

Resolution #GCC21-18 Restructuring the Chapter Investment Fund

WHEREAS

The Grand Chapter established the Chapter Investment Fund (“CIF”) in 1959 to provide Sigma Phi Epsilon (“SigEp”), undergraduate chapters, and Alumni & Volunteer Corporations (“AVCs”) with a means to invest their savings more judiciously and profitably; and

WHEREAS

The CIF currently contains over \$18 million in chapter and AVC assets; and

WHEREAS

In 1959, obtaining and maintaining a chapter facility was a feasible goal for all Sigma Phi Epsilon chapters; and

WHEREAS

CIF assets have primarily been used to advance SigEp real estate projects; and

WHEREAS

Over the past 62 years, the realities of university housing have evolved considerably; and

WHEREAS

Many college towns now use zoning ordinances to prevent college fraternities from constructing and occupying houses; and

WHEREAS

Many colleges and universities are crowding out off-campus housing and requiring undergraduates to live on-campus as a means of guaranteeing revenue from room and board; and

WHEREAS

Roughly 40% of SigEp’s chapters are either unhoused or housed in university-owned housing and have little chance of ever owning a chapter facility; and

WHEREAS

The Grand Chapter Bylaws and the SigEp National Housing Policies and Procedures limit most conforming CIF withdrawals to housing-related expenditures; and

WHEREAS

The one conforming non-housing CIF expenditure—purchasing ritual equipment—is an infrequent transaction that constitutes a small percentage of many chapters’ CIF balances; and

WHEREAS

This arrangement provides 40% of SigEp chapters few conforming uses for their CIF assets; and

WHEREAS

In today's SigEp experience, there are many additional ways to invest in a chapter beyond acquiring and maintaining a chapter house or ritual equipment; and

WHEREAS

The current CIF arrangement has created hundreds of separate accounts that must be treated as chapter assets for tax purposes; and

WHEREAS

This requires chapters and AVCs to report annual gains on their CIF accounts by filing Form 990s with the IRS and similar forms with their state tax agencies; and

WHEREAS

This, in turn, requires chapters and AVCs to perform complex accounting calculations and projections, such as making biannual or quarterly estimated tax payments and predicting how much in educational expenditures they must make to offset CIF market performance; and

WHEREAS

Chapters that fail to do this regularly and accurately risk losing their nonprofit status; and

WHEREAS

Many chapters do not have the accounting expertise required to complete these tasks, and, as a result, more than half of SigEp's chapters have already lost their nonprofit status; and

WHEREAS

Once nonprofit status is lost, chapters must undergo an expensive and time-consuming process with the IRS to reclaim it; and

WHEREAS

Headquarters staff must devote many hours to managing the complex CIF asset structure and are often unfamiliar with the applicable corporate tax laws in each state; and

WHEREAS

For years, the Sigma Phi Epsilon Educational Foundation ("the Foundation") has been managing Learning Community and Leadership funds for individual chapters, which can be used to fund,

among other things: housing projects, chapter programming, and national leadership event registration; and

WHEREAS

The Foundation already has the infrastructure to manage, maintain, and disperse assets for thousands of chapter- and AVC-specific funds; and

WHEREAS

Funds housed in the Foundation, a 501c3 entity, are tax exempt, subject to appropriate educational use as defined by the Internal Revenue Code; therefore be it

RESOLVED

That the National Board of Directors shall, in consultation with the Sigma Phi Epsilon Educational Foundation Trustees, create restricted Foundation funds corresponding to each undergraduate CIF account; and be it

FURTHER RESOLVED

That the National Board of Directors shall, acting through the Grand Treasurer and on behalf of the Grand Chapter, convey all undergraduate CIF accounts to their corresponding fund at the Foundation, which would eliminate the requirement that each chapter report its CIF activity with the Internal Revenue Service (“IRS”); and be it

FURTHER RESOLVED

That the National Board of Directors, in conjunction with the Foundation Trustees, shall prepare a fund agreement to govern the funds created by this resolution for both active and dormant chapters, and such agreement shall include policies governing any future deposits, investment gains/losses and fees, as well as the disbursement of assets in a manner that advances the objectives of the Fraternity’s strategic plan; and be it

FURTHER RESOLVED

That, in order to protect the corpus and long-term impact of these assets, the funds created by this resolution shall be treated and managed by the Foundation as permanent endowments, with the Sigma Phi Epsilon Educational Foundation’s annual spending policy governing the maximum withdrawal amount; and be it

FURTHER RESOLVED

That, to ensure SigEp remains a strong and viable organization for current and future chapters, assets of dormant chapters held in funds specified in this resolution be used to support current SigEp educational programs and services, and that any disbursements be similarly managed according to the Sigma Phi Epsilon Educational Foundation’s annual spending policy; and be it

FURTHER RESOLVED

That chapters executing a real estate acquisition or renovation to advance their SigEp Learning Community goals be exempted from any withdrawal limitations and permitted to access 100% of their fund's balance for qualified educational expenses; and be it

FURTHER RESOLVED

That all chapters, whether housed or unhoused, shall be able to use their chapter specific Foundation funds to support operations that align with SigEp's strategic mission and qualify as educational expenditures under IRS regulations, including but not limited to the following:

- housing facilities, land, furniture and fixtures for the educational portions of a chapter facility;
- capital improvements to educational portions of the chapter facility;
- equipment to provide learning space in a facility;
- chapter or AVC facility rental costs, when used for educational purposes;
- Learning Community events and programming;
- Regional Director & Volunteer Specialist service costs;
- Resident Scholar stipends;
- Registration fees for national leadership development events;
- Lodging and transportation costs for national leadership development events;
- BMP events and programming;
- AVC/Mentor Committee sponsored events;
- Chapter retreat activities; and
- Purchases of Ritual equipment; and be it

FURTHER RESOLVED

That these uses be explicitly codified in the fund agreement required by this resolution; and be it

FURTHER RESOLVED

That the said fund agreement shall be drafted and in final form for use no later than 30 days following the conclusion of the 57th Grand Chapter Conclave and expediently shared with Chapter and Alumni and Volunteer Corporation (AVC) leaders; and be it

FURTHER RESOLVED

That the National Board of Directors or their designee shall complete the conveyance of undergraduate funded CIF accounts to the Sigma Phi Epsilon Educational Foundation no later than 90 days following the finalization of the fund agreement required by this resolution; and be it

FURTHER RESOLVED

That the Headquarters staff shall begin regularly distributing quarterly statements to Chapter and AVC leaders that are reflective of the aforementioned modifications in the first quarter after the transfer of the accounts to the Sigma Phi Epsilon Educational Foundation, and be it

FURTHER RESOLVED

That the Grand Chapter Bylaws be amended as follows (~~striketrough~~ indicates removal of text; *italics* indicates new text, paragraphs shall be renumbered as necessary);

ARTICLE IV – EXECUTIVE GOVERNANCE (NATIONAL BOARD OF DIRECTORS)

Section 48. The National Board of Directors may authorize the Grand Treasurer to transfer monies from any fund or funds of the Fraternity to any other fund or funds of the Fraternity, consistent with provisions of the *Grand Chapter Bylaws and Administrative Policies and Procedures*, the amount transferred to be determined and stated by the National Board of Directors; ~~provided, however, that no such transfers shall be made from the Chapter Investment Fund.~~ [VA3] All monies thus transferred shall be returned to the proper funds together with simple interest at a rate approved by the National Board of Directors. All transfers of monies made under this section shall be clearly indicated in the annual audit of the Fraternity.

ARTICLE VI – FEES AND FUNDS

Section 8. Each undergraduate chapter shall *contribute to a restricted fund in its name, deposited with the SigEp Educational Foundation, to an account in its name in the Sigma Phi Epsilon Chapter Investment Fund* not less than twenty dollars (\$20) for each undergraduate member in the chapter as of March 1 of each year.

Section 13. The National Board of Directors shall provide for the establishment of ~~three~~ two trust funds to be known as ~~the Sigma Phi Epsilon Chapter Investment Fund~~; the *Sigma Phi Epsilon Journal* Fund, and the Sigma Phi Epsilon Chapter Continuation Fund (hereinafter known as the “Funds”) and for the management of these funds by an Investment Committee appointed by the National Board of Directors.

CHAPTER INVESTMENT FUND

Section 23. ~~The Chapter Investment Fund shall exist for the purpose of providing a means for Sigma Phi Epsilon Fraternity and its related entities and interests to more judiciously and more profitably invest their savings.~~

~~**Section 24.**—Annual deposits by the undergraduate chapters, as required in Section 8 of these Bylaws, voluntary additional deposits by the Alumni and Volunteer Corporations of the undergraduate chapters, and deposits by others (hereinafter referred to as “depositors”) shall be deposited in the Chapter Investment Fund to the credit of such undergraduate chapter or other depositor. The Investment Committee shall maintain or cause to be maintained records and accounts which will continually reflect the balance owned by each undergraduate chapter and other depositor. Further, they will cause to be furnished, a quarterly statement to each undergraduate chapter and to each other depositor. A list of the amounts owned by each undergraduate chapter and other depositor will be listed in the annual financial statement of the Fraternity.~~

~~**Section 25.**—Quarterly, the Investment Committee shall cause the computation of the market value of the Investment Fund to determine the value of the balances to the credit of each depositor and at the time of such computation, and only at such time, shall accept deposits to or permit withdrawals from the Investment Fund.~~

~~**Section 26.**—On the same designated intervals called for in Section 25, computation will be made of the earnings of the Investment Fund for the period since the last computation. From such earnings shall be deducted the expenses incurred by the Investment Fund 50 for the same period. The earnings remaining shall be distributed pro rata to the account of each depositor on the basis of the balances of each depositor on the records of the Investment Fund. Earnings/losses/expenses are distributed pro rata based on the depositor’s balance in the Chapter Investment Fund.~~

~~**Section 27.**—An Alumni and Volunteer Corporation may request approval for the disbursement of funds shown to the undergraduate chapter’s credit on the records of the Investment Fund on at least ninety (90) days notice in writing to the National Board of Directors, or its designee. Such approval shall be granted only if the funds requested are to be used to provide housing facilities, land, furniture, and fixtures for the undergraduate chapter or other uses previously approved by the National Board of Directors. Voluntary deposits may be withdrawn with such notification, but do not require the other aforementioned restrictions.~~

~~**Section 28.**—Balances in the Chapter Investment Fund are non-negotiable and may only be sold to the Chapter Investment Fund.~~

~~**Section 29.**—If an undergraduate chapter becomes inactive or dormant for any reason, the balance to its credit on the records of the Chapter Investment Fund shall remain to its credit without accrual of any earnings/losses during the period that the chapter is inactive or dormant.~~

~~**Section 30.**— If an undergraduate chapter, for reasons beyond its control, is forced to permanently close, the balance shown to its credit on the records of the Investment Fund shall be transferred in equal share into the Investment Funds of each of the remaining chapters of Sigma Phi Epsilon. For the purpose of this section, “reasons beyond its control” shall include: (a) Permanent closure of the college or university; (b) Elimination of all social fraternities and sororities by action of the college or university, or pursuant to law; (c) Transformation of the college or university into a community college, junior college, or similar institution offering only two-year degree programs. For the purpose of this section, “reasons beyond its control” shall not include a chapter whose charter is withdrawn as a result of disciplinary action on the part of its college or university, the Grand Chapter, or the National Board of Directors, and the balance to its credit shall remain in the Investment Fund pending reactivation of the chapter.~~

~~**Section 31.**— Notwithstanding the provisions of Sections 29 and 30 of this Article, the National 51 Board of Directors shall have, at its absolute discretion, authority to settle and render a decision on those cases which may be of an unusual nature and which are not covered by the aforementioned sections:~~

~~**Section 32.**— If an undergraduate chapter becomes inactive or dormant for any reason, the balance to the record of the Alumni and Volunteer Corporation for said chapter shall be held pursuant to Article V Section 42 of the Bylaws. The deposit required by Section 8 of this Article shall be considered a minimum amount, and the undergraduate chapters shall be encouraged to make additional deposits in excess of this minimum. The Investment Committee shall receive such additional deposits in accordance with the other provisions of this section. Additional deposits become assets of the chapter's AVC and will continue to accrue interest during periods of chapter dormancy or closure provided that the AVC remains incorporated during that period. Should the chapter's AVC cease operations while the chapter is closed then no earnings/losses will accrue until a new AVC for that chapter is formed.~~

Committee: Bylaws Red Committee
Committee Recommends: Pass
Grand Chapter Action: Pass

Alec Wang, Chairman, Bylaws Red Committee
57th Grand Chapter Conclave – Denver, Colorado – July 28 – 31, 2021