

EPISCOPAL DIOCESE OF NORTH DAKOTA
DIOCESAN COUNCIL MEETING MINUTES
PEACE LUTHERAN CHURCH – DUNSEITH, ND
AUGUST 22-23, 2014

Present: The Right Rev. Michael Smith, the Rev. Bart Davis, Sandi Myers, the Rev. Duane Fox, Deacon Terry Overbo, Mark Raymond, Deacon Barb Olson, Marilys Carter, Julie Helgaas, Pat Fearing, Linda Hokana, Mary Ann Henry, the Rev. Canon Zanne Ness, Wes Fox, Deacon Erin Richards, Charlotte Peterson, treasurer, Leisha Woltjer, administrator.

After a delicious meal prepared and served by Mary Ann Henry, Bishop Michael conducted Evening Prayer. He read a short biography of Gregoria Agalupay who was ordained a priest in 1890 in the Catholic Church and became the first Supreme Bishop of the Phillipines in 1890. He later joined with the Episcopal Church.

Roll was called and a quorum was established.

Additions to the agenda include Safe Church, the pooled investment fund (PIF), and a proposed canonical change.

Minutes of the March Diocesan Council meeting were accepted with a correction that Erin Richards should be listed as Deacon Erin Richards.

Charlotte Peterson was called upon to give the treasurer's report. She reported that the cash flow was good and it has not been necessary to make a draw from the investment fund. She pointed out some changes in expenses due to a canon missionary change.

Discussion was held in regard to the remaining funds that were to be used for the math and reading clinics which have been going on at St. John's, Moorhead, and which have been discontinued. The clinics have been funded by grants received from the Otto Bremer Foundation and the Episcopal Church Center. Derick Dalhouse (and previously his wife), who has been conducting the clinics for several years, has recommended transferring the remaining balance of \$8,754.38 to the Episcopal Foundation for Ministry in Higher Education (EFMHE) and ear-mark it for scholarships for Sudanese students. Barb Olson moved to go ahead with the above recommendation. Terry Overbo seconded the motion. Motion carried.

The treasurer's report was accepted by voice vote.

A resolution (attached) was put forth to establish and participate in a pooled investment fund. Initially, a 5-member committee to oversee this fund would consist of one member each from the North Dakota Episcopal Foundation and Gethsemane Cathedral Foundation, and 2 members representing the Diocese of North Dakota. The fifth would be chosen by the first four members as set forth in the resolution. After some discussion, Julie Helgaas moved to have the diocese participate in the pooled fund. Zanne Ness seconded the motion. Motion carried.

The next issue discussed was the proposed 2015 budget. Charlotte Peterson and Leisha Woltjer provided answers to questions from the council. It was noted that the Finance Committee has recommended decreasing the draw from the investment fund from 7% to 6.75%. Our Fair Share will remain the same at 20%. The Finance Committee also recommends increasing our giving to the National Church Program to 17% which is just 2% below the 19% recommended by the Episcopal Church funding formula.

Friday's meeting was closed with prayer.

Saturday, August 23

A very good breakfast was prepared and served at Peace Lutheran Church by Mary Ann Henry. Bishop Michael led Morning Prayer. He read about the life of Jeremy Taylor who was chaplain to Charles I. Taylor wrote many prayers, two of which are found in our Episcopal prayer book. He died in 1667.

The proposed budget was once again discussed. A utility allowance for the not-yet-purchased rectory in Williston was discussed, with council members offering pros and cons as to whether it should be added to the budget at this time. There was also some discussion about the way other items appeared in the budget and how this affected transparency. Bart Davis moved to refer to the finance committee any budget changes as a result of when and if a house is purchased in Williston and refer to the finance committee to make changes to the budgetary process or accounting to be more in line with the auditor's expectations. Zanne Ness seconded the motion. Motion carried.

There was also a question as to why there were no figures in the Housing/Utilities line for any of the clergy. It was explained that this amount was included with the stipend amount so only one figure shows. Council decided that clergy utility allowances should be shown in the budget as a separate item based on last year's actual figures so that the stipend figure did not appear as a large increase in clergy pay. This will not change the bottom line, only the way the figures appear on the budget.

Julie Helgaas moved for acceptance of the 2015 Proposed Budget. Linda Hokana seconded the motion. Motion carried.

Sandi Myers was nominated by Charlotte Peterson to serve on the Finance Committee. Her nomination was approved by the council.

Charlotte Peterson announced that an audit workshop would be held on Friday at the annual convention in October. Some discussion followed.

Bishop Michael said that he would like to establish a Grant-writing and Partnership Resources Committee. Discussion followed on how to look for grants with Sandi Myers providing some good information. Sandi Myers, Julie Helgaas, and Erin Richards volunteered to serve on this committee.

A Bakken Committee has been established which consists of Bishop Michael, Zanne Ness, Sandi Myers, and Bart Davis.

On August 5, 2014 the Diocesan Council was polled by E-mail with a majority (14 of 22) members voting an unqualified "yes" and 1 member a qualified "yes" to purchase a house in Williston with a \$75,000 down payment from the diocesan real estate fund and to provide utilities from the Bakken Mission Fund. A motion was made by Erin Richards to ratify that vote. Julie Helgaas seconded the motion. Motion carried. Sandi Myers and Vernon Owen from St. Peter's in Williston will start looking for a suitable house as soon as possible.

The council was informed that there are currently two applicants for the rector's position in Williston. Bishop Michael asked that Zanne Ness and Sandy Odegard from St. Peter's begin interviewing the applicants.

Bishop Michael reported that St. Sylvan's, Dunseith, is part of the Mountain View Ministry and that a Lutheran minister conducts services there twice a month. He said that he would like to have Paul Zaharia go to Dunseith once a month and Erin Richards to conduct services in Williston once a month. He also said that Randy Keehn is starting seminary at Nashotah House and is serving in Cartwright.

Mark Raymond reported on the current status of the church in Lakota which has closed. He said that most items from the church have been given away. The church will be listed with a realtor.

The bishop said that some members of the council had not taken the required Safe Church training. He will contact Sandy Holbrook to ask what they should do to remedy this.

Bart Davis offered an amendment to the church constitution which says "The Convention shall meet at least biennially, and at such times as may be prescribed by Canon. This amendment strikes the word 'annually' and replaces it with 'biennially'." He said the amendment could save money and give us the freedom to not meet annually. After some discussion which brought up further complications if the amendment was passed, Bart withdrew his proposal.

A voice vote by the diocesan council has set the 2016 convention for October 14-15 in Bismarck.

The next council meeting which had been scheduled for Spirit Lake in November has been moved to Bismarck and will meet on November 21-22. Hotel remodeling at Spirit Lake necessitated the move.

The following people will be going off council in October: Mark Raymond and Terry Overbo (off Standing Committee, Terry is eligible for another term); Linda Hokana and Jim Shannon (both are eligible for another term); Wes Fox and Erin Richards (Erin eligible for another 2 terms).

It was reported that the Standing Committee had approved the bishop's appointments to the Disciplinary Board.

Bishop Michael said that a chair was needed for the Evangelism and Church Planting Committee now that Father Kevin Goodrich is no longer in North Dakota. Jim Shannon was suggested to fill that position. Mother Mary Johnson of All Saints', Minot, was suggested as representative to the North Dakota Council of Churches.

The 2014 convention to be held in Bismarck on October 17-18 was discussed. Pre-convention meetings will be held in Bismarck on October 4 and in Jamestown and Grand Forks on October 5. It was stressed that all delegates should try to attend one of these meetings. The Partnership Committee from Texas will be at convention.

It was reported that the academic dean from Nashotah House had visited Sitting Bull College in Fort Yates. The college now offers a bachelor's degree and there is a possibility that they could partner with Nashotah House to establish a ministry degree.

Pat Fearing reported that the spring ingathering for the United Thank Offering had only two participants. Leisha Woltjer pointed out that some churches had participated but did not get their ingatherings in to the diocesan office before the cut-off date. Pat asked council members to urge participation in UTO at their churches.

Bart Davis moved to extend our thanks to Mary Ann Henry for the delicious food and to Peace Lutheran Church for the use of their facilities. The council seconded the motion with a round of applause.

Meeting adjourned to enjoy another meal prepared and served by Mary Ann.

Submitted by Pat Fearing, Secretary

RESOLUTION TO ESTABLISH AND PARTICIPATE IN THE POOLED INVESTMENT FUND OF THE EPISCOPAL DIOCESE OF NORTH DAKOTA

WHEREAS, the Finance Committee of the Episcopal Diocese of the State of North Dakota (the Diocese) has reviewed a proposal that would establish a pooled investment fund (PIF) which would provide the Diocese, its parishes, missions, and other incorporated organizations which elect to participate with a vehicle for pooling their various and separate operations and endowment funds for investment.

WHEREAS, the investment goal of the PIF will be to provide long term financial support for the development of ministries and programs within the Diocese through the prudent investment of the participant's assets.

WHEREAS, Participants in the PIF will have access to their individual plan balances at all times.

WHEREAS, the PIF is to be managed with long term objectives and is not an appropriate vehicle for assets which are short term in nature.

WHEREAS, the Episcopal Diocese of Minnesota has established a similar fund with multiple participants.

NOW, THEREFORE, the Finance Committee recommends the Diocese for consideration and approval that the Diocese establish and participate in such a PIF in accordance with the following operating guidelines and policy.

OPERATING GUIDELINES AND POLICY

INVESTMENT OBJECTIVES

The Investment Committee for the PIF shall be responsible for implementing the following investment objectives, giving them priority according to the order in which they are stated:

A. Maintenance of a reasonable, stable and growing level of current income.

B. Preservation of the purchasing power of the assets through an investment return sufficient to offset inflation.

The above mentioned objectives shall reflect the values and standards of the Episcopal Church.

INVESTMENT COMMITTEE

The Investment Committee for the PIF is open to participation with a minimum of five members. Initially, the Investment Committee shall consist of at least one member each from the North Dakota Episcopal Foundation and Gethsemane Cathedral Foundation, and two members representing the Diocese of North Dakota. Each participating entity represented on the Investment Committee shall determine its own procedure for appointing or electing their representative from that entity to serve on the Investment Committee. The fifth member will be selected by the four members previously identified with preference being given to one of the participating congregations in the Diocese other than Gethsemane Cathedral.

In the event that an entity participating in the PIF elects to withdraw from the PIF and is represented by a member of the Investment Committee at the time of withdrawal, then the remaining members of the Investment Committee shall select a replacement member or members, with preference being given to one of the participating congregations in the Diocese other than Gethsemane Cathedral.

The term of each Investment Committee member will be two years, with a maximum of two consecutive terms of service. The terms shall be staggered, with no more than two members of the Investment Committee ending their service in any given year. This policy is established for purposes of continuity and "corporate memory." The Investment Committee shall elect a chairperson at its first meeting of the year to preside at all meetings held that year. The Investment Committee will adopt its own procedures for election of the chairperson. The Investment Committee shall also elect a Secretary for the purpose of taking minutes of the proceedings of each meeting. Minutes of PIF Investment Committee meetings will be circulated to all members of the Investment Committee and also transmitted to the offices of the Diocese to be kept on file.

The Investment Committee is responsible for the oversight of the PIF and must follow the adopted, current investment policy of the PIF.

The Investment Committee will be responsible for the following:

- Review annually the Investment Policy of the PIF and make changes to the policy as warranted.
- Hire, retain, monitor, and if warranted, terminate Investment Advisor(s).
- Deploy assets of the PIF within the Investment Policy guidelines.
- Recommend specific investments to the Investment Advisor, when deemed appropriate.
- The Investment Committee will meet a minimum of twice a year, in person or by telephone conference call.
- The Investment Committee will report to the participants in the PIF quarterly on the asset allocations of the PIF as well as the investment results against a performance benchmark.

INVESTMENT ADVISORS

The INVESTMENT ADVISOR(S) shall be an individual or institution which, at its sole discretion, should be engaged to assist in the screening, evaluation, selection and on-going evaluation of the Investment Managers; make asset allocation recommendations and perform other services deemed appropriate by the Investment Committee.

- The Investment Advisor(s) shall report to the Investment Committee quarterly on investment results compared to selected indices based on parameters set forth in this document.
- The Investment Advisor(s) will report to the Investment Committee Chair regularly as needed based on market conditions.
- The Investment Advisor(s) will meet annually, in person or by telephone conference call, with the Investment Committee to review overall portfolio construction, make comments about future strategy considerations, and the overall outlook for the global economy.

INVESTMENT MANAGERS

The INVESTMENT MANAGER(S), selected and monitored by the Investment Advisor, shall be accountable, with the Investment Advisor, to the Investment Committee for

carrying out the investment goals, objectives, and policies of the PIF. The Investment Manager(s) shall invest assets in accordance with the Investment Policy and the Investment Manager(s) judgment concerning relative values and risks.

- The Investment Manager(s) shall have full discretionary authority in the selection and retention of investments subject to the provisions of law, agency agreement, and the statement of Investment Policy, as amended from time to time. The Investment Manager(s) shall operate specifically within the guidelines covering diversification, quality and restricted transactions.

PARTICIPATION AND WITHDRAWAL PROCEDURES

A congregation within the Diocese, including its affiliated foundation, desiring to participate in the PIF shall contact the designated representative of the Diocese of North Dakota and shall complete and submit an application to participate in the PIF. Once the application has been correctly completed, submitted and approved by the Diocese, the applicant shall be deemed eligible to participate in the PIF. PIF participants may withdraw their funds at any time for any reason. To withdraw from the PIF, the participant shall contact the designated representative of the Diocese to request a partial or full withdrawal of the participant's funds from the PIF. Requests for withdrawal received by the 10th of the month will be processed and the requested funds will be returned by the end of that month.

INVESTMENT GUIDELINES

The following guidelines have been established for investments, subject to the prevailing and controlling statutory guidelines for the investment and management of institutional funds as set forth in Chapter 59-21 of the North Dakota Century Code, captioned Uniform Prudent Management of Institutional Funds (UPMIFA), as amended from time to time in the future. The standards and ratios are based up current circumstances and, since these circumstances will change from time to time, it is expected that these guidelines will be reviewed and altered when necessary to meet new conditions.

- A. ASSETS shall be invested under all circumstances with the care, skill, prudence and due diligence.
- B. INVESTMENT PHILOSOPHY to be followed should be disciplined and consistent. It should accommodate all those events and occurrences considered

reasonable and probable. The investment portfolio should be diversified both as to fixed income and equity holdings. The purpose of this diversification is to provide reasonable assurance that no single security or class of securities will have a disproportionate impact on the total portfolio.

C. ASSET ALLOCATION POLICY

1. The participants of the Pool are all tax-exempt organization.
2. Assets shall be structured to meet the individual liquidity requirements of the participants of the Pool.
3. Notwithstanding any other guidelines, the portfolio shall be managed with an overall balanced (growth and income) orientation.
4. The Investment Committee shall establish long-range asset allocation guidelines that maintain an appropriate asset mix, realistic investment objectives, relevant investment constraints and total plan objectives.

The asset allocation should be as follows:

Type of Asset	Range	Long Term Target
Fixed Income/Cash	25-40%	30%
U.S. Large Cap Stocks	20-40%	25%
U.S. Mid/Small Cap Stocks	10-20%	15%
Non-U.S. Stocks	15-25%	20%
Other	0-15%	10%

FIXED INCOME ASSETS

- a) The cash portion of the Pooled Investment Fund shall be invested in a Short Term Investment Fund or Money Market Fund. Safety of principal is the emphasis.
- b) No more than 10% of any Investment Manager’s bond portfolio at market shall be invested in the securities on one issuer. There shall, however, be no such limit on U.S. Government Securities of U.S. Government sponsored entities or agencies of GNMA securities.
- c) The average quality of the fixed income portfolio shall be “A” or higher. Seventy-five percent of the securities of an Investment Manager’s portfolio must be rated BBB-Baa3 or higher by a nationally recognized

rating agency at time of purchase. For split-rated securities, the higher rating will be used in determining compliance with these guidelines.

- d) An Investment Manager's bond portfolio market value weighted average effective duration, adjusted for expected life and call provision, cannot be more than two years greater than the benchmark's effective duration.
- e) Holdings permitted
 - i) Debt securities issued or guaranteed by the U.S. Government, or U.S. Government sponsored entities or agencies (including U.S. Government sponsored agency mortgage backed securities).
 - ii) Corporate bonds, debentures and other forms of corporate debt obligations.
 - iii) Certificates of Deposit and other money market instruments from banks also issuing banker acceptances and with current commercial paper rating of at least A-1 by Standard and Poor's of P-1 by Moody's Investor's Service.
 - iv) Global bond mutual funds which have been in operation for more than three years.

EQUITIES

- a) Holdings Permitted:
 - i) Common stocks, preferred stocks or American Depository Receipts ("ADRS") listed on U.S. exchanges or international exchanges.
 - ii) Securities convertible into publicly traded common stocks.
 - iii) Open or closed end mutual funds and exchange traded funds, which have been in operation for more than three years. The three-year requirement may be waived in appropriate circumstances by the written permission of the Investment Committee.

- b) Holdings **NOT PERMITTED** without the prior written approval of the Investment Committee:
 - i) Short sales.
 - ii) Options, futures, forward contracts or other derivatives except where used to hedge market value of non-dollar denominated securities into US dollars or replicate a major market benchmark.

- iii) Margin purchases, borrowing funds or securities lending.
- iv) Letter stock, private or direct placements.
- v) Leveraged commodities.

OTHER ASSETS

These holdings can include absolute return strategies, real estate investment trusts, energy master limited partnerships and non-leveraged commodity funds or indexes.

PERFORMANCE EVALUATIONS

The Investment Manager(s) performance will be monitored and evaluated in comparison the following relative benchmarks.

Asset Class	Benchmark Index
Large Capitalization – US Equities	Standard & Poors 500
Mid Capitalization - US Equities	S & P 400 Mid Cap
Small Capitalization – US Equities	Russell 2000
International Equities	MSCI EAFE – Net Div
Bonds	Lipper Intermediate Investment Grade
REITS	NARIET Equity Index
Absolute Return Strategies	Consumer Price Index +4%
Asset Allocation Funds	Lipper Moderate Balanced
Non-Leveraged Commodity Indexes	Dow Jones AGI Commodity Index

The total portfolio performance will be measured against an appropriate blended benchmark such as the Lipper Mixed Target Moderate Average.

SOCIALLY RESPONSIBLE INVESTING

The Investment Committee will attempt to reflect the social consciousness and concerns of the Episcopal Church as part of the investment decision making process, in addition to the traditional objective of meeting certain financial objectives.

AMENDMENT

Any change to these Operating Guidelines and Policies shall require approval by majority vote at any regularly scheduled or special meeting of the Investment Committee.

arc f/205/Resolution (clean) 8-18-14