

DIOCESE OF PENNSYLVANIA FINANCE COMMITTEE
MONDAY, April 20, 2015, 6:30 p.m., CHURCH OF THE REDEEMER, BRYN MAWR

Present: Eric Rabe, Chair, Nora Adelman, The Rev. Kirk Berlenbach, Ann Booth-Barbarin, Elise Bower, The Rev. Charles Flood, The Rev. Adam Kradel, The Rev. George Master, Pat Smith

Ex officio present: Cliff Kozemchak, Church Foundation representative; James Pope, Treasurer; Rob Rogers, Canon for Finance

Not present: The Rev. Carolyn Huff, John Loftus

Ex officio not present: The Rt. Rev. Clifton Daniel, Bishop; Margaret Ullman, Commission on Clergy Compensation and Employee Benefits representative

Guest: Alan Lindsay, Executive Director, Church Foundation

1. Opening Prayer – The Rev. Adam Kradel
2. For Action: (A motion was made by The Rev. Kirk Berlenbach and seconded by The Rev. George Master to approve the minutes as distributed - all in favor, none opposed or abstaining)
 - a. Consent Agenda (these items will be approved in one action, unless any committee member wishes to have discussion of any of the items, in which case the item will be moved from the consent agenda)
 - o Minutes of March 2015 meeting of the Finance Committee
3. Report from the Church Foundation (Alan Lindsay) – Part of the Church Foundation’s purpose is investment management – the handout included a current perspective on the investment world.

Points of the presentation included:

- Canons establish the Church Foundation as the legal owner of real property, and the charter of the Church Foundation specifies it is the legal entity that holds property for the Diocese.
- The Diocesan Bishop is the chair of the Church Foundation Board. Each panel consists of one clergyperson and four lay people (attorneys, finance and investment people, and business people). Board Committees include executive, audit, insurance/real estate, investment, and trusts.
- The investment policy is reviewed annually by the Investment Committee and the Church Foundation Board. The outsourced investment manager is T. Rowe Price, which has a long-term emphasis and diversified portfolios. They report regularly to Church Foundation.
- The Consolidated Fund in the Church Foundation consists of monies invested by the Diocese of PA, comprised of a mix of institutional co-mingled funds and mutual funds. Targets are set for proportion of each style of investment (stocks, bonds, etc.). The portfolio value as of 12/31/2014 was \$128,406,225 (12/31/2013 value was \$124,172,815). Results for 2014 show performance a little under the benchmark; for a three-year period, performance was 1.27% above the benchmark; since inception the performance was .74% above the benchmark. Goals include maintaining and growing the principal of the Consolidated Fund while paying a reasonable rate to investors. The management fee is reviewed annually and is approved by the Church Foundation Board. For 2015, that fee is 35 basis points.
- For 2015, the rate of income distributed out to investors in Church Foundation is 4.345% which should result in a 5% increase in dollars paid due to market results.

Q&A:

-The rate for distribution is in place by March of each year, due to parishes setting budgets in January. The Investment Committee and Board strive for the same dollar amount of return each year, though the percentage may vary.

-How are parish needs and desires (investor perspectives) factored into the decisions about the yearly payout rates? The Church Foundation Investment Committee models investment results, using different periods, with goals of preserving capital and controlling volatility. The Church Foundation is a Trustee of funds in many cases and sets the annual return rate for those accounts. In others, the investor is the Trustee of an account and can set the annual return rate.

-How does The Church Foundation take into account the balancing of maintaining capital and reasonable distribution rates that might be a slightly higher dollar amount? Often The Church Foundation Board considers requests from investors – although the ways Trusts are written limits distribution.

-Might the Diocese, as the owner of half The Church Foundation Funds, have input into the distribution rates? By what mechanism could that occur? Others advise that buying power is the important benchmark, rather than consistency of dollars.

-Diocesan Budget could be used as a mechanism to apply to Church Foundation for a higher return rate if there is a shortfall due to new expenses. Alan indicated this is the beginning of a conversation among the Budget and Investment Subcommittees of the Finance Committee and The Church Foundation.

-In a bond fund, does interest get reinvested monthly? Unless it takes the bond portfolio over the bond proportion, in which case it is converted to cash. There is almost no cash in Church Foundation funds.

-How liquid is the Church Foundation? Requests come in by the 25th of each month, and are paid out by the 10th of the next month. The Investment Manager has not suggested keeping cash on hand since such monies would not be earning interest. There is market risk depending on which day accounts might be liquidated.

The Committee thanked Alan Lindsay for his report.

4. For information/discussion

- a. Darby Mission - Preliminary discussion. At the Budget Subcommittee meeting last month, Bishop Daniel spoke about engagement of the community in Darby, which has been funded to date by the Nunn's Fund and ECS. This will be further discussed at a meeting tomorrow. The total funding would be \$300,000. Possible sources of funds include grants, individual parishes interested in this program, and perhaps from the Diocese.
- b. St. David's Manayunk. A suit has been threatened because of a deteriorating wall. The matter is in the hands of the insurance company. The Church Foundation holds title to the property.

5. For recommendation

- a. **Calvary Church, Germantown – The Property Subcommittee asks Finance to recommend acceptance of an offer of \$325,000 for this property which has been on the market, with the stipulation from the bidder that the current Philadelphia tax assessment be appealed by the Diocese.** This could be a tie-consuming process. The Diocesan Property Manager and Chancellor are working on this matter. **A motion was made by The Rev. Charles Flood and seconded by James Pope to accept the offer of \$325,000 with the stipulation (all in favor, none opposed or abstaining).**
- b. **Insurance requirements -- The Property Subcommittee asks Finance to recommend that Canons of the Diocese be amended to require all parishes and other entities purchase and maintain property and liability insurance coverage at appropriate levels.** Current proof of insurance must be filed with the Diocese on a yearly basis. The Finance and Property Committee adopted insurance guidelines in 2010, particularly for liability coverage. Ten parishes are not in the master insurance policy now, and they do submit cover pages to the Canon for Finance. **A motion was made by The Rev. Kirk Berlenbach and seconded by The Adam Kradel to approve (all in favor, none opposed or abstaining).**

- c. **Insurance policy requirements – The Property Subcommittee recommends that Finance direct that all insurance policies under the Diocesan master plan include as additional insured the Diocese and other specific entities. A motion was made by The Rev. Adam Kradel and seconded by The Rev. Charles Flood to approve (all in favor, none opposed or abstaining).**

6. Questions, discussion of written reports

- a. Financial Statements – Rob Rogers, Canon for Finance – Rob commented on the status of pledges received for 2015. In 2014, pledges exceeded budget. Diocesan staff turnover is projected, resulting in recruitment expenses in addition to expenses for the bishop search (which was put aside over a three-year period). Since there was an increase in assessments, some pledges have been decreased. What parishes give as percentage of their operating income to DioPA is very much lower than amounts given in other dioceses.
- b. Treasurer’s Report – James Pope, Treasurer – no update
- c. Standing Committee Report – Kirk Berlenbach & Pat Smith – meets next week – discussing current issues and approving candidates for ordination – encourage communication and clarification among the two search committees to budget and spend no more than the \$195,000 that has been set aside
- d. Subcommittees
 - i. Budget – The Revs. Kirk Berlenbach and Adam Kradel – The Subcommittee will meet again on Thursday to work on the 2016 budget (members include people from Council, current and former Treasurers, others). Due date for requests is April 21. The Subcommittee will consider a line item for Council to use for new requests for mission and ministry. Unless something major changes in income or expenses, there will be a net increase in the 2016 total budget of around \$2-300,000. This amount will need to come from assessments. Much of this amount was previously funded by special funds or outside the budget.
 - ii. Investment – Elise Bowers – meeting next week with new Church Foundation Board members
 - iii. Parochial Relations – The Rev. Carolyn Huff – no update
 - iv. Property – The Rev. George Master – There was a question about what is specifically covered in insurance policies, which will be factored into research for renewal of the policy.

7. Other business - none

8. Closing prayer – The Rev. George Master

Eric Rabe
Chair, Finance Committee

Nora Adelman
Secretary