**119th Convention of the Episcopal Church in Utah**

**Report of The Perpetual Trust of St. Peter and St. Paul**

The Perpetual Trust of St. Peter and St. Paul was established in 1989 with $89 million in proceeds from the sale of St. Mark’s Hospital to support the Diocese by providing a secure and stable source of funds to finance Diocesan and parish operations and programs. Bishop Phyllis Spiegel is the Chairman of the Board of Trustees, whose members are Canon Chancellor Stephen B. Hutchinson, Tom Swegle, Elaine Weis, Jerold Oldroyd, Tere Champ-Major, and Jeffery Shields. Branden Burningham will replace Steve Hutchinson after Steve’s retirement in June. William (Bill) Potts is the Trust administrator.

From 1989 to 1994 the investments of the Trust were limited to fixed income securities and only the interest income could be paid out. By 1994, the Trustees had determined that the investment portfolio needed to be diversified to generate higher returns and adopted a Policy Asset Allocation to achieve that goal.

In 1994 historical investment returns were about 9%, so a formula was derived that calculated the maximum annual operating distribution the Trust could make to the Diocese while still preserving the principal of the Trust at 5% of the 48-month rolling average market value. The Trust cannot reduce the 5% distribution rate without the approval of the Diocesan Convention and authorization by the court, but the Diocese can elect to take less than the maximum distribution and has done so occasionally.

Today projected long term returns are 5% to 6%, making it difficult for the Trust to preserve and grow the principal of the Trust. The Trust’s advisors have cautioned the Trustees that the 5% distribution rate is well above the 3% to 4% distribution rates of our peers and is likely unsustainable in the long run.

The maximum 2024 Operating Distribution is $2,670,160 and in 2025 is projected at about $2.54 million.

**Project Jubilee**

In 1998 the Trust borrowed money under Project Jubilee to fund the capital construction, repair and improvement needs of the Diocese. This debt is secured solely by the securities held by the Trust. No assets of the Diocese or any parish are used as security for the Project Jubilee loans and the bank cannot seize any of these assets for repayment. The interest rate is set at 5.89% until November 2024 and interest is paid semiannually.

Borrowing for Project Jubilee reached its peak of $34.5 million in 2011. Since then, the Trust has authorized principal repayments of $13 million, bringing the outstanding balance to $21.5 million. The Trustees intend to continue to make periodic repayments of principal whenever market conditions permit.

**Financial Results**

As of April 4, 2024, the Trust held approximately $63 million in assets, below the month-end market values for most of the last 5 years. The Trust has not been able to grow or even preserve the principal of the fund because of the level of annual disbursements to the Diocese and payments of interest and principal on the Project Jubilee loan and the volatility of the financial markets.

From inception to date, the Trust has paid out about $152.8 million in Operating Distributions and $39.3 million in Project Jubilee principal and interest, for a total of about $192.1 million expended for the benefit of the Episcopal Church in Utah.

Despite this cash drain, the Trust has generated investment returns comparable to benchmark returns. In 2023 The Trust had a return of 14.28%, almost 2% below the benchmark index. YTD February 2024, the Trust has generated a return of 1.58%.

**Impact (Environmental, Social and Governance) Investing**

Currently the Trust has $9.7 million, or 15.44, of the portfolio, in dedicated social investment funds. In addition to these targeted funds, most of the rest of the securities in the portfolio have an A or higher ESG rating by MSCI, bringing the total ESG investment to almost 85% of the portfolio.