

First Universalist Church Legacy Fund

STATEMENT OF INVESTMENT AND SPENDING OBJECTIVES AND POLICIES

Pursuant to Article VII¹ 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 Church Legacy Fund (“the Legacy Fund”) is composed of restricted net assets, invested to generate temporarily restricted income and appreciation to support the fulfillment of the mission of the Church. The Legacy Fund is made up of gifts to the Legacy Fund from members and friends of the church and other money transferred into the Legacy Fund from time to time by the Board of Trustees. The Legacy Fund is established to:

- a. Preserve capital for long term financial needs.
- b. Provide reasonably stable and predictable distributions for the Church's operating budget.
- c. Preserve purchasing power by striving for long-term returns which either match or exceed the total of the spending policy (net of fees) and inflation.
- d. Under extraordinary circumstances, provide a distribution of principal, as resolved by the members of the Church, following the requirements described in Article VII, Section 3, of the By-Laws.

The Legacy Fund's principal will not be reduced except 1) as a result of declining market values of investments, 2) pursuant to the “Spending (Payout) Policy” described in Section V of this policy statement, or 3) pursuant to the “extraordinary circumstances” described in subsection d of this Section 1.

¹ The title of Article VII is “The First Universalist Church Legacy Fund”

II. GOVERNANCE AND REVIEW

The Board of Trustees shall be the custodian of the Legacy Fund and shall maintain a plan of operation setting forth the administration of the Legacy Funds in accordance with other Board policies. Accordingly, oversight of the Legacy Fund assets and any changes to this Plan of Operation are ultimately the responsibility of the Board of Trustees. The Board may appoint or delegate to a committee, composed of members of the Board of Trustees, staff members, and/or other church members, to assist it in fulfilling its responsibility.

The Board will fulfill its fiduciary responsibility regarding the Legacy Fund, 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 Legacy Fund's investment, management, and annual pay-out.
- Considering proposed changes, as initiated by Board or staff, 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 Legacy Fund.

III. INVESTMENT POLICIES

To reduce risk, assets should be diversified 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 Legacy Fund portfolio.

- No more than 25 percent of the entire Legacy Fund portfolio should be invested in one mutual fund or the securities of any one sector.

Socially responsible investments (SRI) will comprise a significant portion of the portfolio, maintaining a minimum of 20% in SRI assets. Socially responsible investments will consist of investments that are considered by the church's designated invested 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%	23%	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

The payout from the Legacy Fund for the next fiscal year's operating budget will be considered annually at the time of the Board's review of the annual budget and, unless the provisions of Article VII, Section 3 of the By-Laws are implemented, shall not be greater than 7%. The calculation of this payout will be based on a 12-quarter trailing average of the Legacy Funds' market value (with the 12th quarter ending on December 31st of the year prior to the church fiscal year in which the funds will be used. The recommended target rate of payout for support of operations annually is 4%.

VI. PROXY VOTING

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

Approved by the Board of Trustees, 03/21/2024
Matt Keller, Secretary