

UPMIFA and You

What Your State Has to Say About Your Endowment

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Endowment Management Solutions

What is the Episcopal Church Foundation (ECF)?

Overview:

- Independent and lay-led foundation
- ECF's mission is to strengthen the **leadership** and **financial** capabilities of Episcopal congregations, dioceses, and other institutions
- ECF carries out this mission through a wide array of programs including...



Leadership Resources

- ECF Vital Practices (ecfvp.org)
- Vestry Resource Guide
- Fellowship Partners Program
- Educational Events
- Vital Teams

Financial Resources

- Vision and Strategic Planning
- Capital Campaigns
- Planned Giving
- Endowment Management
- Annual Giving/Stewardship

True Endowment vs. Quasi Endowment

True Endowment

- Source of Funds: Donor
- Gift directly to the Endowment, to be held in perpetuity, or spending “income only”

Quasi Endowment

- Source of Funds: Vestry
- Gift directly to the Church, from sale of property, or from excess funds which the Vestry could decide to place in endowment or spend otherwise

Invest Both True & Quasi as One

- One investment strategy
- One spending policy
- Track value of true and quasi endowments through sub-accounting
- Quasi endowment protected only by local policies
- UPMIFA applies only to true endowments

The Investment Goal of Endowment Committees

“Maintain the spending power of the Endowment”

How do you accomplish that?

Help from UPMIFA

- What is UPMIFA (Uniform Prudent Management of Institutional Funds Act)?
- How does UPMIFA affect you?
- What guidance does UPMIFA provide?

Key Elements of UPMIFA

- Rescinds historic dollar value
- Removes “income only” restraint
- Defines what “prudent” means

Investment Guidelines

- Diversify assets
- Delegate investment responsibility to professionals
- Avoid unnecessary costs
- Consider general economic conditions
- Follow the Investment Policy Statement (IPS)
of the institution
- Consider total return from income and appreciation

Spending Guidelines

- Follow your total return spending policy
- Work for the duration and preservation of the fund (“maintain the spending power of the endowment”)
- Consider general economic conditions
- Factor in the effect of inflation
- Calculate expected total return from investment strategy
- Reflect the purpose of the institution and the fund
- Balance need for distribution with preservation of capital

The Investment Goal of Endowment Committees

“Maintain the spending power of the Endowment”

Accomplished by investing in such a way to achieve a return that exceeds or equals Draw + Inflation + Fees

Spending Rule Calculation

Spending Rate	5%	4%	3%
Inflation	1%	1%	1%
Fees	1%	1%	1%
Return Needed	7%	6%	5%

Linking Spending Rate to Investment Strategy

Expected returns based on long-range asset class forecasts as of 12/31/15
70/30 Equities/Fixed Income Portfolio 5.25% annualized for three years *
60/40 Equities/Fixed Income Portfolio 5.13% annualized for three years *

Spending Rate	5.00%	4.00%	3.00%
Fees	1.00%	1.00%	1.00%
Inflation	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>
	7.00%	6.00%	5.00%
Expected Return on 70/30 portfolio	5.25%	5.25%	5.25%
Difference	(1.75%)	(0.75)%	0.25%

*Investment managers hope to outperform asset class forecasts by 50 to 100 basis points

UPMIFA Discussion Summary

- UPMIFA speaks only to true endowments
- Apply UPMIFA principles to both true and quasi endowments
- UPMIFA protects the corpus of true endowments
- Only local policies protect the corpus of a quasi endowment
- Total return spending preserves the spending power of an endowment and modulates market volatility
- Link spending rates to investment strategies

Recorded Webinars to Empower your Leaders

- Basics of Planned Giving for Parish Leaders
- Basics of Endowment Management for Parish Leaders
- Prospective Donors of Planned Gifts
- Basics of a Capital Campaign
- Annual Stewardship
- Vestry Leadership 101

For links to recordings visit: www.ecfvp.org

Upcoming Free Live Webinars

- **First Steps in Understanding Church Conflict**
 - May 3, 2016– 7:00 PM – 8:00 PM Eastern Time
- **Beginning the Clergy Transition Process**
 - May 19, 2016– 7:00 PM – 8:00 PM Eastern Time
- **Storytelling as Evangelism**
 - May 24, 2016– 9:00 PM – 10:00 PM Eastern Time

Check our website, under **Events**, for more info.

At your service

**ECF always available to assist at
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