

Evangelical Lutheran Church in America
Northern Great Lakes Synod
Mission Endowment Fund Policy

Approved April 19, 2023, by MEF Committee
Approved April 28, 2023, by Synod Council

I. Purpose

The purpose of the Northern Great Lakes Synod (NGLS) Mission Endowment Fund (MEF) is:

1. To provide an ongoing resource of funds that in addition to the yearly general operating budget can be used to enhance NGLS ministry efforts;
2. Encourage the concept of whole life stewardship; and
3. Provide a readily available means to receive and manage bequests and donations from individuals, congregations, and organizations that will continue to support NGLS ministries year after year.

The purpose of this MEF policy is to establish a clear understanding of the roles and responsibilities of the MEF Committee, the NGLS staff, the NGLS governing bodies which are the Synod Council and the Synod Assembly, internal and external advisors, and all Investment Managers associated with the oversight of the MEF assets.

II. Definitions

Asset: All investments of the MEF with monetary value such as, but not limited to cash, stocks, bonds, and mutual funds, and any tangible items with monetary value such as, but not limited to real estate, equipment, jewelry, art, and other physical items that have been donated to the MEF and that can be exchanged for a cash value.

Committee: In accordance with bylaw S11.01.50. of the NGLS Constitution, the Committee is a group of people appointed to be stewards of the MEF and oversee its administration.

Distribution

Monetary amounts from the MEF granted for designated purposes which are recommended by the Committee and approved by the Synod Council.

ELCA Ministry Growth Fund

A group of investment funds managed by the ELCA Foundation.

Investment

An asset intended to produce income or capital gain. Examples include mutual funds, stocks, bonds, money market cash accounts, and real estate.

Investment Manager

An Investment Manager, sometimes referred to as an institutional custodian is a person or group of persons who manage the assets of individuals or organizations using different strategies, and they do so with the intention of generating a return on investment (ROI).

Restricted Funds

Funds created with gifts received with specific directions for how the gift can be utilized. Multiple restricted funds with specific directions can be established and do currently exist within the larger NGLS MEF. These include:

- The Clergy Debt Relief Fund
- The Skrenes Fund for Ministry
- The St. Mark's – Marquette Legacy Endowment
- The NGLS Endowment Fund for Seminarian Support \$30k cap to each recipient.

Unrestricted Fund

A fund created with gifts received without specific directions for how the gift can be utilized. The NGLS unrestricted endowment fund is called **the Equipping the Saints Fund** and is part of the larger NGLS MEF.

III. MEF Committee and Responsibilities

In accordance with bylaw S11.01.50. of the NGLS Constitution, the MEF Committee consists of the NGLS Bishop, the NGLS Treasurer, and 8 to 15 at-large members appointed by the Synod Council. All committee members shall be active members in good standing of a NGLS congregation. To avoid a direct conflict of interest, a person who is an employee of an investment management entity where MEF assets are held or is directly related to or associated with an Investment Manager for any MEF asset cannot be a member of the MEF Committee.

In accordance with bylaw S11.01.51. of the NGLS Constitution, the MEF Committee at a minimum will meet at least three times per year and will:

1. Receive funds from gifts, memorials, bequests, wills, estates, and special appeals and prepare acknowledgements of donations as appropriate;
2. Determine if and how a proposed gift will be accepted;
3. Be responsible for the prudent investment of endowment funds;
4. Use outside professional investment managers so the committee cannot directly affect or guide the investments;
5. Review asset performance and determine if investment changes are indicated;
6. Consider projects and purposes to be supported by the MEF and prepare an annual recommendation of distribution grants for synod council to consider;
7. Prepare an annual accounting of the MEF for Synod Council;

8. Develop and pursue fund-raising activities;
9. Develop and disseminate information brochures and announcements about the MEF and fund-raising or donation opportunities;
10. If necessary, prepare a resolution for the Synod Assembly to consider for disbursement of MEF principal other than the minimum distribution as described in bylaw S11.01.50. of the NGLS Constitution; and
11. Arrange for review of this policy every three years and amend it or create new policies as appropriate.

It is important that Committee members place a priority on the importance of this Committee's work to oversee the MEF assets. Thus, if a Committee member is absent for three consecutive meetings without first requesting to be excused, they will forfeit their position on the Committee. Or if a Committee member is absent without excuse for three out of five consecutive meetings, then their position may also be forfeited.

Committee members shall not receive compensation for serving on the Committee but may be reimbursed for expenses reasonably incurred such as mileage to attend meetings.

Members of the Committee will not be held liable for any investment losses.

IV. Investment Objectives, Goals, and Guidelines

1. Overview:

In order to attain the desired investment objectives referenced in this policy, the Synod represented by either the MEF Committee or the Synod Council may choose more than one Investment Manager with varying styles and philosophies to manage the MEF assets. The Investment Manager(s) will invest the assigned assets in accordance with this policy and the objectives and restrictions contained herein. Assets shall be invested with care, skill, prudence, and diligence. The Synod reserves the right to prepare separate addenda or directives specific to one Investment Manager, which may not apply to all.

The investment objectives and guidelines are intended to provide meaningful guidance in the management of the MEF assets and yet not be overly restrictive given changing economic, business, and investment market conditions.

2. Objectives:

The primary investment objective is to preserve the purchasing power (real value) of the MEF. MEF asset growth, exclusive of contributions and withdrawals, should exceed the rate of inflation in order to preserve the purchasing power of the MEF.

The secondary investment objective is Growth of Capital. The MEF asset value, exclusive of contributions and withdrawals, should grow over the long term to have a ROI in excess of the equity market index while incurring less risk than such an index.

The MEF assets will be placed with Investment Manager(s), with primary consideration given to the ELCA Ministry Growth Fund and the ELCA Mission Investment Fund. In accordance with the primary and secondary objectives the MEF assets will be managed in a moderately conservative manner. In this context, conservative relates to such issues as expected long-term ROI and return volatility, investment vehicles, diversification among economic and industry sectors, and individual securities.

3. Goals:

- Investment goals are expected to be achieved over three to five years.
- The primary investment goal is to equal or exceed the inflation rate, as measured by the National Consumer Price Index, on an annualized basis.
- The secondary goal is that over the long term the MEF's investment objective is to equal or exceed the return of the Russell 3000 Index.

4. Investment Guidelines:

- a. The Committee will consider the ELCA Foundation Endowment Fund Ministry Growth Fund-Trust A and the ELCA Mission Investment Fund as first options in investment considerations.

V. Distribution Objectives and Guidelines

The primary purpose of the MEF is support and enhancement of the NGLS ministries. The distribution goals and guidelines for each fund are as follows:

The Equipping the Saints Fund - Unrestricted

- Goal: To financially support various ministry and educational efforts in the Northern Great Lakes Synod.
- Distribution: Each year a portion of the Equipping the Saints Fund in accordance with the NGLS Constitution bylaw S11.01.50. will be distributed. The total amount distributed will be between 5% and 8% of the average market value of the Equipping the Saints Fund as determined on January 31 of each of the preceding 5 years.

The Clergy Debt Relief Fund - Restricted

- Goal: To provide debt relief to pastors/deacons their first theological degree serving in the NGLS for.

- Distribution: Pastors/deacons are invited annually to apply for a debt relief grant. Each year a portion of the Clergy Debt Relief Fund in accordance with the NGLS Constitution bylaw S11.01.50. will be distributed. The total amount distributed will be between 5% and 8% of the average market value of the Clergy Debt Relief Fund as determined on January 31 of each of the preceding 5 years. Funds are paid directly to the financial institution holding the debt.
- Should pastors/deacons cease to graduate with debt, this fund may be repurposed.

Fund for Leaders Seminarian Support – Restricted

- Goal: To provide financial support to seminarians for tuition, living expenses, books, etc.
- Distribution: Seminarians must be entered into candidacy, be at least a half-time student, and receive no more than \$30,000 over the course of their first seminary degree program.

St. Mark's Legacy Endowment – Restricted

- Goal: to support the ministry efforts of
 - Fortune Lake Lutheran Camp 30%
 - *Finlandia University 20%**
 - Room at the Inn 10%
 - Seminaries/Seminarians, Synod Ministries 20% each
- Distribution: as indicated above from the St. Mark's Legacy Endowment Fund as held with the ELCA Ministry Growth Fund.
**as of the dissolution of Finlandia University in March 2023 and per the April 2023 Synod Council meeting, the 20% allocated to Finlandia, as of January 2024, will be distributed equally among the other three designated recipients.*

The Skrenes Fund for Ministry – Restricted

- Goal: To support Clergy Debt Relief and Companion Synod Projects.
- Distribution: a percentage of at least 5% and no more than 8% as of the January 31st market value as determined by the Endowment Fund Committee.
 - Clergy Debt Relief 50%
 - Companion Synod Project 50% as recommended by the Companion Synod Committee.

Distribution from the Restricted Funds of the MEF will be in accordance with the guidelines and rules associated with each Restricted Fund.

The Committee will be responsible for investigating specific projects and purposes to receive distribution grants from the MEF. The Committee shall seek recommendations from the Synod Council, the Bishop, and others as appropriate.

Any distribution plan in accordance with bylaw S11.01.50. and prepared by the Committee shall be presented to Synod Council for review and approval before the distribution occurs. Upon Council approval, the NGLS staff shall administer and distribute funds pursuant to the approved plan. NGLS staff or the Synod Treasurer will communicate with the Investment Manager(s) to arrange the withdrawals needed to fund the approved distribution.

If the Committee believes a distribution of MEF principal over and above the 5% to 8% threshold defined in bylaw S11.01.50. is needed, then a resolution for consideration by the next Synod Assembly must be prepared. A favorable recommendation by the Committee and the Synod Council plus adoption of the resolution by a 2/3 majority of those present and voting at the Synod Assembly shall be required before any principal or corpus of the MEF shall be disbursed except as described in S11.01.50.

VI. Review and Oversight Actions and Responsibilities

Should the services of an investment manager be engaged, the Investment Manager's achievement will periodically be measured on the basis of the performance results of the MEF. This review shall be done at least once per year and may be done more often if the Committee believes a more frequent review is needed.

Consideration shall be given to the extent to which the investment results are consistent with the investment objectives and goals as described in section IV of this policy.

The Synod Treasurer shall review the financial status of the undesignated fund and all designated funds within the MEF. The Treasurer will prepare a financial report for the Committee which shows each Fund's current balance and includes either a narrative or a visual accounting exhibit that explains any changes in value of each Fund.

The Committee Secretary and at least one other Committee member will review this policy at least once every three years. If the review indicates changes are needed, then the procedure for amending the policy detailed in Section VIII of this policy shall be followed.

VII. Fund Dissolution or Amendments to parameters of Restricted Funds.

While the Synod intends that the MEF shall be ongoing, it is also recognized that the passage of time and changing circumstances may make it impossible to use the MEF assets for the original intended purposes. Should that situation develop,

the Synod Council may authorize other uses of the investment earnings and principal as long as the use is consistent with the mission of the Synod and consistent with State and Federal law while at the same time taking all reasonable steps to act according to the original intentions of the donors. In the event that such changes are deemed necessary by the Synod Council, these procedural steps will be followed:

1. The Committee, upon an affirmative vote 2/3 of the members, recommends the above action to the Synod Council.
2. The Synod Council at a duly constituted meeting approves the recommendation by a 5/6 majority of the total voting members of the Synod Council. This procedural step cannot be amended.
3. In the event the Synod ceases to exist, the MEF assets shall be transferred to the Synod's successor or to the ELCA Foundation or the ELCA's successor. The MEF Committee will consult with appropriate legal, church, and donor entities as to the steps for a smooth transition.

VIII. Amendments to this Policy

With the exception of amendments created by a resolution passed by a majority vote at a Synod Assembly, amendment proposals to this policy may only be accepted if proposed by a Committee member or a Synod Council member. The procedure for consideration and approval of amendments is:

1. The Committee secretary shall draft all proposals for amending this policy that are brought to their attention from a Synod Assembly resolution, a Committee member, or a Synod Council member.
2. The draft amendment shall be reviewed by the Committee and if approved, will be provided to the Synod Council for review and approval.
3. Amendments to this policy or to the MEF must be approved by a 2/3 majority of the voting members present at a duly constituted Synod Council meeting.
4. Once Synod Council approves an amendment to this policy, the policy will be updated, and the amendment date added under the heading on the first page.
5. Exception to the process in B and C, if an amendment is created by a Synod Assembly resolution, the Committee Secretary will update the policy and it will go into effect without review and approval of the Committee or the Synod Council.

IX. Appendix – Should the MEF Committee vote in good order to remove investments from the ELCA Ministry Growth Fund, the following will be in effect:

- a. Investments are to be made consistent with the safeguards and diversity to which a prudent investor would adhere.

- b. As a guideline the Synod will follow the principles outlined in the recommended ELCA Social Purpose Investment Screens when making investment decisions for the MEF.
- c. Accumulative transactions of more than 20% of the value of the MEF during a calendar year must be approved by the Synod Council, including a transfer from a current Investment Manager to another Investment Manager, a purchase of a new asset, or a liquidation of a current asset.
- d. The following restrictions shall also apply to the investments of the MEF:
 - 1) Borrowing of funds or securities is not permitted,
 - 2) The MEF assets may not be invested, nor obligations incurred in futures, options, swaps, forwards, or other financial derivatives,
 - 3) No more than 30% of the MEF may be invested in foreign securities, including American Depository Receipts,
 - 4) No more than 10% of the MEF may be concentrated in the securities of any one issuer (other than the U.S. Government and Agency Debt),
 - 5) Accepted gifts of non-income producing real estate and tangible personal property such as jewelry, gold, artwork, and gems shall not be held as investments, but converted to acceptable forms of investment as soon as possible,
 - 6) All securities shall be readily marketable,
 - 7) No specific restriction is placed on portfolio turnover, though the portfolio should not be managed for short-term gains or generation of fees,
 - 8) The Committee may further restrict security selection based on ethical criteria established by the Committee or by direction of the Synod Council,
 - 9) The MEF assets shall be held in custody by an institutional custodian,
 - 10) The MEF assets shall be invested at least 30% and no more than 80% in equities,
 - 11) The MEF assets shall be invested at least 20% and no more than 70% in fixed income investments, and
 - 12) The MEF assets shall be invested no more than 40% in cash and cash equities.