



THE EPISCOPAL
THE DIOCESE OF
NEW YORK

PARISH ENDOWMENT MANAGEMENT SERVICE

*PEMS is a service of the
Trustees of the Estate and Property of
the Diocesan Convention of New York
using the Diocesan Investment Trust
(DIT)*

EPISCOPAL DIOCESE OF NEW YORK PARISH ENDOWMENT MANAGEMENT SERVICE

A service using the Diocesan Investment Trust

- Where should we invest our funds?
- Who should make investment decisions?
- What if we are planning to use some of the money in a few years for a new roof?
- Do we need a separate investment account for each of our restricted funds?
- Aren't bonds and CDs safer than stocks?
- How much should we be using for our operating budget?
- How do we know how well our investments are really doing?
- What kind of management fees should we be paying?

When it comes to parish investments, the questions flow thick and fast. Many Vestries and Finance Committees are unsure in this area. Some are dissatisfied with their current arrangements. Others ought to be.

Let DIT's Parish Endowment Management Service help.

What is PEMS?

Parishes with investments have two goals. First, you want the purchasing power of the investments to be maintained with respect to inflation. Second, you want the investments to produce a reasonable amount of resources every year to support your parish. PEMS (Parish Endowment Management Service) is an easy and low-cost way to achieve these two investment goals.

Why is PEMS being offered?

It's easy to understand the two investment goals your parish has. It's more difficult to know how to achieve them.

Many parishes seem to want help with the decisions and oversight that managing investments entails. Fixing and maintaining the asset allocation, monitoring the managers, making sure that no more is used any year than is prudent, reporting to the Vestry regularly on the performance of competent Treasurers and vestries can use help with these matters. The DIT is the right organization to assist.

How does PEMS work?

It's simple. If you put your investments in PEMS, the DIT will maintain the asset allocation, calculate the annual drawdown based on a three-year moving average, and send it to you quarterly with a report on performance for your Vestry. You will know every fall what the drawdown for the next year will be so you can budget. You can rest assured that you

PEMS (PARISH ENDOWMENT MANAGEMENT SERVICE)

*The Episcopal Diocese of New York
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*A service of Diocesan Investment Trust
and the Controller's Office
of the Diocese of New York*

are responsibly fulfilling your fiduciary responsibility.

It sounds like we're giving up control of our own money. Is that it?

Not at all. Your money is still your money. You're not giving up control of your money any more than if you hired any manager. PEMS just manages your investments in accordance with the current guidelines for best practices. You can withdraw your money at the end of any quarter. It's still your money.

Management fees can be high. How much do we pay for management fees?

Management fees can be high, but DIT is a very low-cost alternative. As with most professional managers, the fee is based on the balance of the account. There are no transaction fees. In 2002 and 2003 management fees in the Equity Fund were .72% and .79% respectively. Fees in the Income Fund were .58% and .63% for the same years. DIT is a low-cost operation.

What is DIT?

DIT is actually two things – first it's a trustee of funds, and second, it's like a mutual fund parishes can use.

The Trustees of the Estate and Property were incorporated in 1877 at the direction of the Diocesan Convention. A primary purpose was to hold funds in trust for parishes and institutions. TEP still manages trust funds that have been set up over the years. Many congregations are the *beneficiaries* of these perpetual trusts.

In 1943 the Trustees created the

Diocesan Investment Trust so any congregation or institution in the Diocese could invest. Now many congregations are *shareholders* in DIT.

DIT exists only to serve the congregations and institutions of the Diocese of New York. The Convention of the Diocese elects a class of Trustees of the Estate and Property every year. For almost 130 years the Trustees of the Estate and Property and the Diocesan Investment Trust have provided stable, low-cost "arm's-length" investment services for the diocese.

What do you mean by "arm's-length" services?

One of the most difficult decisions you have to make when you have investments is who should manage them. Sometime the manager is on the Finance Committee or is a friend of a Committee member. Other members may be uneasy about how things are being handled, but they may feel they can't say anything without alienating a parishioner.

One way to think of an "arm's-length" manager is that it's someone you can fire without causing a rift in your parish. DIT is that kind of manager.

What does DIT invest in?

DIT has an Equity Fund and an Income Fund. The Equity Fund is mostly invested in the larger S&P 500 companies and is managed by Wellington Mgt. There are two small holdings in international mutual funds. The Equity Fund uses the S&P 500 as its

benchmark. The Income Fund is managed by Fiduciary Trust and uses the Lehman Aggregate index as its benchmark, but the Trustees have asked Fiduciary to maintain a more conservative mix, avoiding the riskier debt of certain companies.

We've had a really high-powered Investment Committee for a while. Do we need PEMS?

Some things can be done well on a diocesan level because we can pool the resources and talents of people from all the parishes. In a parish the investment expertise may be in one or two individuals, and maybe there are times when no one has that expertise. The diocesan Convention has a wealth of talent that we can all draw on.

DIT offers a history of stability of leadership and oversight. DIT is also accountable to you through the diocesan Convention. The Trustees are, of course, all members of parishes of our Diocese.

The bigger the pool under investment, the better. The broader the pool of oversight talent, the better. Maybe your funds could be better allocated if they were part of a larger pool. Maybe your parishioner with investment expertise might be willing to serve as a Trustee so the whole Diocese could benefit from the person's knowledge.

Why should we think about putting our investments into PEMS?

No asset manages itself, and with investments there is no way to avoid risks or guarantee a particular level of performance.

But here are some of the reasons you might consider using PEMS, the Parish Endowment Management Service of DIT:

- Stability of oversight
- Reliability of reporting
- Accountability of leadership
- Transparency of operation
- Low costs
- Shared commitment to the long-term future of your congregation

Call the Controller's office to set up a meeting to discuss your situation.

The Rev. Jerry Keucher, Controller
212-316-7536; or jkeucher@dioceseny.org

Ms. Carol O'Neale, Asst. Controller
212-316-7457; or coneale@dioceseny.org

Or, contact the DIT for further information.

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212-932-7312; or funds@ditofny.org