

POLICIES REGARDING PERMANENT ENDOWMENT FUNDS

Updated: July 1, 2024

All permanent endowment funds held by Trustees of Funds and Endowments, Inc. (“Trustees”) for the benefit of the Episcopal Diocese of Wisconsin and various Episcopal parishes and related Episcopal entities within that Diocese are managed by and subject to certain permanent endowment policies. Those policies include, but are not limited to the following:

- It is Trustees’ current practice to invest all permanent endowment funds with The Combined Fund of the Episcopal Diocese of Wisconsin.
- The Combined Fund utilizes the now well-accepted “total return” concept of investing. Distributions are made without regard to and without distinguishing between income and principal. Quarterly payments for a particular calendar year are based on average unit values of The Combined Fund for the preceding twenty calendar quarters and will usually be paid on that basis throughout the year regardless of the amount of income earned by the investments. The basic principle embodied in the total return concept is that, over time, the annual payout plus average annual capital appreciation will equal or exceed an average of seven per cent per year. The use of such a principle of investing theoretically will allow an ample cash payout (currently 4.63%), protect assets against erosion due to inflation, and afford real growth of principal over time. As with virtually any investment concept, results cannot be guaranteed and past performance is no indication of future performance.
- Distribution rates for a given calendar year for The Combined Fund are established by the Board of Directors of Trustees (“the Board”) in October of each year for the upcoming calendar year.
- The Board, working with the custodian of the endowment funds, will provide an annual accounting for each year of its stewardship and administration of the fund as a whole and of individual funds contained therein to designated persons within two months after the close of the year for which the accounting is to be submitted.
- Any records so maintained relative to the endowment funds will be available, if requested, to independent auditors. The Board may request appropriate information from those charitable beneficiaries receiving distributions from endowment funds to determine that the purposes of agreements are being met once the distributions have been made.

- A Combined Fund administrative fee equal to 0.48% plus investment advisor fees and custodian fees are charged by third parties and paid by The Combined Fund. Total fees charged to The Combined Fund are currently about 0.76% (76 basis points).
- In accepting funds as “permanent endowment”, the Board accepts the responsibility for seeing that the original principal amounts, subject to investment value fluctuations customary with this type of investment, remain permanently dedicated to the purposes established and for which they were accepted and consistent with the accepted and approved policies of said Board. Any income or appreciation (realized or unrealized) in excess of the annual distribution rates, as set from time to time by the Board, will be added to the amount of the original principal and treated as permanently restricted funds, forever, to provide a hedge against inflation and to provide for real growth of the endowment funds.

Specifically, no income or appreciation in excess of annual distributions may be appropriated by the Board or any others pursuant to Section 112.10 of the Wisconsin Statutes (Uniform Prudent Management of Institutional Funds Act) or any similar or successor provision.

- Should Trustees cease to exist or otherwise be unable to fulfill these policies, any affected permanent endowment funds will be distributed to a qualified 501c(3) organization or a bank or trust company authorized to hold and manage permanent endowment funds. It is of the utmost importance that the permanent purposes of the endowment be satisfied. Absent Trustees’ action to the contrary, any funds distribution (because Trustees ceases to exist or is otherwise unable to fulfill these policies) shall be distributed to a community foundation serving the geographic area most appropriate to the fund. Each fund so distributed shall be maintained for the benefit of the parish, program, or project of the Episcopal Diocese of Wisconsin in accordance with the original intent of the permanent endowment fund.
- Should the beneficiary(ies) or the purpose for which a particular fund was formed cease to exist, such fund will continue to be held by Trustees (or any successors, as provided above) for the benefit of the parish, program, or project of the Episcopal Diocese of Wisconsin as the Trustees determine will best carry out the original intent of the permanent endowment fund. Preference shall be given to the Diocese’s work within the geographical area and field of interest originally intended. If Trustees determines that no such parish, program or project exists in the geographical area originally intended, the periodic distributions from such permanent endowment fund shall be distributed by Trustees for a purpose or purposes similar to those originally intended, as Trustees determines will best carry out the work of the Episcopal Diocese of Wisconsin.