVESTMENT PHILOSOPHY AND OBJECTIVES

The First Universalist Foundation ("the Foundation") is composed of restricted net assets received as a result of the sale of the Unity Settlement House property in 19xx. The Foundation is governed by a Board of Directors elected by the members of the Church as provided in the Bylaws of the Church. The assets of the Foundation are invested as an endowment, providing income for the purpose of allocating funds in response to proposals from groups within or outside of the Church to promote social justice.

This purpose dictates the need for a reasonably stable and growing annual yield on the Foundation's assets. The First Universalist Foundation investment philosophy is summarized as follows:

- Preserve capital for long term financial needs.
- Strive for consistent returns to achieve the grant policy herein.
- Preserve value over time by striving for long-term returns that either match or exceed the total of fees, inflation, and distributions.
- Practice socially responsible investing (SRI) in accordance with guidelines herein.

¹ The title of Article VI is "The First Universalist Foundation"

II. GOVERNANCE AND REVIEW

The Board of Trustees of the Church shall be the custodian of the Foundation assets, and shall maintain a plan of operation setting forth the administration of the Foundation in accordance with the Bylaws of the Church and founding documents of the Foundation. Accordingly, oversight of Foundation assets and any changes to this Plan of Operation are ultimately the responsibility of the Board of Trustees of the Church. This Board may appoint or delegate to a committee, composed of members of the Board of Trustees, staff members, members of the Foundation Board of Directors, and/or members of the Church to assist it in fulfilling its responsibility.

The Board will fulfill its fiduciary responsibility regarding the Foundation itself or through its appointed committee, in part, by:

- Developing and/or recommending these Investment and Spending Objectives and Policies in order to guide the investment, management, and annual pay-out of Foundation assets.
- Considering proposed changes to these policies from time to time and presenting any such changes to the Board for its review and approval.
- Selecting and/or recommending an Investment Manager or Managers.
- Evaluating investment structure and performance at least quarterly to ascertain progress against the fund's objectives, analyze returns, monitor the level of diversification and sector concentration compared with the broader market, and ensure compliance with relevant policies.
- Exercising ordinary business care and prudence with respect to the Foundation assets.
- Communicate regularly with the Foundation Board (at least twice a year).

III. INVESTMENT POLICIES

Assets should be diversified to reduce risk, by manager (e.g. mutual funds), asset class (e.g. equities, bonds) and within asset classes (e.g. geography, economic sector, industry, quality and size). The purpose of diversification is to provide a reasonable assurance that no single sector or class of securities will have a disproportionate impact on the fund. To insure this diversification:

- The total security position (debt and equity) in any one company, whether owned directly or as a mutual fund holding, should not exceed 10 percent of the Foundation's portfolio.
- No more than 25 percent of the entire Foundation portfolio should be invested in one mutual fund or the securities of any one sector.

Socially responsible investments (SRI) will comprise 20% - 30% of the Fund's investments. Socially responsible investments will consist of investments that are considered by the church's designated investment manager as representing "best of class," meaning that they include allocations to all major sectors and companies who have high SRI ratings relative to their peers.

In order to maintain risk levels consistent with the overall objectives of the fund, and to achieve the investment objectives of the fund, the following ranges will be reflected:

<u>Class</u>	<u>Min.</u>	<u>Target</u>	<u>Max.</u>
Equities	50%	70%	90%
Bonds/Cash*	15%	30%	45%
Other/Alternatives	0%	7%	25%

*Excluding cash needed for liquidity.

Assets may be invested in mutual funds meeting the guidelines defined in this section.

IV. INVESTMENT MANAGER

An Investment Manager, if selected, shall manage assets according to the representations made to the Church at the time of selection and according to a written agreement between the Church and the Investment Manager. Any significant deviation from the Manager's policies or style will require notice to the Church and written approval from the Church.

Communication by the Investment Manager to the Church must include monthly written statements, regular meetings on a schedule determined by the Church, and written notice of any material change in firm ownership, organizational structure, financial condition, senior staffing and management, and assets under management.

V. SPENDING (PAYOUT) POLICY

In order to help meet the current social justice needs of the greater Twin Cities metropolitan area, The First Universalist Church Foundation will annually distribute grants in accordance with the First Universalist Church Bylaws. The amount available annually for grants and expenses of the Foundation will typically be no more than 5% of the underlying assets, as valued at the beginning of each fiscal year (July 1). The calculation of this payout will be based on a 12 quarter rolling average of the Foundation's market value.

VI. PROXY VOTING

The Board may implement a proxy voting policy whereby the proxies issued by companies will be voted according to guidelines consistent with UU principles.

Policy approved by vote of the Board of Directors of First Universalist Church:

APPROVED