

MICHAEL D. WATSON



Annette Shoemaker, director of the ELCA Foundation.

Little-known fund comes up big

Provides congregation with high-level investment expertise

By Sandra Guy

A \$454 grant from Lutheran Church of the Nativity’s endowment fund helped pay for a Christian ministry in the Arden, N.C., area to expand its hours to feed, clothe and provide aid to veterans and families in dire situations. Another \$403 grant from the endowment will help stock a nearby Episcopal church’s food pantry that serves 90 to 100 families each Saturday.

Nativity’s endowment committee decided it would focus on judging funding applications for such critically needed local projects and leave the endowment investment details to a little-known but highly accomplished investment fund with the unwieldy name of the ELCA Endowment Fund Pooled Trust, Fund A.

The ELCA administers the commingled fund, which is an investment vehicle available to any ELCA congregation, synod or related entity.

Mike Ward, an ELCA pastor, member of Nativity and vice president of advancement for the ELCA camping ministry NovusWay Ministries, said the church chose the ELCA Fund A to manage its endowment investments because it offers “great” rates and returns, and relieves churches of managing their endowment money. Nativity started issuing grants after a member made a significant gift to its previously established mission endowment fund.

The church’s endowment committee set up bylaws that require the money — now totaling \$54,300 — to be used in three ways each year: service outreach; scholarships for either seminary, Lutheran college or Lutheran camp attendance; and for initia-

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tives the church hadn’t been doing for more than three years. None of the money is intended to become permanent funding for programs.

In the past two years Nativity has spread its endowment money to several other missions, including setting up a medical equipment loan closet at the church and contributing to an international medical mission trip.

Nativity is also helping support the work of ELCA Foundation gift planners nationwide. A portion of the Fund A fee that congregations pay — a competitive management fee of one-twelfth of 1 percent each month — helps pay gift planners in the field who work with congregations to grow mission endowment funds. Gift planners also help members with bequests and life-income gifts that ultimately support various ministries.

Christine Post-Duncan, the gift planner who works with Nativity, has made several presentations that have resulted in new gifts to the congregation’s endowment fund.

“We have received more gifts from more people who intentionally give because they’ve heard of the ELCA Fund A,” Ward said. “It is extremely well managed and there is no reason to look anywhere else.”

That’s the message ELCA Fund A officials are excited to spread: With a current market value of \$480 million, the fund is able to access institutional investment managers that most congregations or other ELCA entities would be unable to hire on their own.

“By utilizing a commingled vehicle where money from a number of entities is pooled together, the risk and cost of the fund is reduced for each participant,” said Annette Shoemaker, director of the ELCA Foundation, whose mission is to sustain and grow ELCA ministries.

Fund A is managed with dual investment objectives — to generate stable quarterly distributions to sup-

port current ministry and to preserve the purchasing power of the underlying assets in order to fund future ministry.

Since 2010 the annual distribution rate has been 4.25 percent, and may remain at that level through 2015, barring unusual market activity.

The distribution is calculated using the five-year average of the fund's total value.

This helps churches budget with confidence by smoothing out the effects of market volatility over a longer period of time, Shoemaker said.

The investment adviser to Fund A is Portico Benefit Services, a separately incorporated ministry of the ELCA that offers health, flexible spending, retirement, disability and survivor plans for rostered leaders and church lay employees and their families. Portico has \$7 billion in assets under management, mostly in members' retirement funds, and operates as a self-insured health insurance provider for 35,000 of its members and their dependents.

The ELCA is able to take advantage of the relationships Portico has established in the institutional investment industry and structure a portfolio that uses a variety of management styles, Shoemaker said.

The fund is split roughly between 60 percent equities and 40 percent fixed income, with exposure to domestic and international companies, as well as global real estate. Its diversification reduces the risk of volatility and lets participants experience smoother, more consistent returns over a full market cycle, Shoemaker said.

John Saeger, chair of the board of trustees of the ELCA Endowment Fund, said the fund offers the mutual advantage of competitive returns and socially responsible investments.

Alisa Skatrud, manager of socially responsible investing at Portico,

said, "Within the portfolio, we reflect many of the values and social statements of the ELCA."

The fund screens out companies involved in gambling, pornography, tobacco, alcohol or military weapons deemed to have indiscriminate effects, as well as those with the most egregious records of damaging the environment or human health.

If the ELCA had to hire some other investment advisers, more money could be spent on the managers rather than the purposes the gift givers intended, Skatrud noted.

Larry G. Westfield, an ELCA pastor and regional gift planner in Wisconsin, describes Fund A as a way to be the church together. Through its regular distributions, Fund A helps support ministries beyond the weekly and annual giving campaigns that congregations offer, he said.

"It helps us... express our values by investing [money] responsibly in a way that strengthens society," he said. "And Fund A allows us to do ministry rather than reward shareholders by providing gift planning and fund management services to congregations and other related organizations."

"Our planners can work with members, congregations and organizations to grow endowment gifts, ensuring ELCA ministries have funds to support their work today and into the future."

"The work [Lutheran Church of the Nativity] is able to accomplish today, and long into the future, is proof positive that establishing a mission endowment fund that uses professional investment management services is allowing them to make a big difference in their community and around the world." □

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