

Investment Policy Statement (IPS)

Central Lutheran Church Foundation

This policy statement has been established to aid in the management of the investment strategies of this foundation and assist in the communication of investment goals, risk tolerance, and income requirements to all designated fiscal agents, investment advisors, investment counsel or managers, custodians, banks or trust companies that the Board of Trustees may appoint.

This Investment Policy Statement will:

1. Establish reasonable expectations, objectives and guidelines in the investment of the total portfolio's assets.
2. Set forth an investment structure detailing permitted asset classes and expected allocation among the asset classes.
3. Encourage effective communication between investment managers, custodians, registered investment advisors, any other noted fiscal agents and the Board of Trustees.
4. Create the framework for a well-diversified asset mix that can be expected to generate acceptable long term returns at a level of risk suitable to the Foundation.

This Investment Policy Statement is not a contract. It is intended to be a summary of an investment philosophy that provides guidance to investment managers, custodians, registered investment advisors, any other noted fiscal agents and the Board of Trustees.

C.L.C. FOUNDATION'S STATEMENT OF PURPOSE

The general purpose and plan of operation of this foundation shall be to receive gifts, to hold the principal of such gifts in perpetuity and to allocate distributable earnings, as determined by the Board of Trustees from time to time, for educational, charitable, and religious purposes as may be undertaken, approved, or supported by Central Lutheran Church of Minneapolis, to receive, hold, administer, and disperse any monies, securities or other property which may be transferred to this foundation by gift, devise, bequest or otherwise, for any of the uses or purposes above set forth, and to invest, conserve, use and disperse such monies and securities or other property and the income derived therefrom, or the principal, in accordance with the requests or directions of the donor or donors thereof and with the limitations and conditions attached by such donors thereto; and if no requests, directions, limitations or conditions be expressed, then to use and dispose of the same for the uses and purposes herein specified in accordance with the judgment and discretion of the trustees of this foundation.

FUND INFORMATION

The Board of Trustees has sought the assistance of GS Investments as Investment Manager with regard to the Foundation's investment accounts as the Foundation requires the services of a "prudent expert."

This Investment Policy Statement is intended to:

1. Articulate the Board of Trustees' objective for structuring an investment program for the investment assets suitable to the long-term needs and investment tolerances of the Foundation.

2. Formulate policies for selecting appropriate investment managers, commingled and/or mutual funds or other suitable investments within the framework of that structure.
3. Establish objectives for prudently monitoring and evaluating the performance of such investment program.
4. Encourage effective communication between the investment manager and the Board of Trustees.
5. Create the framework for a well-diversified asset mix for assets that can be expected to generate acceptable long-term returns at a level of risk suitable to the Foundation and its beneficiaries.
6. Set forth an investment structure for investment assets detailing permitted asset classes.

STATEMENT OF RESPONSIBILITIES

The Board of Trustees has primary responsibility with respect to the administration and operation of the Foundation. Additional parties may be engaged by the Board of Trustees to assist in administration and to assist in the investment of Foundation assets. The Board of Trustees may fulfill its responsibility by action as a whole or through delegation to subcommittees of the board such as its Investment Committee. Specifically, it is anticipated that the parties noted below will have the following roles:

President, Secretary/Treasurer, and Executive Secretary:

- Administer and communicate withdrawals to all parties responsible for the management of the Foundation's assets.
- Authorization of the retention of the Investment Manager or Managers, subject to the approval of the Board of Trustees, in order to help the Board of Trustees achieve its fiduciary responsibility.
- Review of expenses incurred by the Foundation (trustee, custodial relationship, consulting, investment management, etc.)

Board of Trustees:

- Regular maintenance of investment policies and criteria.
- Setting performance goals and appropriate risk levels.
- Setting asset allocation parameters and approve asset classes available for investment.
- Review of the asset allocation policy.

Investment Manager(s):

The Investment Manager is responsible for deploying the assets based on the policy guidelines set forth in this Investment Policy Statement and for making investment decisions (purchasing, holding, or selling securities). The term Investment Manager may refer to money managers, investment advisors, trust officers or other financial professionals with appropriate skills to prudently manage the Foundation's assets.

OBJECTIVES AND GOALS

There are two primary investment goals for investment of the Foundation's assets. They are to seek growth of principal over time, and to provide a stream of income for use in distribution to Central Lutheran Church. Currently distribution to Central Lutheran Church is 4 ¾% of a three-year moving

average of the Foundation’s portfolio value net worth (using December 31st market values). This payout policy will be reviewed annually to preserve the purchasing power of the Foundation in perpetuity.

The majority of assets are to be invested for the long term, and volatility in these assets is to be expected and accepted. The investment objectives for these assets shall be to achieve an average annual rate of return equal to, or better than, the performance of a hybrid index consisting of 60% equities (made up of a blend of the Standard and Poor’s 500 (cap-weighted) Index, the Standard and Poor’s Mid Cap Index, the Russell 2000 Index, the iShares MSCI EAFE Index and the iShares MSCI Emerging Markets Index) and 40% income securities (made up of a blend of the Lehman Intermediate Government Credit Index, the iShares US preferred Stock Index and the US Treasury Bill Index). The Fund will accept losses in excess of the performance index in up to three consecutive years.

Investment risks are considered within the context of all of the assets managed. Volatility and risk will be controlled through diversification, asset allocation and investment selection.

TIME HORIZON

For the purposes of planning, the time horizon for investments is to be in excess of ten years. Capital values do fluctuate over shorter periods and the Board of Trustees recognizes that the possibility of capital loss does exist.

RISK TOLERANCE

The Board of Trustees has viewed the Foundation to have the ability to sustain moderate risk levels with regard to these investment assets. The Board recognizes that higher returns involve some volatility and has indicated a willingness to tolerate declines in the value of this portfolio of 10% to 15%, net of withdrawals, in a given year.

ASSET ALLOCATION MODEL

The policy governing the overall equity, debt and cash positions of the asset allocation model shall be as follows:

<u>Asset Class</u>	<u>Maximum Allocation</u>	<u>Benchmark Component</u>
Total Equities	65% *	
Large Cap Equity	100%	S&P 500 Index (cap weighted)
Mid Cap Equity	25%	S&P Mid Cap Index
Small/Emerging Cap	10%	Russell 2000 Index
International Equity	20%	MSCI EAFE/MSCI Emerging Markets Indices
Income Securities	60%	Bloomberg Intermediate US Government/Credit Bond Index US Treasury Bill Index iShares US Preferred Stock Index
Loans to Central Lutheran Church	5%	Market rate

* Although the stated maximum equity allocation is 65% of the total account value, aggregated equity exposure, including international equities, may be allowed to reach 70% of the total account value, through appreciation, before account rebalancing is required by the Investment Manager.

If the total equity exposure is between 65% and 70% of the total account value during the current quarter, any purchase of equities must be matched with subsequent equity sales.

If the equity exposure exceeds 70% of the total account value, the Investment Manager shall be required, within the current quarter, to sell the necessary amount of equities to bring the account back into alignment with the Investment Policy Statement.

DIVERSIFICATION

In recognition of the prudence required of fiduciaries, reasonable diversification will be sought where possible. Each asset class shall be broadly diversified to have similar risk characteristics to its respective market.

PERMITTED ACTIVITY AND INVESTMENT STRATEGIES

Unless specifically prohibited by the Board of Trustees in writing, selection of equity funds or managers shall not be subject to restrictions or requirements pertaining to:

1. Turnover. Turnover will be monitored by the Foundation's Investment Committee.
2. Investments that are liquid marketable securities, which are readily traded on U.S. major market exchanges.
3. Use of securities of foreign-based companies that are traded on a major U.S. Exchange in U.S. dollars and American Depository Receipts (ADRs). These are listed and freely traded on major American exchanges and represent ownership in major, non-American corporations.
4. Use of ordinary shares of foreign securities that are traded in their local exchange.
5. Permissible investment in developed and developing countries as they are laid-out in the MSCI EAFE Index and the MSCI Emerging Markets Index.
6. Investments in Exchange Traded Funds representing diversified pools of investments of recognizable well diversified index proxies.

INCOME

Investment Managers may select from appropriate liquid preferred stocks, corporate bonds, mortgage-backed bonds, certificates of deposit, U.S. Treasury Bills and obligations of the U.S. Government and its agencies. These investments will be subject to the following limitations:

1. The income portion of the growth and income portfolio may not have an average duration of more than fifteen years.
2. Investment in securities of a single issuer (with the exception of the U.S. Government and its agencies) must not exceed 5% of the market value of the portfolio.
3. If preferred stocks are used, the security must be rated investment grade or better by Moody's and/or Standard & Poor's at the time of purchase.
4. 90% or more of the corporate debt issues must meet or exceed an investment grade rating from Moody's and/or Standard & Poor's. Conversely, up to 10% of corporate debt issues may be rated below investment grade.

CASH AND CASH EQUIVALENTS

Investment 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, and preservation of the portfolio's principal value. All such assets must mature in one year or less. Commercial paper must be rated "A1" by Standard & Poor's and "P1" by Moody's, respectively.

INTERNATIONAL EQUITY

The Board of Trustees will allow investment in readily marketed securities of companies located in developed and developing countries. The use of mutual funds or Exchange Traded Funds is allowed to invest in international securities.

OTHER ASSETS/HYBRIDS/ALTERNATIVE INVESTMENTS

Readily marketable assets such as convertible bonds, preferred stock and master limited partnership ETFs, may also be used. Hedge funds, mutual funds specializing in hedging strategies, venture capital, private equity, and individual-issue limited partnerships of any kind are excluded from use.

Loans to Central Lutheran Church may be made by the Foundation to a maximum of 5% of the Foundation's net worth, by action of the Board of Trustees. It is expected that these loans will be amortized over a reasonable period of time. Interest rates charged for such loans will be determined by board action.

STANDARDS OF SELECTION CRITERIA – Investment Managers, Funds, Products

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.

Consideration will be given to the criteria below:

- 3-year verifiable performance record
- An organization of at least 5 years of existence
- Pricing competitively based on asset class median in similar investment vehicles.

The Board of Trustees can also approve investment of products/services that fail these criteria standards by vote and justification statements to validate the exception to the above minimum standards.

STANDARDS OF PERFORMANCE REVIEW & EVALUATION

The investment performance of the portfolio will be measured against commonly accepted performance benchmarks stated in this Investment Policy Statement. Consideration shall be given to the extent to which investment results are consistent with the investment objectives, goals and guidelines as set forth in this Investment Policy Statement. The Board of Trustees reserves the right to terminate an Investment Manager for any reason including the following:

1. Investment performance is less than anticipated given the discipline employed and the risk parameters established.
2. Failure to adhere to any specific aspect of this Investment Policy Statement, including communication and reporting requirements.
3. Significant qualitative changes to the investment management organization.
4. At the convenience of the Board of Trustees.

COMMUNICATION AND REPORTING

The Board of Trustees, or its Investment Committee, will review the performance of the investment portfolio at least quarterly to assure continued compliance with this Investment Policy Statement.

The Board of Trustees will review this Investment Policy Statement periodically.

Committee Chair

Date

Secretary/Treasurer

Date