

DIOCESE OF KOOTENAY

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Introduction

The Synod of the Diocese of Kootenay is the legal entity which holds investments on behalf of the Diocese of Kootenay and as Trustee for the congregations and worshipping communities for which it is responsible. Governed by the Constitution, Rules of Order, and Canons, in particular Canon 19 (Finance), the Synod has established a Consolidated Diocesan Trust Fund (“The Fund”) to manage moneys held directly by the Diocese and in trust for its constituent Congregations & Worshipping Communities

This policy is to describe the Governance, Investment Objectives and Policies of the Consolidated Trust Fund of the Diocese of Kootenay, Anglican Church of Canada.

1.1 Purpose of the Consolidated Trust Fund (“The Fund”)

The Fund has been established to bring together the trust funds held by the Diocese and the Congregations and Worshipping Communities (entities defined by the Constitution, Rules of Order, and Canons) for the purpose of providing cost-effective professional investment management for the combined funds.

1.2 Administration

The Fund is administered by the Administration and Finance Committee of the Synod of the Diocese of Kootenay as advised by the Investment Advisory Committee. The Staff of the Diocesan Synod Office provides support, and communication between Diocesan Council, the Investment Manager, and the Congregations and Worshipping Communities.

Administration & Finance Committee

- a) When necessary, makes recommendations to Diocesan Council for significant changes to the investment objectives, policies, and governance for The Fund.
- b) Receives regular reports from the Investment Advisory Committee
- c) Recommends investment income use and distributions to Diocesan Council.

Investment Advisory Committee

See Diocesan Council Policy 5.2.10 (a) for a full description of the responsibilities of the IAC with respect to The Fund

Diocesan Executive (Synod) Office

- a) Advises the Investment Advisory Committee and the Administration & Finance Committee with regard to investment payout projections, apparent significant discrepancies in asset mix or deviations from agreed objectives and policies.
- b) Provides communication with The Fund manager and other advisors
- c) Supports the IAC, A & F Committee, and Diocesan Council through the Executive Officer or Archdeacon, and the Finance Manager

1.3 Components of the Consolidated Diocesan Trust Fund

The Fund consists of:

- a) Funds held by the Diocese of Kootenay in a number of accounts and originating from past endowments, donations, property sales and other sources of capital.
- b) Funds held in trust for Congregations and Worshipping Communities held as:
 - i Funds originating from the sale of rectories and other real property assets, (“restricted”) and;
 - ii Funds originating from bequests, undesignated donations, gifts and other sources of income which are electively placed in The Fund to maximize the investment potential from an asset mix and variety of investments otherwise not canonically permitted for individual congregations or worshipping communities (“unrestricted”).

The needs of each group are similar and consist of

- a) Preservation of capital on an inflation-adjusted basis, and;
- b) Annual distribution of income to congregations and worshipping communities at as high a percentage rate as reasonably achievable.

1.4 The Fund Objectives

The Fund objectives are over the medium to long term and include an investment return at least equal to the annual rate of inflation as measured by the Consumer Price Index (CPI) combined with a maximized annual payout to the fund holders sufficient to preserve capital.

On an annual basis, the Investment manager is expected to earn a rate of return net of management fees at 0.5% – 1% above the usual benchmarks for the investment classes. The Benchmarks will normally be selected by the portfolio manager and be agreeable to the IAC.

The Fund will be invested in a mix of publicly traded fixed income and equity securities, primarily, but not necessarily only in Canadian dollar denominated securities.

1.6 Socially Responsible Investing (SRI)

The Fund shall avoid investment in companies that could pose a significant ethical concern to the Diocese. Should a concern arise the IAC will discuss with the Portfolio manager with the view to eliminating the securities from the portfolio where possible.

1.7 Risk Tolerance

The Long Term Fund objectives require a conservative investment strategy with exposure to high quality fixed income and equity investment holdings. The Investment Advisory Committee will recommend an asset mix that will provide protection of capital and desired returns over the longer term (5-10 years). Recognizing fluctuations in market conditions, the nominal expected mix of Fixed to Equity Investments will be in the range of 65-70% Fixed to 30-35% Equity.

Risk mitigation guidelines will include the following:

1.7.1 Fixed Income

Investments will be spread across a broad range of securities

Fixed income securities will be denominated in Canadian dollars and be rated no less than investment grade (BBB or above) by any recognized rating agency

Corporate bonds shall not exceed 50% of fixed income asset class, and exposure to any single corporate issuer shall not exceed 10% of the asset class

1.7.2 Canadian Equities

Investments are to be well diversified across industry sectors and capitalization ranges

No more than 15 % of the asset class will be invested in companies with a market capitalization of less than \$250 million.

No one equity holding shall represent more than 10% of the value of the asset class

The weight of any equity industry group in the portfolio will be limited to the greater of 15% of the equities portfolio or 150% of the industry's group weighting in the appropriate index (TSX Capped Composite index, in the case of Canadian equities).

No single holding shall be more than 10% of the outstanding shares of any class of shares of a single corporation including its consolidated subsidiaries.

No short sales, private placements, or transactions on margin will be executed in the portfolio. Warrants and/or installment receipts may be purchased.

1.7.3 Foreign Equities

In addition to the same guidelines as for Canadian securities, there will be no more than 15% for Emerging Markets in the foreign equities asset class.

There will be no hedging of foreign currency exposures against the Canadian dollar.

1.8 Income Tax Considerations

The Fund participants are exempt from both federal and provincial income taxes. This tax-exempt status makes all income (interest, dividends, and capital gains) equally desirable.

1.9 Investment Reports

Normally the Investment Advisory Committee will receive quarterly reports from The Fund manager for review and if necessary be discussed at an extraordinary meeting of the Committee (more than semi-annually).

2.0 Distribution of Income to Congregations and Worshipping Communities

The annual net proceeds from the investment returns will be reported to the Finance Manager of the Diocese. The distribution of these to the fund contributors will be on a pro rata basis weighted according to restricted and unrestricted holdings (adjusted for any withdrawals). The percentage rates of return will be set by the Administration & Finance Committee on the advice of the IAC.

2.0 Investment Manager Review

Normally the IAC will encourage long-term investment strategies (5-10 years+) with the same portfolio manager. The IAC will require a full performance review every five years, or a shorter period as circumstances dictate.

Important Note: The adoption of this Policy will invite a revision of Canon 19