

Appendix E: Current Investment Allocations for Life Income Gifts

(THIS INFORMATION UPDATED AND ACCURATE AS OF JUNE 13, 2007; SUBJECT TO CHANGE BASED ON RECOMMENDATIONS FROM SSGA AND ECF STAFF DECISIONS)

EPISCOPAL CHURCH FOUNDATION Planned Giving Investment Policy Statement

PURPOSE

The purpose of this Investment Policy Statement is to establish a clear understanding of the philosophy and the investment objectives for the Episcopal Church Foundation Life Income Plan portfolios (hereinafter, "Program"). This document will further describe the standards that will be utilized by the Program in monitoring investment performance, as well as serve as a guideline for any investment manager retained.

NATURE OF THE EPISCOPAL CHURCH FOUNDATION FUNDS

Life Income portfolios covered by this policy refer to a variety of different gift vehicles, including charitable remainder trusts, charitable lead trusts, pooled income funds, and gift annuities. Because of their nature, these gifts are treated differently for each type of fund. Listed below are the gift types we are managing and our investment approach.

1. Life Income Deferred Vehicles
 - A. Straight (Standard) payout - beneficiary payments are based on the trust payout rate applied to an annual market value. Payments can be made from income or principal and a total return investment approach can be applied.
 - B. Net Income payout - beneficiary payments are based on the income (dividends and interest) earned by the portfolio up to but not exceeding the payout rates. Trusts established with a "make up provision" can use excess income in a given year to meet prior year short falls. If specified in the trust document, realized capital gains may be considered distributable income. Due to the need to generate income, an income orientated investment approach must be applied
 - C. Annuity Trusts - beneficiary payments are fixed based on the original gift value. Payments can be made from income or principal and a total return investment approach can be applied.
 - D. Gift Annuity- beneficiaries are paid fixed payments based on original gift value, and payments can be made from principal or income. The total return investment approach can be applied.
 - E. Pooled Income Fund- beneficiary payments are based on the income (dividends and interest) earned by the portfolio. An income orientated is required.

These funds are overseen by the Episcopal Church Foundation and State Street Bank as trustee/co-trustee for the benefit of named beneficiaries. By the terms of the various trust agreements, upon the passing of the last beneficiary, these funds revert to The Episcopal

Church Foundation. Depending on the donor's intention, these funds are then transferred to either unrestricted or restricted funds.

STANDARD ASSET ALLOCATIONS

1. The primary investment objective for the portfolios will be to provide for long-term growth of principal and income without undue exposure to risk. The portfolios shall be invested in equities, fixed income and cash equivalents based upon an acceptable asset mix which is conducive to participation in rising markets, while permitting adequate protection in falling markets. In addition, the investment mix will take into consideration factors such as the type of life income vehicle, the payout requirements, beneficiary income requirements, and overall investment policy of The Episcopal Church Foundation.

2. The overall asset allocation should reflect the structure listed below. However, each trust will be reviewed and allocated based upon their individual parameters.

Charitable Remainder Trusts

Growth Portfolio

General use: trusts with primary investment objective of growth of principal, typically 5-6% straight unitrust and effective payout annuity trusts with time horizons of 10 years or greater.

Asset Class	Target	Range	Fund
US Large Cap	40%	35-45%	SSgA Disciplined Equity Fund
US Mid Cap	5%	0-10%	S&P 400 Mid Cap Index ETF
US Small Cap	5%	0-10%	SSgA Small Cap Fund/SSgA Small Cap Enhanced Fund
International	20%	15-25%	SSgA International Stock Selection Fund (15%) SSgA Emerging Markets Fund (5%)
Fixed Income	30%	25-35%	Charitable Bond CTF (Trustee) (25%) Vanguard TIPS (5%)
Cash	0-2%	0-5%	

Balanced Portfolio

General use: trusts with primary investment objective balanced between providing income and growth of principal, typically 7% or 8% payout straight unitrusts and effective payout annuity trusts, as well as trusts with time horizons of less than 10 years.

Asset Class	Target	Range	Fund
US Large Cap	35%	30-40%	SSgA Disciplined Equity Fund
US Mid Cap	5%	0-10%	S&P 400 Mid Cap Index ETF
US Small Cap	5%	0-10%	SSgA Small Cap Fund/SSgA Small Cap Enhanced Fund
International	15%	10-20%	SSgA International Stock Selection Fund (10%) SSgA Emerging Markets Fund (5%)
Fixed Income	40%	35-45%	Charitable Bond CTF (Trustee) (35%) Vanguard TIPS (5%)
Cash	0-2%	0-5%	

Income Portfolio

General use: trusts with primary investment objective of providing income and modest growth of principal, typically higher payout (9% or higher) straight unitrust and effective payout annuity trusts, as well as trusts with time horizons of less than 10 years.

Asset Class	Target	Range	Fund
US Large Cap	30%	25-35%	SSgA Disciplined Equity Fund
US Mid Cap	5%	0-10%	S&P 400 Mid Cap Index ETF
US Small Cap	5%	0-10%	SSgA Small Cap Fund/SSgA Small Cap Enhanced Fund
International	10%	5-15%	SSgA International Stock Selection Fund (7%) SSgA Emerging Markets Fund (3%)
Fixed Income	50%	45-55%	Charitable Bond CTF (Trustee) (45%) Vanguard TIPS (5%)
Cash	0-2%	0-5%	

Trust Exception Situations

It is understood that there will be exceptions to this policy from time to time, sometimes based on special requests from donors such as the desire to hold tax-free securities or individual securities. These exceptions will be decided on a case by case basis and agreed upon by the Trustee and Investment Manager.

The following are cases with which the standard allocations are not being used:

Account Number	Account Name	Exception
52-008419	Bate, G. & C. 7% CRT	Donor/beneficiary requested growth asset allocation
52-012504	Sharpe, J. & M. 7% CRT	Beneficiary requested growth asset allocation
52-012548	Keith, E. 7% CRT	Beneficiary requested growth asset allocation
52-012550	Andrew, H. & D. 7% CRT	Beneficiary requested growth asset allocation
52-013560	Strehlow, J. 7% CRT	Beneficiary requested growth asset allocation
52-008422	Smith, N. & P. 5% NIMCRUT	40/60 asset allocation to increase income
52-007918	Early, W. 6% NIMCRUT	40/60 asset allocation to increase income
52-007758	Auten, B. 8% NIMCRUT	Beneficiary requested to have 100% cash asset allocation
52-007733	Dungan, W. 5% NICRUT	Beneficiary requested 50/50 asset allocation to increase income
52-015226	Clark, R. & A. 7% CRT	Beneficiary requested growth asset allocation
52-013126	Hall, K. & M 8% CRT	50/50 asset allocation
52-017229	Wagner, R. & D. 8% CRT	50/50 asset allocation
52-014877	Taylor, K. & M. 8% CRT	50/50 asset allocation
52-040626	Hutcherson Percia A 8% CRT	50/50 asset allocation
52-041603	Jones Kemp & Ogston 6% CRT	40/60 allocation to increase income prior to Flip

Annuity Trusts

Investment Strategy

The investment strategy for annuity trusts is to manage them on a cautious total return basis because of the fixed annual payment. The asset allocation should be a function of the current effective payout for the annuity trust. The effective payout is calculated by dividing the fixed annual distribution by the current market value.

Charitable Gift Annuity

Episcopal Church Foundation General Gift Annuity Fund:

The investment strategy for the ECF General Gift Annuity Fund is to invest the reserve assets including any required surplus assets to comply with the State of New Jersey investment restrictions. These include investing the required reserves into US Treasury, Agency or investment grade corporate bonds. The assets in excess of the required reserves are invested in State Street Global Advisor investment funds to potentially provide growth for the portfolio. The equity funds used are the SSgA Disciplined Equity Fund, SSgA Small Cap Fund, and SSgA International Stock Selection Fund. The cash balance generally ranges from 2% to 6% due to the higher monthly and quarterly distributions.

Asset Class	Target	Range	Fund
US Large Cap	40%	35-45%	US Large Cap Index Plus CTF
US Mid Cap	5%	0-10%	S&P 400 Mid Cap Index CTF
US Small Cap	5%	0-10%	US Small Cap Index Plus
International	15%	10-20%	International Alpha CTF (10%) Active Emerging Markets CTF (5%)
Fixed Income	35%	30-40%	Individual bonds (30%) TIPS CTF (5%)
Cash	0-2%	0-5%	

In addition, New Jersey requires that charities maintain segregate assets at least equal to the reserves plus the greater of 10% or \$100,000.

Episcopal Church Foundation California Gift Annuity Fund:

The investment strategy for the ECF California Gift Annuity Fund is to maintain a segregated account solely for the California gift annuities and to invest the reserve assets into US Treasury, and Agency notes. The assets in excess of the required reserves are invested in State Street Global Advisor investment funds to potentially provide incremental growth for the portfolio. The equity fund used is the SSgA S&P 500 CTF. The cash balance generally ranges from 2% to 6% due to the higher monthly and quarterly distributions.

Asset Class	Target	Range	Fund
US Large Cap	35%	30-40%	SSgA S&P 500 Fund
US Mid Cap	5%	0-10%	S&P 400 Mid Cap Index CTF
US Small Cap	5%	0-10%	US Small Cap Index Plus
International	15%	10-20%	International Alpha CTF (10%) Active Emerging Markets CTF (5%)
Fixed Income	40%	35-45%	Portfolio of US Treasuries, agency and corporate bonds
Cash	0-2%	0-5%	

Episcopal Church Foundation Hawaii Gift Annuity Fund

The investment strategy for the ECF Hawaii Gift Annuity Fund is to maintain a segregated account solely for the Hawaii gift annuities and to invest the assets in accordance with the “Prudent Investor Rule”.

Asset Class	Target	Range	Fund
US Large Cap	40%	35-45%	US Large Cap Index Plus CTF
US Mid Cap	5%	0-10%	S&P 400 Mid Cap Index CTF
US Small Cap	5%	0-10%	US Small Cap Index Plus
International	15%	10-20%	International Alpha CTF (10%) Active Emerging Markets CTF (5%)
Fixed Income	35%	30-40%	Charitable Bond Fund (30%) TIPS CTF (5%)
Cash	0-2%	0-5%	

Episcopal Church Foundation Wisconsin Gift Annuity Fund

Investment Strategy

The investment strategy for The Episcopal Church Foundation Wisconsin Gift Annuity Fund is to maintain a segregated account solely for the Wisconsin gift annuities and to invest the reserve assets including any required surplus assets into US Treasury, Agency or investment grade corporate bonds. The assets in excess of the required reserves are invested in equities to potentially provide growth for the portfolio. The cash balance generally ranges from 2% to 6% due to the higher monthly and quarterly distributions

The State of Wisconsin has the following the investment restrictions on the required reserves:

U.S./State Bonds	Unlimited.
Corp. Bonds	Unlimited overall, but limits as to bonds of any one company.
Common Stock	20% limit overall, plus limits as to stock of any one company.
Preferred Stock	Unlimited overall, but limits as to stock of any one company.
Mutual Funds	20% limit overall, plus limits as to funds of any one company.
Real Estate	20% limit overall, plus limits as to particular investments.
Foreign Investments	Apparently not permitted.
Leeway Provision	5% Limit.

In addition to the restrictions listed above, Wisconsin requires that charities maintain segregated assets at least equal to the reserves, and a surplus of ten percent of such reserves, or \$100,000 whichever is greater. The allocation for the fund will typically be similar to the following:

Asset Class	Target	Range	Fund
US Large Cap	10%	5-15%	Large Cap Index Plus CTF
US Small Cap	3%	0-8%	Small Cap Index Plus
International	5%	0-10%	International Alpha CTF
Fixed Income	78%	70-85%	Individual bonds
Cash	0-2%	0-5%	

Pooled Income Funds

The Episcopal Church Foundation Pooled Income Fund

Asset Class	Target	Range	Fund
US Large Cap	25%	20-30%	SSgA S&P 500 Fund
Fixed Income	75%	70-80%	Charitable Bond CTF

The Christ Episcopal Church Pooled Income Fund

Asset Class	Target	Range	Fund
US Large Cap	10%	5-15%	SSgA S&P 500 Fund
Fixed Income	90%	85-95%	SSgA Bond Market Fund

The Trinity Church Pooled Income Fund

Asset Class	Target	Range	Fund
Fixed Income	100%	95-100%	Charitable Bond CTF

MONITORING ASSET ALLOCATION AND REBALANCING

The portfolios should be reviewed at least quarterly to confirm the current asset allocation is in the tolerance range of its strategic allocation. The standard tolerance policy for rebalancing the charitable remainder unitrusts and annuity trusts is to reallocate the portfolio assets back to their strategic allocation when they are out of policy by +/- 4%. Prior to making any changes, the portfolios should be reviewed for possible short-term gains or losses.

The portfolios should be reviewed at least annually with The Episcopal Church Foundation and SSgA to update any changes in the investment objectives of the individual trusts.

CASH BALANCES

The standard cash balance policy for the unitrusts and annuity trusts is to maintain a balance of approximately 2% for quarterly payments. There should be higher cash balances for portfolios that have higher quarterly distributions or donor sensitivity.

INVESTING NEW TRUSTS

New trust portfolios will be invested upon receipt of the cash or proceeds from the sale of gifted securities. Exceptions can be made in specific donor circumstances or in periods of extremely volatile financial markets.

PERFORMANCE MEASUREMENT GUIDELINES

Since the life income portfolios will have various asset allocations, the primary measurement of performance will be benchmark relative returns. However, providing protection against inflation is an additional goal where possible.

The following are the benchmarks to be used for performance measurement:

<u>Asset Class</u>	<u>Benchmark</u>
Domestic Large Cap Equity	S&P 500 Index
Domestic Mid Cap Equity	S&P 400 Index
Domestic Small Cap Equity	Russell 2000 Index
Developed Markets International Equity	MSCI EAFE Index
Emerging Markets Equity	MSCI Emerging Markets Index
Investment Grade Fixed Income	Lehman Aggregate Index
Treasury Inflation Protected Securities	Lehman TIPS Index

Each investment strategy will be measured against the benchmark listed above, and each portfolio will be measured against a blended benchmark, weighted based on the target asset allocation of each portfolio.

If the Investment Manager proposes an investment strategy that should be measured against a benchmark different from those listed above, The Episcopal Church Foundation must approve it.