

INVESTMENT PROGRAM FREQUENTLY ASKED QUESTIONS

The LCMS manages investments on behalf of hundreds of LCMS ministries. Below are some questions related to the Foundation's investment services.

Whom Does the Foundation Serve? And Other Questions about the Organization.

Can my organization invest using the Foundation's program?

The Foundation's investment program was created in 1958 specifically to help congregations, schools and other organizations of the Lutheran Church—Missouri Synod. If your entity is listed in *The Lutheran Annual*, ([found here](#) as an online database directory) we can help you manage your organization's endowments and investment accounts.

Do you have investment accounts for individuals?

The Foundation's investment program manages assets for church organizations. There are no individual investment accounts. When an individual has made a gift to some agency of the church, such as a donor advised fund or a charitable remainder trust, the Foundation manages the assets of that gift but it is not the same as an individual investment account such as a person might hold with Thrivent, Charles Schwab, etc.

How large is the LCMS Foundation team?

The Foundation currently has 50 employees, with 34 in St. Louis, and 16 deployed around the country. Investment management oversight includes staff, the Board of Trustees Investment Committee, and professional investment advisor NEPC.

What is an investment account?

The Foundation serves as custodian with fiduciary responsibility for safeguarding the financial assets of LCMS ministries. An LCMS ministry may have one or multiple accounts. Unlike community foundation accounts, ownership of the assets within a account remain with the LCMS ministry.

Investment Philosophy and Governance

Who decides how the Foundation's Investments are managed?

The Foundation's investment portfolio is managed by three groups working together: the Foundation's Board of Trustees, Foundation staff, and the Foundation's investment advisor. Currently the role of investment advisor to the Foundation is performed by NEPC, a firm based in Boston, Massachusetts that has 347 clients and \$927 billion assets under advisement ([NEPC.com](#)). The Foundation's Board of Trustees meets quarterly with staff and the Foundation's professional investment advisor to review the Foundation's portfolio and to discuss any relevant developments. The Board of Trustees, through its investment committee also develops and maintains the Foundation's investment policy, which defines and directs how the Foundation's investment program is to be operated.



What is the role of the Foundation's Investment Advisor?

The Foundation Investment Advisor, NEPC, helps the Foundation in two critical areas: (1) designing the Foundation's investment program, including selecting asset classes and weightings, and (2) helping select and monitoring the Foundation's fund managers. The Foundation and Concordia Plan Services, which manages the LCMS church worker retirement plan, both use NEPC for this function.

What do the Foundation's Fund Managers do?

The Foundation hires professional fund managers to invest in specific asset classes. These fund managers research stocks and bonds in their respective asset classes to find opportunities to invest in holdings that will achieve superior risk-adjusted returns. The Foundation has 16 fund managers with varying strategies and approaches.

Investment Fund Structure, Reporting, and Fees

How can I see performance histories of Foundation Investments?

Monthly and quarterly investment performance reports are available at the Foundation's website, www.lcmsfoundation.com. The Foundation provides its clients 24/7 secure, online access to organizational account statements and performance reports.

What are the Foundation's Preference Funds?

The Preference Funds comprise the four asset classes in which the Foundation's portfolio is invested: domestic equity, international equity, core bonds, and high yield bonds.

What are the Foundation's Standard Funds?

Standard Funds are the five portfolios with asset class targets that are re-balanced monthly by the Foundation. Built from the Foundation's Preference Funds, the portfolios are structured to offer the Foundation's ministry partners with investment options to match various levels of risk tolerance. The Standard Funds are rebalanced at the end of each month when purchases and redemptions occur.

What fees are charged by the Foundation to manage investments?

The Foundation assesses a ministry expense monthly on custodial investment accounts based on each client's total portfolio value at month end. The annual rates are: 0.55% for the first \$1,000,000 in balance; 0.45% for the next \$9,000,000; and 0.35% for all balances over \$10,000,000. There are no transaction or redemption fees.

Why are the Foundation's Investment funds priced monthly rather than daily?

The Foundation pools investments across thousands of donor accounts and hundreds of ministry investment accounts. Each month, Foundation staff computes a unit price for each of its funds, and calculates balance and income information for all Foundation accounts. Using monthly pricing allows for operational cost savings. It is also consistent with the Foundation's long-term investment philosophy, which encourages looking at investment returns over longer time periods, rather than daily returns. Fund transactions occur at the end of each month; generally 30 days notice is required for partial or total redemptions.

What companies comprise the funds and in what proportion?

The Preference Funds are invested in specific asset classes, by top financial managers that specialize in that particular group of assets. The Top Ten Holdings of the Preference Funds and other characteristics are on the Foundation Funds Quarterly Performance Summary.

Are the funds publicly traded or listed?

These are not publicly traded funds and they are not open to individuals. There are no prospectuses available since the funds are private investment pools only available to LCMS congregations, universities, schools, and recognized service organizations.

Are there any particular moral, environmental or ethical screenings performed on companies held in the Preference and Standard Funds, beyond the standard and thorough financial review?

Our investment managers are directed to not invest in companies that actively produce agents that cause abortions or that engage in racial discrimination.

Setting Up Our Endowment/Investment Account

Should we separately incorporate our endowment?

There are many tax and legal considerations to separate incorporation of an endowment, including separate organizational management. Please follow [this link](#) for a legal opinion.

How does an organization clarify its fund's purpose and objectives?

Please visit our website www.lcmsfoundation.org to download the "Getting Started" checklist to help structure the fund. We have copies of documents that other LCMS organizations have created and have permission to share them upon request.

Can an organization have multiple accounts?

Yes, and many organizations choose different accounts to match assets or different investment time horizons.