

**Investment Strategy Statement
Wespath Benefits and Investments
and its Division, Wespath Investment Management**

- I. Purpose of the Investment Strategy Statement:** Wespath Benefits and Investments, through its Wespath Investment Management division (hereafter referred to as “Funds Administrator”), is bound by secular law and the Book of Discipline in all investment decisions to act in accordance with its fiduciary obligations to the participants in its benefit plans and its institutional clients. The Fiduciary Committee of the Fund Administrator’s board of directors has responsibility for executing this Investment Strategy Statement and developing an appropriate Statement of Administrative Investment Policy (“Statement”) relating to the management of investments. The UMC Principles Committee of the Fund Administrator’s board of directors has responsibility for monitoring alignment of the Funds Administrator’s investment program with the Social Principles of the United Methodist Church.
- A. The Fiduciary Committee establishes and monitors the Statement relating to the management of investments. It has the sole authority and responsibility for establishing and monitoring all investment policies of the Funds Administrator.
 - B. The Statement relating to the management of investments will specify permitted investment funds. The Statement will include the following elements for each fund: fund objective, fund performance benchmark, performance objective, investment strategy, eligible investments, and limits including target and permitted range, active risk target, permitted active risk range, and eligible investors. It will also specify permitted asset classes/investment strategies and delegation of authority to management. Finally, the Statement will specify the policy of the Funds Administrator for aligning its investment funds with the Social Principles of The United Methodist Church as referenced in the Book of Discipline.
- II. Application:**
- A. The policies stated in this Investment Strategy Statement apply to funds and investments administered by the Funds Administrator.
 - B. The Funds Administrator will make all investment management decisions in accordance with its fiduciary duty which includes the Prudent Expert Standard: the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.
- III. Committee Responsibilities:**
- A. The Fiduciary Committee of the Board of Directors is charged by the Funds Administrator to:
 - 1. Establish a Statement of Administrative Investment Policy.

2. Approve changes to the Statement of Administrative Investment Policy recommended by management.
 3. Review and monitor investment performance for compliance with the Statement of Administrative Investment Policy.
 4. Approve the Fund Administrator's Ethical Exclusions policies and monitor their impact on investment performance.
 5. Approve investment in any asset class or investment strategy not specifically listed in the Statement of Administrative Investment Policy.
 6. Approve any new investment management contracts or authorize any investment manager termination except as otherwise provided in the Statement of Administrative Investment Policy.
 7. Delegate the execution and administration of the Statement of Administrative Investment Policy to management.
- B. The UMC Principles Committee of the Board of Directors is charged by the Funds Administrator to:
1. Interpret the Social Principles and other directives of the General Conference as they apply to the Funds Administrator's investment program.
 2. Monitor the execution of the Funds Administrator's investment program to ensure that it fulfills the requirements specified in this Strategy Statement and in the Statement of Administrative Investment Policy.

IV. Sustainable Investment Program:

- A. Sustainable Investment defined: The Funds Administrator seeks to promote the values of The United Methodist Church as expressed in the Social Principles using sustainable investment strategies that consider environmental, social, and governance (ESG) factors when making investment decisions.
- B. The Funds Administrator demonstrates its commitment to sustainable investment in various ways:
1. Ethical Exclusions - The Funds Administrator endeavors to exclude from investment companies that derive significant revenue from products and services not aligned with the Social Principles of The United Methodist Church.
 2. Active Ownership - The Funds Administrator pursues strategies for actively influencing company business practices and public policy relating to material ESG risks. The Fiduciary and UMC Principles Committee shall establish and monitor the Fund Administrator's proxy voting policy.
 3. Positive Impact Investments
 - a. Positive Social Purpose Lending Program – The Funds Administrator shall administer a program that participates in loans in the United States and throughout the world that make

- a positive impact toward the goals outlined in the Social Principles.
- b. Women and/or Minority-Owned Manager Program – the Funds Administrator supports and will endeavor to identify and retain qualified and sound investment management firms that are owned by women and/or members of an ethnic minority group.
4. Investment Manager ESG Integration – The Funds Administrator shall endeavor to ensure that external investment managers demonstrate a commitment to integrating the consideration of ESG factors into their investment decision processes.

**Statement of Administrative Investment Policy
Wespath Benefits and Investments
and its Division, Wespath Investment Management**

- I. **Purpose:** The purpose of the Statement of Administrative Investment Policy (Statement) is to outline the governance of the Wespath Benefits and Investments, and its Wespath Investment Management division (hereafter collectively referred to as “Wespath”), investment program. The Board of Directors has charged the Fiduciary Committee to establish and monitor this policy. Certain elements of the policy related to sustainable investing are monitored by another committee of the Board of Directors, the UMC Principles Committee. Investment management is responsible for hiring, monitoring and terminating external asset managers in all approved asset classes. External asset managers retained by Wespath must strictly adhere to these policies unless otherwise agreed to by Wespath. Exceptions are permitted, but must be contractually documented in the investment management agreement investment guidelines between Wespath and external asset manager. Additionally, Wespath management must notify the Fiduciary Committee of any exceptions.
- II. **Investment Funds:** Wespath offers a variety of investment funds comprised of permitted asset classes and investment strategies. The net asset values for Wespath’s funds are based on the fair market value of the underlying assets. Unless otherwise specified, the investment funds are available to all participants or entities that have deposits on account with Wespath. Funds may be selected by participants or other eligible investors. Additionally, Wespath offers a managed account program (LifeStage Investment Management Service) elected by participants or as required in certain employer contribution plans (i.e., the Ministerial Pension Plan). **Exhibits shall be provided as addenda to this policy for each approved investment fund.** Each exhibit shall include the following elements for each fund: fund objective, fund performance benchmark, performance objective, investment strategy, eligible investments and limits including target and permitted range, active risk target, permitted active risk range and eligible investors.

Wespath is authorized to offer the following funds:

- A. U.S. Equity Fund. The U.S. Equity Fund (USEF) invests in a broadly diversified portfolio of primarily publicly traded, U.S.-based equity securities. The USEF portfolio is intended to have most of its assets invested in equities and equity index futures. (Exhibit A)
- B. International Equity Fund. The International Equity Fund (IEF) invests in a broadly diversified portfolio of primarily equity securities of companies from non-U.S. countries. The IEF portfolio is intended to have most of its assets invested in equities and equity index futures of companies based in both developed and emerging market countries. IEF may also purchase currency forward contracts. (Exhibit B)
- C. Fixed Income Fund. The Fixed Income Fund (FIF) invests in a broadly-diversified portfolio of fixed income securities, and alternative investments. FIF may also hold mortgages and other loans originated through the Positive Social Purpose Lending program. (Exhibit C)
- D. Inflation Protection Fund. The Inflation Protection Fund (IPF) invests in a portfolio of domestic and international inflation-protected securities, floating rate securities, commodities futures contracts, real assets and cash equivalents. (Exhibit D)

- E. Stable Value Fund. The Stable Value Fund (SVF) invests in a broad range of short and intermediate term high quality, investment grade fixed income instruments and principal protection contracts. (Exhibit E)
- F. Social Values Choice Equity Fund. The Social Values Choice Equity Fund (SVCEF) invests in equities of U.S. and non-U.S. domiciled publicly owned companies with highly rated sustainable environmental, social, and governance practices. (Exhibit F)
- G. Annuity Immunization Fund. The Annuity Immunization Fund (AIF) invests in fixed income securities of U.S. government, agency and investment-grade corporate bonds, securitized bonds, and positive social purpose loans. (Exhibit G)
- H. Short Term Investment Fund. The Short Term Investment Fund (STIF) invests in cash and cash equivalents through units of a sweep account that holds short-term, highly-rated fixed income securities and positive social purpose loans. (Exhibit H)
- I. Multiple Asset Fund. The Multiple Asset Fund (MAF) is a fund-of-funds vehicle with targeted fund allocations to four of the individual funds described above (USEF, IEF, FIF and IPF.) (Exhibit I)
- J. Positive Social Purpose Lending Fund: The Positive Social Purpose Lending (PSPLF) invests in positive social purpose loans of longer duration to align with the duration of the underlying liabilities. The Fund invests for the purpose of generating income to fund annuity obligations. The PSPLF is limited to participants of the Ministerial Pension Plan and for investment of funds supporting MPP Annuities. (Exhibit L)
- K. Domestic Private Equity Fund: The Domestic Private Equity Fund holds limited partnership investments in U.S.-based private equity funds including direct private equity funds, mezzanine investment funds, private equity fund-of-funds and separate accounts (fund of one). The Domestic Private Equity Fund is not offered directly to participants but is intended to be held by other Wespath funds and plans. (Exhibit M)
- L. Domestic Private Real Estate Fund: The Domestic Private Real Estate Fund holds limited partnership investments in U.S.-based private real estate funds including direct private real estate funds, mezzanine debt real estate investment funds, distressed debt funds, and separate accounts (fund of one). The Domestic Private Real Estate Fund is not offered directly to participants but is intended to be held by other Wespath funds and plans. (Exhibit N)
- M. International Private Equity Fund: The International Private Equity Fund holds limited partnership investments in internationally-domiciled private equity funds, private equity funds-of-funds, and separate accounts (fund of one). The International Private Equity Fund is not offered directly to participants but is intended to be held by other Wespath funds and plans. (Exhibit O)
- N. International Private Real Estate Fund: The International Private Real Estate Fund holds limited partnership investments in internationally-domiciled private real estate funds including direct private real estate funds, mezzanine debt real estate investment funds, distressed debt funds, and separate accounts (fund of one). The International Private Real Estate Fund is not offered directly to participants but is intended to be held by other Wespath funds and plans. (Exhibit P)
- O. Special Opportunities Fund: The Special Opportunities Fund (SOF) holds interests in any of a number of alternatives investments and other special situations deemed appropriate for plans that Wespath has asset allocation responsibility. SOF is not intended for daily priced funds available to participants in the various defined contribution plans offered by Wespath. (Exhibit R)

- P. Sweep Account. The Sweep Account invests a broad range of high quality bonds such as U.S. Treasury Bills and Notes, U.S. Agency debt, short-term corporate obligations, and Positive Social Purpose Loans. The Sweep Account is limited to cash investments from Funds and the Short Term Investment Fund. Institutional Investors, plans, and eligible individuals in plans may not invest directly in the Sweep Account. (Exhibit S)
- Q. US Equity Index Fund. The U.S. Equity Index Fund (USEIF) invests in a passively managed portfolio of publicly traded, U.S.-based equity securities in the Russell 3000tm index. The USEIF portfolio is intended to have most of its assets invested in equities and equity index futures. (Exhibit T)
- R. Extended Term Fixed Income Fund. The Extended Term Fixed Income Fund (ETFIF) invests in a broadly-diversified portfolio of fixed income securities, and alternative investments with a focus on long duration exposure. ET FIF may also hold mortgages and other loans originated through the Positive Social Purpose Lending program. (Exhibit U)
- S. Social Values Choice Bond Fund. The Social Values Choice Bond Fund (SVCBF) invests in a diversified mix of fixed income securities. (Exhibit V)
- T. U.S. Treasury Inflation Protection Fund. The U.S. Treasury Inflation Protection Fund (USTPF) invests primarily U.S. Treasury Inflation Protected Securities. (Exhibit W)

III. **Sustainable Investment Strategies (SIS):** Wespath promotes sustainable investment practices by integrating environmental, social, and governance (ESG) factors into selecting investments – across asset classes – and external asset managers.

- A. The **UMC Principles Committee** monitors Wespath’s compliance with ¶717 of The Book of Discipline 2012, which directs Wespath “... In the investment of money, it shall be the policy of The United Methodist Church that all general boards and agencies... make a conscious effort to invest in institutions, companies, corporations, or funds with policies and practices that are socially responsible, consistent with the goals outlined in the Social Principles. All United Methodist institutions shall endeavor to seek investments in institutions, companies, corporations, or funds that promote racial and gender justice, protect human rights, prevent the use of sweatshop or forced labor, avoid human suffering, and preserve the natural world, including mitigating the effects of climate change. In addition, United Methodist institutions shall endeavor to avoid investments in companies engaged in core business activities that are not aligned with the Social Principles through their direct or indirect involvement with the production of anti-personnel weapons and armaments (both nuclear and conventional weapons), alcoholic beverages or tobacco; or that are involved in privately operated correctional facilities, gambling, pornography or other forms of exploitative adult entertainment. The boards and agencies are to give careful consideration to environmental, social, and governance factors when making investment decisions and actively exercise their responsibility as owners of the companies in which they invest. This includes engaging with companies to create positive change and hold them accountable for their actions, while also considering exclusion if companies fail to act responsibly.”
- B. The **Fiduciary Committee** is responsible for ensuring that Wespath’s investments adhere to ¶1504.14 of The Book of Discipline which directs Wespath “To discharge its fiduciary duties with respect to a benefit fund, plan, or program solely in the interest of the participants and beneficiaries and for the exclusive purpose of providing benefits to participants and their beneficiaries and defraying reasonable expenses of administering

the plan, with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.”

C. **Ethical Exclusions:** Wespath shall endeavor to exclude from investment the securities of companies that produce products and/or provide services that are not aligned with United Methodist values as described in the Social Principles, ¶1717 of *The Book of Discipline 2012* and Resolution 4071 (“Investment Ethics”) of *The Book of Resolutions 2012* provided that to do so does not abrogate Wespath’s fiduciary responsibility as described in ¶1504.14.

1. The UMC Principles Committee will evaluate and recommend Wespath ethical exclusion guidelines to the Fiduciary Committee following the actions of each General Conference to ensure consistency with adopted Church positions.
2. The Fiduciary Committee will receive and approve the UMC Principles Committee’s recommendation to amend the Statement of Administrative Investment Policy.
3. Management shall identify and maintain a list of companies excluded from investment. The list shall be updated monthly and made available to all Wespath external asset managers on a password protected Wespath web site.
4. Investments shall not knowingly be made in any company or entity whose core business activity involves the production and/or assembly, direct sale, distribution, and/or marketing of the following products and/or services:
 - a. Alcoholic beverages.
 - b. Cigarettes, cigars, chewing tobacco, smokeless tobacco, or recreational marijuana products.
 - c. Gaming or lottery industries, including the ownership, operation or management of casinos, racetracks, off-track betting parlors and other gambling enterprises.
 - d. Adult entertainment, including pornography and other harmful materials.
 - e. Antipersonnel weapons (“assault-type” automatic and semiautomatic weapons, firearms, etc.), armaments, ammunition or weapons delivery systems. Retailers of antiques and/or non-military small arms used for sporting purposes will be considered on a case-by-case basis.
 - f. Privately operated correctional facilities, including jails, prisons, penitentiaries, detention centers, prison camps and transfer centers.
5. Core business activity refers to a company’s primary, or central focus of activity and is an essential element in the company’s economic success. Generally, a “core business” is one that accounts for 10% or more of a company’s revenue derived from the objectionable products and/or services and discontinuing the activity would materially change the nature of the company’s operations.
 - a) An exception to the 10% threshold will apply to restaurants and other food retailers that sell or serve alcoholic beverages. For such businesses, a 25% revenue threshold will apply.
 - b) For suppliers of key components to the products and/or services listed above, a “core business” is one that accounts for 25% or more of the supplier’s revenue.

6. Wespeth will not knowingly invest in companies that have contracts with an agency or department of the U.S. or foreign government or have controlling interest in entities, which materially contribute:
 - a) to the production, maintenance or upkeep of tailor-made controversial weapons including: anti-personnel mines, biological and chemical weapons, cluster weapons, depleted uranium, white phosphorous, nuclear weapons and/or essential core nuclear weapons systems;
 - b) tailor-made and/or essential components and/or services that facilitate the lethal use of controversial weapons.
7. Emerging markets commingled equity pools are exempt from the above restrictions if specifically authorized and the aggregate exposure of companies otherwise prohibited does not exceed 10% of the value of the fund.
8. Commingled hedge fund pools are exempt subject to periodic reporting described elsewhere in this statement.

D. Active Ownership: Wespeth shall actively influence company performance and public policy relating to material ESG issues and manage excessive sustainability risk for all investments held in separately managed accounts and co-mingled passive investment funds.

1. **Engagement:** Annually, management will identify the priority ESG engagement issues it will address the following year. In deciding which issues to pursue, consideration will be given to the likely impact on long-term financial market and company performance, the concerns of church constituencies and available staff resources. Engagement will be conducted independently by Wespeth and also in collaboration with Wespeth's strategic partners with the objective of achieving maximum impact. Management is authorized to apply the following techniques to create positive change:

Corporate Engagement will take the following forms:

- a) **Written communications:** Wespeth will use letters to alert companies to issues, seek resolution of concerns, request a meeting or offer commendation.
- b) **Dialogue:** Wespeth will engage selected companies in face -to-face meetings and/or conference calls as much as travel schedules and resources permit.

Public Policy Engagement will focus on how macro-level ESG issues relate to the structure, function and governance of markets as a whole and how they can undermine investors' interests. Engagement may include supporting regulatory interventions if, in the judgment of management, such action will improve the sustainability of its investment funds.

2. **Management of Excessive Sustainability Risk:** ESG issues can present an excessive degree of sustainability risk to Wespeth's funds due to their fiduciary implications and their importance to The United Methodist Church. When Wespeth identifies such issues, it will develop a guideline regarding its company-specific engagement priorities. This guideline may also lead to the exclusion of certain companies until the risk of holding securities in the

affected companies has been resolved, or if Wespath believes that it cannot reasonably mitigate the sustainability risk.

The Fiduciary Committee and UMC Principles Committee must approve all guidelines relating to the management of excessive sustainability risk.

3. **Proxy Voting:** Wespath will exercise prudent governance over companies whose stock is held in Wespath's funds by actively voting global proxies based on approved proxy voting guidelines.
 - a. Management will develop and maintain proxy voting guidelines that promote well-run companies with strong, accountable leadership, remuneration that incentivizes responsible behavior and the integration of ESG issues in business practices. The proxy voting guidelines will be presented annually to the Fiduciary and UMC Principles Committees for review.
 - b. Shareholder resolutions: Wespath will file or co-file shareholder resolutions where it believes these can affect positive change consistent with its fiduciary responsibilities.
 - c. Lending of securities on record date for voting proxies at the annual meeting is not permitted unless there is a compelling financial reason to do so.
 - d. Wespath's proxy voting record shall be available publicly on Wespath's website.
- E. **Strategic Partnerships:** Wespath will partner with other sustainable investors and organizations dedicated to corporate accountability and sustainability. Partners should complement Wespath's full range of sustainable investing activities. Wespath will consider partner relationships under the following conditions:
 1. The partner must be:
 - a) An investor or investing organization related to The United Methodist Church.
 - b) A sustainable investor that has publicly stated its commitment to considering ESG factors in its investment decisions.
 - c) An individual or organization promoting greater corporate accountability in alignment with widely-held sustainable investment values.
 2. The partner's sustainable investment or engagement activities are consistent with United Methodist policies and teachings as found in the Social Principles and The Book of Resolutions.
 3. The partner's engagement objective must be consistent with best practices relating to the consideration of ESG issues in investment decisions.
 4. The partner is credible and respected in the sustainable investment community.
 5. The partnership is mutually beneficial to both the partner and Wespath, maximizing financial resources and staff capacity.
- F. **Positive Impact Investments:**
 1. **Positive Social Purpose Lending Program:** Wespath seeks loans that make a positive impact toward the goals outlined in the Social Principles. These loans are expected to earn a market rate of return commensurate with risk.

Approved loan purposes include:

- a) Affordable housing.
- b) Community development facilities.
- c) Microfinance lending opportunities.
- d) Charter schools.
- e) Enterprises owned by women, ethnic, or racial minorities, or enterprises that provide positive social impact to women, ethnic or racial minorities.
- f) Special social concerns as identified by General Conference provided all such loans are in keeping with this investment policy.

Quarterly, management will report new loans purchases through the Positive Social Purpose Lending Program to the UMC Principles and Fiduciary Committees.

2. **Women and/or Minority-Owned Manager Program:** Wespath supports and will endeavor to identify and retain qualified and sound investment management firms that are owned by women or members of an ethnic minority group or who integrate ESG criteria into their investment philosophies.

Quarterly, management will identify investments directed through the Women or Minority-Owned Manager Program to the UMC Principles and Fiduciary Committees.

- G. **Manager ESG Integration Due Diligence:** Wespath's request for proposals will include questions asking prospective external asset managers to describe their policy of integrating ESG issues into investment decisions. Ongoing investment manager due diligence will require an annual response by all Wespath external asset managers explaining their integration of ESG issues into their investment decisions. Management will formally assess each external asset manager's commitment and success in integrating ESG factors into its investment decisions.

IV. Permitted Asset Classes/Investment Strategies: Asset classes and investment strategies are permitted only if specifically listed below.

- A. **U.S. Equity Securities:** Investments in U.S. equities shall be limited to common or preferred corporate stocks and investment trusts of corporations domiciled in the U.S. and listed on the NYSE, AMEX or the NASDAQ exchanges or the ADRs of foreign stocks traded on these exchanges. To avoid the risk of concentration of assets, no more than 2% of the outstanding securities of any one class of an issuer may be held. Equity derivative contracts are permitted but must comply with the Derivatives Investment Policy (Exhibit J).
- B. **International Equity Securities:** Investments shall be limited to common or preferred stocks of corporations domiciled in countries that comprise the Morgan Stanley Capital International All Countries World Index or other countries specifically permitted by Wespath management. Sub-asset classes include Developed Market Equities, which consist of stocks of companies domiciled in countries that comprise the MSCI EAFE plus Canada Index; and the MSCI Emerging Market IMI Index External asset managers may

purchase stocks of companies domiciled in countries that do not comprise either of these indices if permitted by the investment management agreement investment guidelines. External asset managers may execute foreign exchange contracts and invest in local country cash equivalents issued under the laws of permitted foreign countries. Equity derivative contracts are permitted but must comply with the Derivatives Investment Policy (Exhibit J).

- C. Fixed Income Securities: Investments shall be limited to classes of securities specified below. External asset managers may purchase classes of securities not listed if specifically permitted by the investment management agreement investment guidelines. Fixed income derivative contracts are permitted but must comply with the Derivatives Investment Policy (Exhibit J). The following classes are permitted:
1. U.S. Treasury and agency fixed income securities
 2. Credit Bonds that are rated investment grade that comprise the Barclay's Capital Credit Index
 3. U.S. Treasury Inflation Protected Securities
 4. Guaranteed investment contracts issued by insurance companies with a rating of "A" or better by A M Best.
 5. Non-investment grade securities if specifically permitted by the investment management agreement investment guidelines. These include publicly and privately traded U.S. dollar-denominated securities (including bank loans) that have a below investment grade rating from one of the major rating services. Unrated securities are permitted if management has permitted an exception to the investment manager's investment guidelines.
 6. International Bonds: exchange traded fixed income securities (including inflation-linked bonds) that are investment grade denominated in currencies other than the U.S. and issued by governments and corporations domiciled outside of the United States. Investment grade emerging market debt denominated in U.S. dollars and foreign currencies is also permitted. Non-investment grade debt is permitted but the security must be rated and specifically permitted in the investment management agreement investment guidelines.
 7. Cash Equivalents: dollar-denominated instruments issued by U.S. and international corporations including corporate notes and floating rate notes, repurchase agreements (subject to appropriate collateralization), obligations of domestic banks, including banker's acceptances, certificates of deposit, time deposits, notes and other debt instruments, instruments denominated in U.S. dollars of U.S. banks offshore, bank loans, agency and non-agency mortgage backed securities.
 8. Mortgage-Backed Securities (MBS): securities with cash flows that are backed by the principal and interest payments of a set of mortgages. MBS issued by Fannie Mae, Freddie Mac, and Ginnie Mae are permitted. Non-agency MBS are only permitted if rated in the three highest investment grades assigned by a major rating agency or allowed by investment guidelines.
 9. Asset-backed securities secured by cash flows backed by principal and interest payments for financing business and consumer purchases such as auto loans, credit cards, and student loans.
 10. Bank loans: syndicated bank loans provided they meet investment guideline requirements.

11. Municipal securities of state or local government entities.
- D. Active Currency: Investments are permitted in forward contracts for foreign currencies of countries approved by Wespath.
 - E. Securities Lending: Wespath will administer a securities lending program in accordance with the Securities Lending Policy (Exhibit K). The purpose of the securities lending program is to generate incremental income while safeguarding the return of principal and ensuring liquidity. Securities lending is permitted for all Wespath funds unless specifically precluded.
 - F. Positive Social Purpose Lending Program: Wespath manages a positive social purpose lending program to make a positive contribution toward the goals outlined in the Social Principles and to earn a rate of return commensurate with risk. The program is administered by management, who is required to adhere to the PSP Lending Program Oversight policy. The program may purchase loans through the following structures:
 - a) mortgage-backed securities issued or guaranteed by government sponsored entities
 - b) bridge loans to Low Income Housing Tax Credit partnerships
 - c) public and privately-placed commercial mortgage-backed securities
 - d) participations in pools of loans to microfinance institutions
 - e) senior participations in pools of mortgage loans
 - f) senior participations in individual affordable multi-family mortgage loans
 - g) senior participations in loans to New Markets Tax Credits partnerships and items including Section III G of this policy
 - h) other investment structures are permitted provided that underlying assets are loans that meet the criteria of the Positive Social Purpose Lending Program Oversight Policy and approved in accordance with the policy
 - G. Private Real Estate: Private real estate consists of investments in commingled limited partnerships or separate accounts (fund of one) which invest either domestically or internationally in the debt or equity of underlying real estate properties, portfolios of properties or operating companies within the real estate industry.
 - H. Real assets: Investments are permitted in timber and energy via commingled limited partnership vehicles which own interests in infrastructure, timber-producing and energy-producing properties, such as cultivated forestlands, oil wells, pipelines, gas fields, etc.
 - I. Private Equity: Private equity consists of private equity fund-of-funds and separate accounts (fund of one) in buyout, venture capital and special situation funds, such as distressed and mezzanine debt. Private equity funds can invest domestically and internationally. Unless specifically approved by the Fiduciary Committee, Wespath will not invest directly in private equity funds and mezzanine investment funds.
 - J. Hedge Funds: Hedge funds that invest according to specific strategies, which may include, but are not limited to global macro, convertible arbitrage, equity long/short, equity market neutral, distressed, and merger arbitrage. Wespath is permitted to invest in hedge funds only through a registered commingled investment fund-of-funds vehicle that is offered by a Securities and Exchange Commission-registered investment advisor. The nature of hedge fund investing, including complex investment strategies and very rapid fluctuations in investment portfolios, makes it extremely difficult to impose social responsibility guidelines on individual hedge fund managers prospectively. However, not less than once quarterly, the intermediary fiduciary shall prepare a report to Wespath

regarding restricted securities held by the underlying hedge funds aggregated at the overall fund level.

- K. Commodities: Exchange-traded agreements, including swaps and futures, which allow Wespath to gain exposure to the return on a portfolio of physical commodities without having to own the underlying commodities directly. The use of commodities derivatives contracts is subject to the Derivatives Investment Policy (Exhibit J).
- L. Managed Accounts for Defined Contribution Plans: Wespath will administer for participants a managed account program for executing the asset allocation for participant defined contribution accounts. The program is required for all participant balances in Supplement III of the Clergy Retirement Security Program (f/k/a Ministerial Pension Plan) except for the balance of those participants who elected to retain a Participant Directed Account established on April 16, 2004. The program is elective for participant contributions to any currently active defined contribution plan administered by Wespath and shall be the default election for enrolled participants who do not make an investment election. Wespath will administer the managed account program as described in the Managed Account Investment Policy (Exhibit Q).
- M. Rebalancing:
 - 1. Fund rebalancing: Asset classes within each fund shall be rebalanced whenever actual allocations to an asset class fall outside the maximum and minimum allocation range as specified in the fund exhibits.
 - 2. Plan rebalancing: Benefit plan fund allocations shall be rebalanced whenever actual allocations to a specific fund fall outside the maximum and minimum allocation range as established for the plan.
 - 3. Liquidity limitations: Rebalancing may be temporarily suspended should market conditions preclude cost-effective implementation of fund and/or plan rebalancing. Management will notify the Fiduciary Committee whenever conditions warrant suspending rebalancing.

V. Delegation of Authority: The Fiduciary and UMC Principles Committees delegate to management the following responsibilities for administering this Statement:

- A. Invest fund assets among approved asset classes listed in Section IV consistent with the guidelines specified in each fund exhibit.
- B. Select external asset managers responsible for investing assets allocated to approved asset classes for each fund. Management is authorized to identify and hire external asset managers for fund mandates without seeking formal approval from the Fiduciary Committee provided that each manager's investment mandate is within permitted guidelines. In addition, management may terminate investment contracts with existing external asset managers without Fiduciary Committee approval. Management shall informally notify the committee quarterly of changes that it initiates.
- C. Manage Wespath's Positive Social Purpose Lending Program. Not less than once biennially, management will provide the Fiduciary Committee with an independent opinion from a qualified third party regarding the viability and adequacy of the administration of the Positive Social Purpose Lending Program.
- D. Develop for each investment management firm investment guidelines that formally outlines the nature of that firm's engagement with Wespath, which will include the importance of evaluating environmental, social, and governance issues in selecting investments.

- E. Maintain formal documentation that outlines the policies and procedures to which management will adhere when carrying out its responsibilities.
- F. Hire and retain qualified external asset managers, consultants, and PSP intermediaries to assist in the execution of this policy and document annually an appraisal of the external asset managers', consultants' and PSP intermediaries' services.
- G. Develop and adhere to a code of conduct for all management and staff involved in administering the responsibilities delegated by this Statement.
- H. Provide the Fiduciary Committee with an annual written analysis of the impact of Wespath's screening guidelines on investment.
- I. Review not less than annually with the Fiduciary Committee that management has applied best practices for reporting the fair market value of all investments for which a readily identified market price is not available.
- J. Provide the Fiduciary Committee with a quarterly summary report on the performance of investment funds and external asset managers and other related investment activities, such as engagement initiatives.
- K. Within six months after each General Conference, management will provide the UMC Principles Committee with a listing of resolutions adopted by General Conference that affect, either directly or indirectly, Wespath's investment program.
- L. At least annually, management will submit a strategic engagement proposal to the UMC Principles Committee that reflects United Methodist policies and positions. The UMC Principles Committee will evaluate and approve Wespath's engagement program.
- M. At least quarterly, management will prepare and submit a report to the UMC Principles Committee listing all corporate engagements and issues under discussion.
- N. At least annually, management will prepare and submit a report to the UMC Principles Committee that outlines the extent to which external asset managers have integrated environmental, social, and governance issues or UN PRI compliance into their investment decision processes.
- O. At least annually, management will prepare and submit a report to the UMC Principles Committee listing all shareholder resolutions filed by Wespath with respective voting results. The report also will include withdrawn resolutions and the reason for withdrawal.
- P. At least quarterly, management will provide the Fiduciary Committee and UMC Principles Committee with a report listing all companies excluded from investment from the Equity Social Values Plus Fund based on criteria not considered by the fund benchmark provider.
- Q. At least annually, provide the Fiduciary Committee with a written analysis of the long-term investment return assumptions and strategic asset allocations for all funds and plans.
- R. Report not less than quarterly to the Fiduciary Committee that management has complied with this Statement and list any exceptions.

Exhibit A
Investment Strategy
U.S. Equity Fund

The strategy below is subject to review by the designated board committee no less than annually.

I. Fund Objective: To attain long-term capital appreciation by investing in a diversified portfolio of primarily U.S. domiciled publicly owned companies and to a lesser extent U.S. privately owned companies, U.S. private real estate, and U.S. equity index futures.

II. Fund Performance Benchmark: Russell 3000 Index

III. Performance Objective: To produce a return that exceeds that of the performance benchmark by 35 basis points on average per year over a market cycle (five to seven years and net of management and fund administration expenses).

IV. Investment Strategy: The Fund employs a blended use of passive and active investment management. For passive management, the fund includes investments that are designed to closely match the performance of various indices representing different market segments. Index funds are permitted to hold all, or a representative sample, of the securities that comprise the target market index. For active management, the fund employs different investment management firms to make decisions about the fund's portfolio investments. The fund relies on the professional judgment of its investment managers to seek investments in attractively valued companies that, in their opinion, represent good long-term investment opportunities. The fund primarily employs investment managers that will accomplish this objective through fundamental analysis, including meeting with company executives and employees, suppliers, customers and competitors. Securities may be sold when the adviser no longer believes that they represent attractive investment opportunities. Passive and active managers are subject to portfolio screening restrictions.

V. Eligible investments and limits:

<u>Asset Class</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
U.S. Equity Securities	85%	90%	100%
Cash Equivalents	0%	0%	5%
Alternatives Investments ¹	0%	10%	12%

¹ Permitted Alternative investments include private real estate, real assets, private equity, and hedge funds.

VI. Active Risk Target: 36 month trailing standard deviation of benchmark relative excess return equal to 2%. Permitted Active Risk range: Between 1% and 3%.

VII. Eligible Investors: There is no limitation on investors or plans.

Exhibit B
Investment Strategy
International Equity Fund

The strategy below is subject to review by the designated board committee no less than annually.

- I. **Fund Objective:** To attain long-term capital appreciation by investing in a diversified portfolio of primarily non-U.S. domiciled publicly owned companies and to a lesser extent non-U.S. domiciled privately owned companies, non-U.S. private real estate, and non-U.S. equity index futures.
- II. **Fund Performance Benchmark:** Morgan Stanley Capital International All Country World (MSCI ACWI) ex USA IMI Net Index.
- III. **Performance Objective:** To produce a return that exceeds that of the performance benchmark by 75 basis points on average per year over a market cycle (five to seven years and net of management and fund administration expenses).
- IV. **Investment Strategy:** The Fund seeks a favorable long-term rate of return from a broadly diversified portfolio of international equities domiciled in developed and emerging market countries. The fund relies on the professional judgment of its investment managers to decide how to allocate fund assets among different countries and/or regions of the world and in which equities the fund should invest. The investment managers seek to invest in attractively valued companies that represent above-average long-term investment opportunities. The investment managers accomplish this objective primarily through fundamental analysis, which may include meeting with a company's management, competitors, suppliers and customers in order to evaluate a company's future prospects. Managers are subject to portfolio screening restrictions.
- V. **Eligible investments and limits:**

<u>Asset Class</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
International Developed Market Equities	62%	72%	82%
International Emerging Market Equities	18%	23%	28%
Cash Equivalents	0%	0%	5%
Alternative Investments ¹	0%	5%	10%

¹ Permitted Alternative investments include private real estate, real assets, private equity, and hedge funds.

- VI. **Active Risk Target:** 36 month trailing standard deviation of benchmark relative excess return equal to 3%. Permitted Active Risk range: Between 2% and 4%.

VII. Eligible Investors: There is no limitation on investors or plans.

Exhibit C
Investment Strategy
Fixed Income Fund

The strategy below is subject to review by the designated board committee no less than annually.

- I. **Fund Objective:** To earn current income while preserving capital by primarily investing in a diversified mix of fixed income securities.
- II. **Fund Performance Benchmark:** Bloomberg Barclays U.S. Universal Index (excluding Mortgage-Backed Securities).
- III. **Performance Objective:** To produce a return that exceeds that of the performance benchmark by 50 basis points on average per year over a market cycle (five to seven years and net of management and fund administration expenses).
- IV. **Investment Strategy:** The Fund employs a blended approach of enhanced passive and active investment management. For the enhanced passive management component, the fund’s manager attempts to slightly exceed the return of the performance of the benchmark (10 basis points). For active management, the fund relies on investment management firms to exercise professional judgment in seeking investments in attractively valued securities that, in their opinion, represent good long-term investment opportunities. The Fund is intended to complement the Inflation Protection Fund in terms of credit exposure. Accordingly, the Fund will tend to have a lower allocation to U.S. Government debt than what is typical for a diversified bond fund. Passive and active managers are subject to portfolio screening restrictions.
- V. **Eligible investments and limits:**

<u>Asset Class</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Fixed Income Securities	75%	85%	90%
Positive Social Purpose Loans	10%	15%	20%
Alternative Investments ¹	0%	0%	5%
Cash Equivalents	0%	0%	5%

¹Permitted Alternative investments include real assets and hedge funds.

- VI. **Active Risk Target:** 36 month trailing standard deviation of benchmark relative excess return equal to 2%. Permitted Active Risk range: Between 1% and 3%.
- VII. **Eligible Investors:** There is no limitation on investors or plans.

Exhibit D
Investment Strategy
Inflation Protection Fund

The strategy below is subject to review by the designated board committee no less than annually.

- I. **Fund Objective:** To provide investors with current income and to protect principal from long-term loss of purchasing power due to inflation by primarily investing in fixed income securities and commodity futures with high correlations to inflation.

- II. **Fund Performance Benchmark:** The fund uses a blended benchmark to measure the success of its performance. The benchmark includes the following:
 - 80% Bloomberg Barclays World Gov't Inflation-Linked (Hedged) index,
 - 10% Bloomberg Barclays EM Tradable Inflation-Linked (EMTIL) (Unhedged) index,
 - 10% Bloomberg Commodity index

- III. **Performance Objective:** To produce a return that exceeds that of the performance benchmark by 25 basis points on average per year over a market cycle (five to seven years and net of management and fund administration expenses).

- IV. **Investment Strategy:** The Fund employs a blended approach of enhanced passive and active investment management. For the enhanced passively managed component, the fund's manager attempts to slightly exceed the return of the performance benchmark (10 basis points). For the active management component, the Fund's manager(s) exercise(s) professional judgment to seek attractively valued investments that, in their opinion, represent good long-term investment opportunities. The Fund is intended to complement the Fixed Income Fund in terms of credit exposure, as the Fund is comprised primarily of U.S. Government and foreign government debt. The fund also attempts to modestly improve investment returns by investing 10% of its assets in commodities, 10% in floating rate senior secured loans, and 5% in inflation-hedged illiquid strategies such as real assets and other alternative investments that provide an inflation hedge. Managers are subject to portfolio screening restrictions.

- V. **Eligible investments and limits:**

<u>Asset Class</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Passive U.S. Treasury Inflation Protected Securities	30%	35%	40%
Active Global Inflation-Linked Bonds	28%	30%	32%
Active Emerging Market Inflation-Linked	8%	10%	12%

Bonds			
Floating Rate Senior Secured Loans	8%	10%	12%
Commodities			
Real Assets and Alternative Investments	0%	5%	10%
Cash Equivalents	0%	0%	5%

VI. Active Risk Target: 36 month trailing standard deviation of benchmark relative excess return equal to 2%. Permitted Active Risk range: Between 1% and 3%.

VII. Eligible Investors: There is no limitation on investors or plans.

Exhibit E
Investment Strategy
Stable Value Fund

The strategy below is subject to review by the designated board committee no less than annually.

- I. **Fund Objective:** To preserve both invested principal and earned interest, and to provide liquidity for participant-directed disbursements by investing in investment grade fixed income securities.
- II. **Fund Performance Benchmark:** BofA Merrill Lynch 3-Month Treasury Bill Index
- III. **Performance Objective:** To produce a return that exceeds that of the performance benchmark by 25 basis points on average per year over a market cycle (five to seven years and net of management and fund administration expenses).
- IV. **Investment Strategy:** The Fund will invest in a broad range of high quality, low risk fixed income instruments. The Fund will contract with highly rated insurance companies that will provide the principal protection feature that assures participants can transfer or withdraw the value of all contributions and accumulated interest.
- V. **Eligible investments and limits:** The investment portfolio consists of a broad selection of short and medium term fixed income securities including U.S. government and agency bonds, corporate bonds, mortgages, and asset-backed securities. Additionally, the fund may hold insurance company issued Guaranteed Investment Contracts (GICs) or similar instruments as well as cash equivalents.

<u>Asset Class</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Fixed Income Securities	40%	100%	100%
Guaranteed Investment Contracts	0%	0%	40%
Cash Equivalents	0%	0%	30%

- VI. **Active Risk Target:** Not applicable. The Fund will be managed to a duration target set by the lead manager of the fund. In no case is duration permitted to exceed three and one half years.
- VII. **Eligible Investors:** Limited to individual participants in the Clergy Retirement Security Program, Horizon 401(k), Ministerial Pension Plan, and United Methodist Personal Investment Plan.

Exhibit F
Investment Strategy
Social Values Choice Equity Fund

The strategy below is subject to review by the designated board committee no less than annually.

- I. **Fund Objective:** To attain long-term capital appreciation by investing in a diversified portfolio of U.S. and non-U.S. domiciled publicly owned companies with highly rated sustainable environmental, social, and governance practices.
- II. **Fund Performance Benchmark:** The MSCI World Environmental, Social, and Governance (ESG) ex Fossil Fuels Index.
- III. **Performance Objective:** To produce a return that matches that of the performance Benchmark on average per year over a market cycle (five to seven years and gross of management and fund administration expenses).
- IV. **Investment Strategy:** The Fund seeks to achieve its investment objective by investing in equities of U.S. and non-U.S. domiciled publicly owned companies with highly rated sustainable environmental, social, and governance practices. The Fund may exclude additional companies from investment based on criteria not considered by the fund benchmark provider, including the following:
 - a. companies that derive a significant amount of revenue from the production of fossil fuels that the General Board has not identified through its Management of Excessive Sustainability - Climate Change guideline and have been named in divestment petitions adopted by a minimum of seven annual conferences representing three or more jurisdictional conferences,
 - b. companies with operations in “high risk” countries and areas that demonstrate a prolonged and systematic pattern of human rights abuses that the General Board has not identified through its Management of Excessive Sustainability Risk - Human Rights guideline and have been named in divestment petitions adopted by a minimum of seven annual conferences representing three or more jurisdictional conferences.

Both the Fiduciary Committee and the UMC Principles Committee must approve such exclusions.
- V. **Eligible investments and limits:**

<u>Asset Class</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
U.S. and non-U.S. Equity Securities ¹	95%	100%	100%
Cash Equivalents	0%	0%	5%

¹Only equity securities included in the MSCI World Custom ESG Special Weighted Index, equity index futures, and sustainable exchange traded funds (ETFs).

- VI. Active Risk Target:** 36 month trailing standard deviation of benchmark relative excess return less than or equal to 1%.

- VII. Eligible Investors:** The fund is limited to institutional investors and eligible participants in certain defined contribution retirement plans.

Exhibit G

Investment Strategy

Annuity Immunization Fund

The strategy below is subject to review by the designated board committee no less than annually.

- I. **Fund Objective:** To minimize the volatility of non-MPP annuities funded status and ensure the fulfillment of forecasted monthly benefit payments
- II. **Fund Performance Benchmark:** Plan liabilities
- III. **Performance Objective:** Outperform the customized liability benchmark over a full market cycle (3-5 years).
- IV. **Investment Strategy:** The Fund invests in a custom Liability Driven Investment strategy tailored to manage the key dimensions of liability risk—duration, credit spread and yield. The risk factor exposures for the fund are similar to that of the liabilities to minimize the volatility of the estimated surplus.
- V. **Eligible investments and limits:** The investment portfolio consists of a broad selection of fixed income securities including U.S. government and agency bonds, corporate bonds, mortgages, and asset-backed securities including below-investment grade securities.

<u>Asset Class</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Fixed Income Securities	80%	100%	100%
Positive Social Purpose Loans	0%	0%	20%
Cash and Equivalents	0%	0%	10%

- VI. **Active Risk Target:** The performance of the investment assets must closely match the performance of the liabilities the assets support. Permitted Active Risk range: Up to 2%.
- VII. **Eligible Investors:** Annuities established on or before December 31, 2004 for participants in the Basic Protection Plan, Cumulative Pension Benefit Fund, the Defined Contribution Organization Money, the Personal Investment Plan, and the Staff Retirement Benefit Program.

Exhibit H
Investment Strategy
Short Term Investment Fund

The strategy below is subject to review by the designated board committee no less than annually.

- I. **Fund Objective:** To preserve capital while earning current income higher than that of money market funds by exclusively investing in units of the Sweep Account.
- II. **Fund Performance Benchmark:** BofA Merrill Lynch 90 day Treasury Bill Index
- III. **Performance Objective:** To produce a return that, on average, slightly outperforms the performance benchmark by approximately 10 basis points (five to seven years and net of management and fund administration expenses).
- IV. **Investment Strategy:** The Fund will invest in the Wespath Sweep Account comprised of investment-grade short term bonds, positive social purpose loans, and cash equivalents.
- V. **Eligible investments and limits:**

<u>Asset Class</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Sweep Account	100%	100%	100%
- VI. **Active Risk Target:** 36 month trailing standard deviation of benchmark relative excess return equal to 0.5% Permitted Active Risk range: Between 0% and 1%.
- VII. **Eligible Investors:** Institutional investors, any plans offered by Wespath and participants that are not eligible to invest in the Stable Value Fund.

Exhibit I
Investment Strategy
Multiple Asset Fund

The strategy below is subject to review by the designated board committee no less than annually.

- I. **Fund Objective:** To attain current income and capital appreciation by investing in a broad mix of different types of investments.
- II. **Fund Performance Benchmark:** The fund uses a blended benchmark to measure the success of its performance. The benchmark includes the following:
 - 10% Custom Inflation Protection Fund Benchmark (see Exhibit D)
 - 25% Bloomberg Barclays U.S. Universal Index, ex Mortgage-Backed Securities
 - 35% Russell 3000 Index
 - 30% Morgan Stanley All Country World Index, ex-USA
- III. **Performance Objective:** To produce a return that exceeds that of the performance benchmark by 50 basis points on average per year over a market cycle (five to seven years and net of management and fund administration expenses).
- IV. **Investment Strategy:** The Fund is intended to provide investors with exposure to a broadly diversified universe of asset classes. Wespath will rebalance the funds within the Multiple Asset Fund when the actual percentage of one or more funds falls outside of the pre-specified range for the fund(s). In addition, Wespath will rebalance all of the funds comprising the Multiple Asset Fund to their target if the total actual allocation to the two equity funds is less than 62% or greater than 68%. Futures overlays may be used to temporarily adjust allocations to align more closely with targets.
- V. **Eligible investments and limits:**

<u>Investment Funds</u>	<u>Min</u>	<u>Target</u>	<u>Max</u>
U.S. Equity Fund	32%	35%	38%
International Equity Fund	27%	30%	33%
Fixed Income Fund	23%	25%	27%
Inflation Protection Fund	8%	10%	12%
- VI. **Risk Target:** Not applicable.
- VII. **Eligible Investors:** There is no limitation on investors or plans.

Exhibit J

Derivatives Investment Policy

The strategy below is subject to review by the designated board committee no less than annually.

- I. **Definition:** A derivative is a financial instrument whose value is derived from, in whole or part, the value of any one or more underlying securities or assets of an index of securities or assets (such as bonds, stocks, commodities and currencies). Mortgage-backed securities and asset-backed securities are not considered derivatives for the purpose of this policy. Derivatives may be purchased through a national exchange or through an over-the-counter direct arrangement with a qualified counterparty.
- II. **Philosophy:** Wespath may use derivatives to manage asset exposure and risks in a prudent, timely and cost effective manner. This is accomplished by using derivatives to achieve exposure that could otherwise be achieved with physical securities as well as strategies described in Section V below. Derivatives shall only be used to acquire or hedge asset and risk exposures consistent with approved investment policies and portfolio guidelines. Generally, derivatives are primarily to be used for tactical implementation of Wespath's investment strategies. Long term strategic use of derivatives is generally discouraged unless it is impractical to hold the physical assets represented by the derivative contracts (e.g. commodities).
- III. **Objective:** To facilitate cost-effective and timely investment and risk management, provide for trading efficiency (i.e. speed of trade execution and lower cost), and to optimize asset allocation in cases where using derivatives may be more cost - effective than purchasing/selling physical securities in illiquid financial markets. In addition, derivatives may be used to enhance or manage the risk/return profile of individual securities or portfolios.
- IV. **Authorization for Executing Derivative Transactions:** Qualified external investment managers specifically contracted by Wespath may engage in derivatives transactions only if the transactions are consistent with the overall investment objectives of the manager's investment mandate. Additionally, for the derivative transactions Wespath periodically directs to fulfill Wespath's asset allocation objectives, Staff will maintain detailed policy and procedures for initiating, documenting, and monitoring directed derivative transactions. The procedures shall require a Derivatives Strategy Form and Directed Exposure Form for each transaction with multiple signoffs and reviews by Staff, including the Chief Investment Officer.
- V. **Permitted Strategies: Derivatives may be used to facilitate the following strategies:**
 - A. Manage overall asset allocation of a Fund, including rebalancing activities
 - B. Implement investment strategies in a low-cost and efficient manner

- C. Construct portfolios with risk/return characteristics that could not be created with cash market securities
- D. Manage transition of assets between managers
- E. Hedge cash balances in a fund to replicate the performance of a permitted fund asset class within the fund
- F. Hedge or manage exposure to equity markets
- G. Hedge or manage duration, total return, yield or credit exposure, sector and/or country exposure
- H. Hedge or manage the risk/return profiles of individual securities of a portfolio
- I. Hedge or manage commodity exposures
- J. Hedge or manage currency exposures

VI. Permitted Types of Derivatives:

- A. Futures
- B. Options
- C. Forward Contracts
- D. Credit Default Swaps
- E. Interest Rate Swaps
- F. Warrants

VII. Restrictions:

- A. Derivatives shall not be used to replicate the performance of an asset class not specifically listed in Section IV of the Statement of Administrative Investment Policy.
- B. Derivatives are not permitted for the purpose of leveraging a portfolio unless specifically approved by the Fiduciary Committee.
- C. Investment managers shall reconcile cash and margin requirements concerning derivatives on a daily basis with Wespath's custodian bank.
- D. Speculation with derivatives is prohibited.

VIII. Delegations of Authority: The Fiduciary Committee delegates to Staff the following responsibilities for administering this policy:

- A. Define the strategy parameters and guidelines for portfolios using derivative strategies including risk assessment and counterparty guidelines.
- B. Select investment managers to execute derivatives strategies.
- C. Monitor on a daily basis all derivatives activities to assure that they comply with this policy and are within strategy, asset class and overall fund investment guidelines.
- D. Report not less than annually to the Fiduciary Committee all derivative strategies executed by Wespath for the preceding year.

Exhibit K Securities Lending Policy

The strategy below is subject to review by the designated board committee no less than annually.

- I. **Definition:** Securities lending is an agreement between a lender and a borrower to temporarily transfer ownership of a security for a variety of strategies executed by the borrower. Transactions are structured so that the lender retains the economic benefits of the security and receives any distributions such as coupon interest and dividend payments that occur with respect to the security during the life of the lending transaction. The lender receives cash or non-cash collateral in the form of U.S. government, agency securities, and investment grade corporate debt from the borrower as collateral to ensure that the borrower returns the borrowed securities. Typically, the borrower provides additional margin to collateralize the lending transaction. The lender pays the borrower a rate of interest on the cash collateral called the “rebate” rate. The lender generates income primarily from the difference between the risk free rate (U.S. Treasury Bills) and the rebate rate paid on cash collateral received from the borrower or the securities lending fee earned on non-cash collateral loans. Additionally, by investing in cash equivalent instruments other than U.S. Treasury Bills, Wespeth may be able to earn an additional spread over and above the risk free rate, depending on market conditions. In both cases, the lender transfers all ownership rights to the securities, such as the right to vote proxies. The lender, however, has the ability to direct the lending agent to recall securities for proxy voting. Such action allows Wespeth to execute its sustainable investor engagement initiatives.

- II. **Philosophy:** Wespeth may engage in securities lending activity for the purpose of adding incremental value to Wespeth’s investment program. All publicly traded fixed income and equity securities held by Wespeth are eligible for lending under this program. The program is to be administered by highly-qualified third party lending agents that incur minimal risk. The program is to be administered to generate incremental income while safeguarding the return of principal and ensuring liquidity.

- III. **Objective:**
 - A. To generate incremental income from a high quality program that safeguards the return of principal, maintains adequate daily liquidity, ensures diversification and tightly controls exposure to fluctuating interest rates by lending securities to qualified borrowers.
 - B. The lending portfolio should generate income primarily from the difference between the risk free rate (U.S. Treasury Bills) and the rebate rate paid on cash collateral received from the borrower or the securities lending fee earned on non-cash collateral loans. Additionally, by investing in cash equivalent instruments other than U.S. Treasury Bills, Wespeth may be able to earn an additional spread over and above the risk free rate, depending on market conditions.

- C. The securities lending program will be conducted in a manner so as not to interfere with the management of Wespath's investment funds.

IV. Permitted Investments for Cash Collateral Reinvestment:

- A. Reinvestment of cash collateral shall be in Cash Equivalents
 - 1. Instruments purchased with cash collateral must be rated in the three highest investment grades assigned by a major rating agency. In the case of split-rated securities, the lowest rating shall prevail.
 - 2. No instrument purchased with cash collateral shall have a maturity in excess of three months, with the exception of floating rate instruments, which can have a two-year maturity.
 - 3. The lending agent is required to maintain prudent diversification across reinvestment instruments, market sectors, industries and specific issuers.
- B. The issuers of the securities purchased for reinvestment must adhere to the socially responsible investing guidelines outlined in Section III of this Statement.

V. Restrictions:

- A. Borrowing of Wespath securities:
 - 1. Permitted borrowers must meet the highest standards as outlined in formal guidelines prepared and monitored by Staff.
 - 2. The lending agent must ensure that Wespath has sufficient collateral from borrowers on a daily basis.
 - 3. The following margins requirement apply for securities on loan:
 - a. 102% for domestic equity and fixed income securities; excluding U.S. Treasury Inflation Protected Securities
 - b. 100% for U.S. Treasury Inflation Protected Securities
 - c. 105% for international equity securities.
 - 4. The lending agent will be responsible for the preservation of Wespath's voting rights for all equity securities on loan. Agents may lend equity securities without preserving voting rights if the incremental income from such loan is excessively high unless the company is subject to a Wespath-sponsored resolution or a resolution which involves an issue of high sensitivity to the Social Principles Committee.
 - 5. Wespath has the right to recall any loaned security at any time.
- B. Reinvestment in cash collateral instruments:
(See Section IV above.)

VI. Delegations of Authority: The Fiduciary Committee delegates to Staff the following responsibilities for administering this policy:

- A. Select and negotiate contract terms with securities lending agents to execute the securities lending program.
- B. Perform oversight and monitoring of the securities lending agents to ensure compliance with this policy and all contractual securities lending guidelines.
- C. Monitor daily all securities on loan to ensure that they are in compliance with established program guidelines.

- D. Maintain a list of approved borrowers and monitor to ensure that lending is conducted only with approved borrowers.
- E. Develop guidelines for prudent diversification of cash collateral reinvestment with respect to types of instruments, market sectors, industries and issuers and ensure compliance.
- F. Maintain a list of acceptable collateral instruments for repurchase agreements. *(See Section IV above).*
- G. Report quarterly to the Fiduciary Committee regarding the performance of the securities lending program.
- H. Develop and modify this securities lending policy as well as the detailed securities lending guidelines for securities lending agents where appropriate and to keep current with best industry practices.

Exhibit L
Investment Strategy
Positive Social Purpose Lending Fund

The strategy below is subject to review by the designated board committee no less than annually.

- I. **Fund Objective:** To earn current income while preserving capital and providing exposure to long term interest rates by investing in a diversified mix of Positive Social Purpose (PSP) loans.
- II. **Fund Performance Benchmark:** Bloomberg Barclays Capital U.S. Long Credit A Index
- III. **Performance Objective:** To produce a return that exceeds that of the performance benchmark by 50 basis points, on average, per year over a market cycle (five to seven years and net of management and fund administration expenses).
- IV. **Investment Strategy:** The Fund invests primarily in PSP loans that closely match the performance of the Ministerial Pension Plan (MPP) annuity reserve liabilities to negate the impact of interest rate fluctuations on plan funded status. Investments in units of the Sweep Account are also used as an interim funding mechanism to offset binding but not drawn PSP forward commitments.
- V. **Eligible investments and limits:** The Fund consists of a broad selection of PSP loans such as for affordable housing and other types of PSP loans consistent with Wespath’s socially responsible investment initiatives. The fund also consists of a broad selection of short-term investment- grade fixed income securities including U.S. government and agency bonds, corporate bonds, mortgages, and asset-backed securities to collateralize PSP forward commitments until Wespath has purchased new loans.

VI. **Eligible investments:**

<u>Asset Class</u>	Minimum	Target	Maximum
Positive Social Purpose Loans	70%	90%	100%
Investment Grade short-term fixed income securities (to collateralize PSP forward commitments)	0%	10%	30%

- VII. **Active Risk Target:** Not applicable. Fund will be managed to a duration target of 8. Permitted Duration range: Between 6 and 10.
- VIII. **Eligible Investors:** The fund is limited for use by MPP annuities.

Exhibit M
Investment Strategy
Domestic Private Equity Fund

The strategy below is subject to review by the designated board committee no less than annually.

- I. **Fund Objective:** To attain long-term capital appreciation by investing in private equity funds holding primarily U.S. domiciled privately owned companies..
- II. **Fund Performance Benchmark:** Russell 3000 Index
- III. **Performance Objective:** To produce a return that exceeds that of the performance benchmark by 300 basis points on average per year over ten or more years net of management and fund administration expenses.
- IV. **Investment Strategy:** The Fund invests primarily in U.S.-based private equity fund-of-funds and separate accounts (fund of one), but can also invest in private equity funds and mezzanine investment funds directly with notification to the Fiduciary Committee.
- V. **Eligible investments and limits:** U.S.-based private equity funds-of-funds, private equity, mezzanine investment funds, and separate accounts (fund of one).
- VI. **Active Risk Target:** N/A
- VII. **Eligible Investors:** This fund is only available for investment by other Wespath funds and plans.

Exhibit N
Investment Strategy
Domestic Private Real Estate Fund

The strategy below is subject to review by the designated board committee no less than annually.

- I. **Fund Objective:** To attain long-term capital appreciation by investing in private equity funds holding primarily U.S. real estate and debt secured by U.S. real estate.
- II. **Fund Performance Benchmark:** NCREIF NPI Index
- III. **Performance Objective:** To exceed the NCREIF NPI Index by 300 bps over a market cycle (five to seven years and net of management and fund administration expenses).
- IV. **Investment Strategy:** The Fund seeks a favorable long-term rate of return through investment primarily in U.S.-based private real estate debt and equity funds, but can also invest in separate accounts (fund of one) and funds-of-funds.
- V. **Eligible investments and limits:** Domestic private real estate debt and equity funds.
- VI. **Active Risk Target:** N/A
- VII. **Eligible Investors:** This fund is only available for investment by other Wespath funds and plans.

Exhibit O
Investment Strategy
International Private Equity Fund

The strategy below is subject to review by the designated board committee no less than annually.

- I. **Fund Objective:** To attain long-term capital appreciation by investing in private equity funds holding primarily non U.S. domiciled privately owned companies.
- II. **Fund Performance Benchmark:** Morgan Stanley Capital International All Country World (MSCI ACWI) ex US IMI Net Index
- III. **Performance Objective:** To produce a return that exceeds that of the performance benchmark by 300 basis points on average per year over ten or more years and net of management and fund administration expenses.
- IV. **Investment Strategy:** The Fund invests primarily in internationally-domiciled private equity fund-of-funds and separate accounts (fund of one), but can also invest in private equity funds and mezzanine investment funds directly with notification to the Fiduciary Committee.
- V. **Eligible investments and limits:** Internationally-domiciled private equity funds-of-funds, private equity, mezzanine investment funds, and separate accounts (fund of one).
- VI. **Active Risk Target:** N/A
- VII. **Eligible Investors:** This fund is only available for investment by other Wespath funds and plans.

Exhibit P
Investment Strategy
International Private Real Estate Fund

The strategy below is subject to review by the designated board committee no less than annually.

- I. **Fund Objective:** To attain long-term capital appreciation by investing in private equity funds holding primarily non U.S. real estate and debt secured by non U.S. real estate.
- II. **Fund Performance Benchmark:** FTSE NAREIT (ex-US) Index
- III. **Performance Objective:** To exceed the FTSE NAREIT (ex-US) Index by 300 bps over a market cycle (five to seven years and net of management and fund administration expenses).
- IV. **Investment Strategy:** The Fund seeks a favorable long-term rate of return through investment primarily in internationally-domiciled private real estate debt and equity funds, but can also invest in separate accounts (fund of one) and funds-of-funds.
- V. **Eligible investments and limits:** International private real estate debt and equity funds and funds-of-funds.
- VI. **Active Risk Target:** N/A
- VII. **Eligible Investors:** This fund is only available for investment by other Wespath funds or plans.

Exhibit Q

Managed Account Program

The strategy below is subject to review by the designated board committee no less than annually.

- I. **Definition:** A managed account program is an algorithmic based methodology for establishing and monitoring participant investment fund allocations among funds offered by Wespath and included in the program. The algorithm will consider: participant indicative data, account balances and expected future benefits among Wespath plans, present value of future expected Social Security benefits, participant responses to an optional questionnaire, and other relevant information. The algorithm produces target fund allocations that represent participants' ideal allocation to the appropriate Wespath funds.

- II. **Philosophy:** For plan balances administered by the managed account program, Wespath will attempt to reasonably match the asset allocation that would be determined by a qualified investment advisor. This includes setting a higher risk (equity) allocation for younger participants during their asset accumulation years and gradually lowering risk allocations as participants approach the de-accumulation phase of their lives. It also includes evaluating other known assets (including estimated current value of future social security benefits and employer defined benefit programs). The managed account program should also consider unique participant provided inputs such as psychological risk tolerance and future expectations regarding the form of benefit received (such as annuities). Wespath will engage the services of a qualified external partner/consultant to assist it in developing the algorithm to be applied against participant accounts.

- III. **Objective:**
 - A. Develop an asset allocation algorithm that will invest participant balances among funds representing diversified asset classes offered by Wespath.
 - B. Design the algorithm in a manner that will allow Wespath to consider certain limited types of information unique to each participant to facilitate determination of the optimal asset allocation for participant balances invested by the managed account program algorithm.
 - C. Design the algorithm in a manner that will consider unique participant information that is not available from data that resides elsewhere on Wespath's systems but may influence the calculation of the optimal asset allocation (e.g. psychological risk tolerance).
 - D. Design the managed account program so that it will periodically evaluate unique participant data for changes and adjust a participant's optimal asset allocation accordingly.
 - E. Design the managed account program so that it will periodically rebalance participant accounts in a controlled and cost-effective manner.
 - F. Design the managed account program in a manner that attempts to adhere to a long-term investment approach by discouraging frequent changes by

participants to their election of the program or changing information provided by the participant (e.g. psychological risk tolerance).

G. Periodically evaluate the algorithm to ensure that it reflects best practices for managing participant account balances.

IV. Quarterly Audits: Each quarter, Wespeth will evaluate target fund allocations and actual allocations for all participants enrolled in the managed account program to ensure that the algorithm is operating as intended.

V. Annual Review: Each year, Wespeth staff will provide the Fiduciary Committee with information regarding the implementation and operation of the managed account program so that the committee can evaluate and assess the effectiveness of the program. This information may include but is not limited to: asset allocation by age group, investment returns for various asset allocation groupings, trends in participant-controlled variables (e.g. psychological risk tolerance and expected ages for converting balances to annuities). Staff will also provide the committee with information regarding best industry practices and how the program does or does not conform with industry practice.

Exhibit R
Investment Strategy
Special Opportunities Fund

The strategy below is subject to review by the designated board committee no less than annually.

- I. **Fund Objective:** To take advantage of perceived market inefficiencies by investing in various approved asset classes depending on market conditions.
- II. **Fund Performance Benchmark:** The fund has an absolute return objective.
- III. **Performance Objective:** To produce a return that exceeds the long-term (10 year) expected rate of inflation by 500 basis points, net of management and fund administration expenses.
- IV. **Investment Strategy:** The Fund seeks exceptional rates of return by making short-term and long-term investments on an opportunistic basis often due to temporary displacements in the financial markets. It may invest in publicly traded securities managed by a registered investment advisor, hedge funds, limited partnership interests, or other legally recognized fund structures.
- V. **Eligible investments and limits:** Permitted investments include those approved by the Fiduciary Committee and listed in Section IV of the Statement of Administrative Investment Policy.
- VI. **Active Risk Target:** None
- VII. **Eligible Investors:** The fund is limited to plans for which Wespath is responsible for asset allocation (excluding plans managed by the LifeStage Investment Management Service). These plans include the Clergy Retirement Security Program – Defined Benefit, Comprehensive Protection Plan, Endowments, HealthFlex, Ministerial Pension Plan – Annuities, and the Pre-82 Defined Benefit Plan. At the time of purchasing fund units, the investment in the fund by any plan may not exceed 10% of fund assets unless specifically approved by the Fiduciary Committee.

Exhibit S
Investment Strategy
Sweep Account

The strategy below is subject to review by the designated board committee no less than annually.

- I. **Fund Objective:** To preserve capital while earning current income higher than that of money market funds by investing in a diversified mix of short term fixed income securities.
- II. **Fund Performance Benchmark:** Merrill Lynch 90 day Treasury Bill Index
- III. **Performance Objective:** To produce a return that, on average, slightly outperforms the performance benchmark by approximately 10 basis points (five to seven years and net of management and fund administration expenses).
- IV. **Investment Strategy:** The Fund will invest in a broad range of high quality bonds such as U.S. Treasury Bills and Notes, U.S. Agency debt, short-term corporate obligations, and Positive Social Purpose Loans..

V. **Eligible investments and limits:**

<u>Asset Class</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Fixed Income Securities and Cash Equivalents	95%	100%	100%
Positive Social Purpose Loans	0%	0%	5%

- VI. **Active Risk Target:** 36 month trailing standard deviation of benchmark relative excess return equal to 0.5% Permitted Active Risk range: Between 0% and 1%.
- VII. **Eligible Investors:** The Sweep Account is limited to cash investments from other Wespath funds and the Short Term Investment Fund. Institutional Investors, plans, and eligible individuals in plans may not invest directly in the Sweep Account.

Exhibit T
Investment Strategy
U.S. Equity Index Fund

The strategy below is subject to review by the designated board committee no less than annually.

- I. **Fund Objective:** To attain long-term capital appreciation by investing in a passively managed diversified portfolio primarily U.S. domiciled publicly owned companies and U.S. equity index futures.
- II. **Fund Performance Benchmark:** Russell 3000 Index
- III. **Performance Objective:** To produce a return that matches that of the performance benchmark on average per year over a market cycle (five to seven years and gross of management and fund administration expenses)..
- IV. **Investment Strategy:** The Fund seeks to achieve its performance objective by passively investing in stocks of U.S. domiciled publicly owned companies and stock index futures. The fund manager will hold a broad representative sample of the securities that comprise the fund’s performance benchmark index and is subject to portfolio screening restrictions.

V. **Eligible investments and limits:**

<u>Asset Class</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
U.S. Equity Securities	90%	95%	100%
Cash Equivalents ¹	0%	5%	10%

¹The fund manager will hold equity index futures that will closely approximate the notional value of any cash held by the fund.

- VI. **Active Risk Target:** N/A
- VII. **Eligible Investors:** The fund is limited to institutional investors.

Exhibit U
Investment Strategy
Extended Term Fixed Income Fund

The strategy below is subject to review by the designated board committee no less than annually.

- I. **Fund Objective:** To earn current income while preserving capital and providing exposure to long term interest rates by investing in a diversified mix of fixed income securities.
- II. **Fund Performance Benchmark:** Bloomberg Barclays Capital U.S. Long Government/Credit Bond Index.
- III. **Performance Objective:** To produce a return that exceeds that of the performance benchmark by 50 basis points on average per year over a market cycle (five to seven years and net of management and fund administration expenses).
- IV. **Investment Strategy:** The Fund invests in fixed income securities including U.S. government bonds, agency bonds, corporate bonds, and securitized products. The Fund may also hold participation interests in loans secured by mortgages and other types of loans originated through the Positive Social Purpose Lending Program. The Fund may also invest in Derivatives and hold cash or cash equivalents in the form of units of the Sweep Account. The Fund employs a blended approach of enhanced passive and active investment management. Passive and active managers are subject to portfolio screening restrictions. The fund will tactically maintain duration lower than the duration of the fund benchmark (target duration) and will increase duration as the yield for the most recently issued 30-year U.S. Treasury Bond approaches 5%. Once the yield for the most recently issued 30-year U.S. Treasury Bond reaches 5%, the fund will no longer tactically target duration outside the permitted Active Risk Target.
- V. **Eligible investments and limits:**

<u>Asset Class</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Fixed Income Securities	80%	100%	100%
Positive Social Purpose Loans	0%	0%	10%
Alternative Investments ¹	0%	0%	5%
Cash Equivalents	0%	0%	5%

¹ Permitted Alternative investments include real assets.

- VI. **Active Risk Target:** Once the yield for the most recently issued 30-year U.S. Treasury Bond reaches 5%, the fund must achieve a duration that is no more than plus or minus two compared to the duration of the fund benchmark.

Permitted tactical duration range of fund compared to duration of fund benchmark until the yield on the 30 Year U.S. Treasury Bond exceeds 5%.

<u>30 Yr. UST</u> <u>Yield</u>	<u>Min</u> <u>Duration</u>	<u>Max</u> <u>Duration</u>
≤3.0%	<i>d-8</i>	<i>d-6</i>
≤3.5%	<i>d-7</i>	<i>d-5</i>
≤4.0%	<i>d-6</i>	<i>d-4</i>
≤4.5%	<i>d-5</i>	<i>d-3</i>
≤5.0%	<i>d-4</i>	<i>d-2</i>
>5.0%	<i>d-2</i>	<i>d+2</i>

d = benchmark duration

36 month trailing standard deviation of benchmark relative excess return equal to 2% once the tactical period of lower duration has expired. Permitted Active Risk range: Between 1% and 6%.

VII. Eligible Investors: There is no limitation on investors or plans.

Exhibit V
Investment Strategy
Social Values Choice Bond Fund

The strategy below is subject to review by the designated board committee no less than annually.

- I. **Fund Objective:** To earn current income while preserving capital by primarily investing in a diversified mix of fixed income securities that fulfill investor preferences for a heightened focus on corporate environmental and social performance.
- II. **Fund Performance Benchmark:** Bloomberg Barclays U.S. Universal Index (excluding Mortgage-Backed Securities).
- III. **Performance Objective:** To produce a return that exceeds that of the performance benchmark by 50 basis points on average per year over a market cycle (five to seven years and net of management and fund administration expenses).
- IV. **Investment Strategy:** The Fund seeks to achieve its investment objective by investing a diversified mix of fixed income securities. The Fund may exclude additional companies from investment, including the following:
 - a. companies that derive a significant amount of revenue from the production of fossil fuels that Wespath has not identified through its Management of Excessive Sustainability - Climate Change guideline and have been named in divestment petitions adopted by a minimum of seven annual conferences representing three or more jurisdictional conferences,
 - b. companies with operations in “high risk” countries and areas that demonstrate a prolonged and systematic pattern of human rights abuses that Wespath has not identified through its Management of Excessive Sustainability Risk - Human Rights guideline and have been named in divestment petitions adopted by a minimum of seven annual conferences representing three or more jurisdictional conferences.
 Both the Fiduciary Committee and the UMC Principles Committee must approve such exclusions.

V. **Eligible investments and limits:**

<u>Asset Class</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Fixed Income Securities	95%	100%	100%
Cash Equivalents	0%	0%	5%

- VI. **Active Risk Target:** 36 month trailing standard deviation of benchmark relative excess return equal to 2%. Permitted Active Risk range: Between 1% and 3%.
- VII. **Eligible Investors:** The fund is limited to institutional investors and eligible participants in certain defined contribution retirement plans.

Exhibit W
Investment Strategy
U.S. Treasury Inflation Protection Fund

The strategy below is subject to review by the designated board committee no less than annually.

- I. **Fund Objective:** To provide investors with current income and to protect principal from long-term loss of purchasing power due to inflation by primarily investing in U.S. Treasury Inflation Protected Securities.
- II. **Fund Performance Benchmark:** Bloomberg Barclays U.S. Treasury Inflation Protected Securities Index
- III. **Performance Objective:** To produce a return that matches that of the performance benchmark on average per year over a market cycle (five to seven years and gross of management and fund administration expenses).
- IV. **Investment Strategy:** The Fund seeks to achieve its performance objective by passively investing in U.S. Treasury inflation indexed bonds. The fund manager will hold a representative sample of the securities that comprise the fund’s performance benchmark index and is subject to portfolio screening restrictions.

V. **Eligible investments and limits:**

<u>Asset Class</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
U.S. Treasury Inflation Protected Securities	90%	100%	100%
Cash Equivalents	0%	0%	10%

VI. **Active Risk Target:** N/A

VII. **Eligible Investors:** The fund is limited to institutional investors and eligible participants in certain defined contribution retirement plans.