EFFECTIVE INVESTMENT COMMITTEES:

INCLUDE THE RIGHT PEOPLE
Investment Committees should include a number of people that understand investment options and strategies, in particular, people that understand investment risks.

MEET REGULARLY
With the possible exception of very modest or very conservatively invested endowment funds, Investment Committees should meet several times per year, preferably quarterly.

REPORT ON MEETINGS
Minutes should be kept and provided promptly to the governing council or board of the church. An annual report should be made to the congregation, typically as part of the annual financial meeting.

ARE FREE FROM CONFLICTS OF INTEREST
Agents, brokers, and/or investment managers handling the investments should not be members of the Investment Committee, even if they are members of the congregation. If members are involved in investment, this conflict of interest should be identified and disclosed. Member involvement should be considered with caution.

HAVE ADOPTED AN INVESTMENT POLICY
A comprehensive Investment Policy is essential for an Investment Committee to be effective. An Investment Policy should relate the purpose of the endowment to the mission of the church and state an investment objective, a strategy for meeting the objective, and how success at meeting the objective will be measured.

REVIEW THE INVESTMENT POLICY AT LEAST ANNUALLY
The Investment Policy should not be adopted and filed away. It should be a tool for guiding the Investment Committee, referred to frequently, and kept up to date.

USE COMMON SENSE AND DISCIPLINE
Effective Investment Committees make informed decisions. They do not make an investment because “everyone else is doing it.” They are skeptical of claims of high returns and low risks. They use objective measures of performance. They do not rely on market-timing strategies. In particular, effective committees do not allow one person’s opinion to dominate, even if that person is an investment professional or a major giver.

ACT PRUDENTLY
The legal requirement for the management and investment of endowment funds is to act “in good faith and with the care and ordinarily prudent person in a like position would exercise under similar circumstances.”

At a minimum, prudence requires consideration of the following factors:

- General economic conditions;
- The possible effect of inflation or deflation;
- The role that each investment or course of action plays within the overall investment portfolio of the fund;
- The expected total return from income and the appreciation of investments;
- Other resources of the congregation;
- The needs of the congregation and the endowment fund(s) to make distributions and to preserve capital; and
- An asset’s special relationship or special value, if any, to the charitable purposes of the congregation.

This legal requirement, as quoted from the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”), only applies to endowments established by donors (restricted assets) and not to unrestricted assets that a governing board may designate as endowment funds. However, there is a strong argument that stewardship of church assets requires at least meeting this standard for all church investments.
