

Quadrennial
Benefits
Conference



Sustainable and Responsible Investments



Wespath
BENEFITS | INVESTMENTS

Agenda



UMC Directive for Managing Plans and Investing



Wespath Administered Programs



Investment Funds

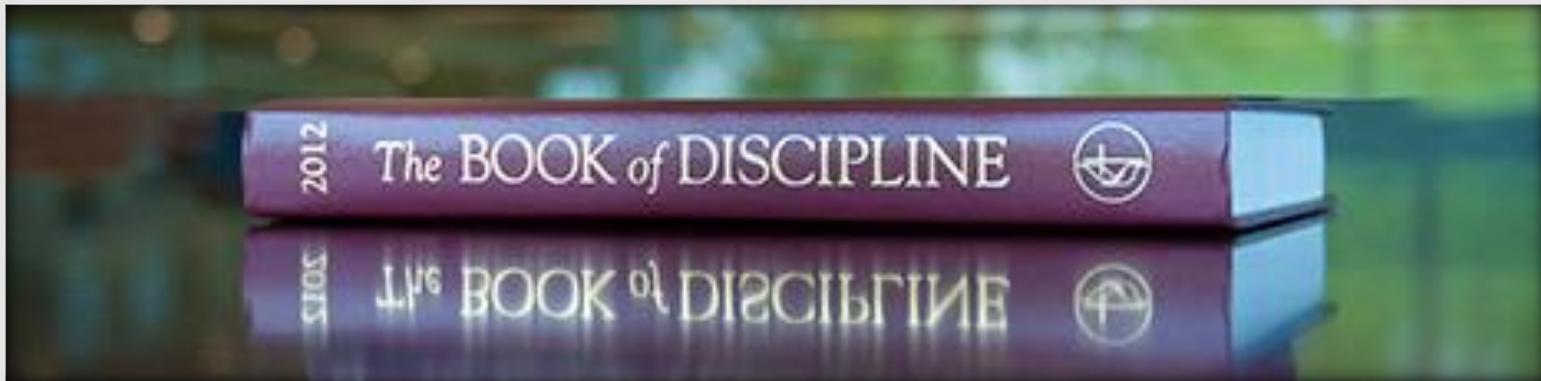


Fiduciary Governance



Sustainable Investment Strategies

Sustainable and Socially Responsible Investment Directives



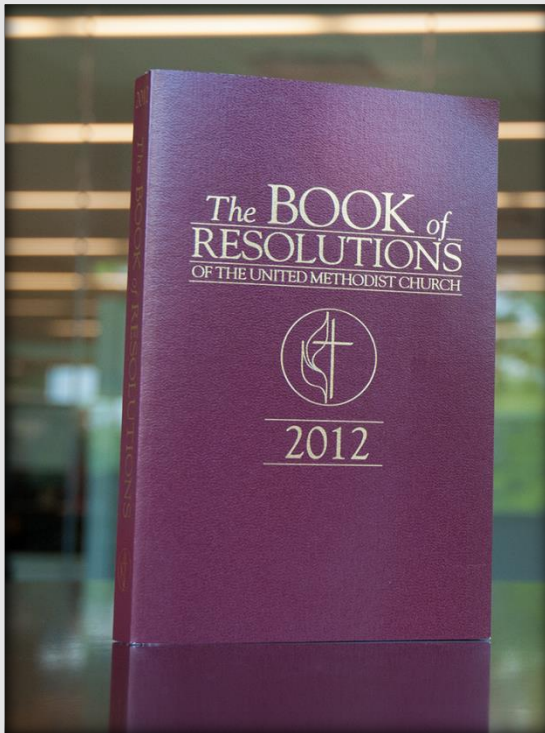
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“...discharge its fiduciary duties... solely in the interest of the participants and beneficiaries... with care, skill, prudence and diligence...”

¶717

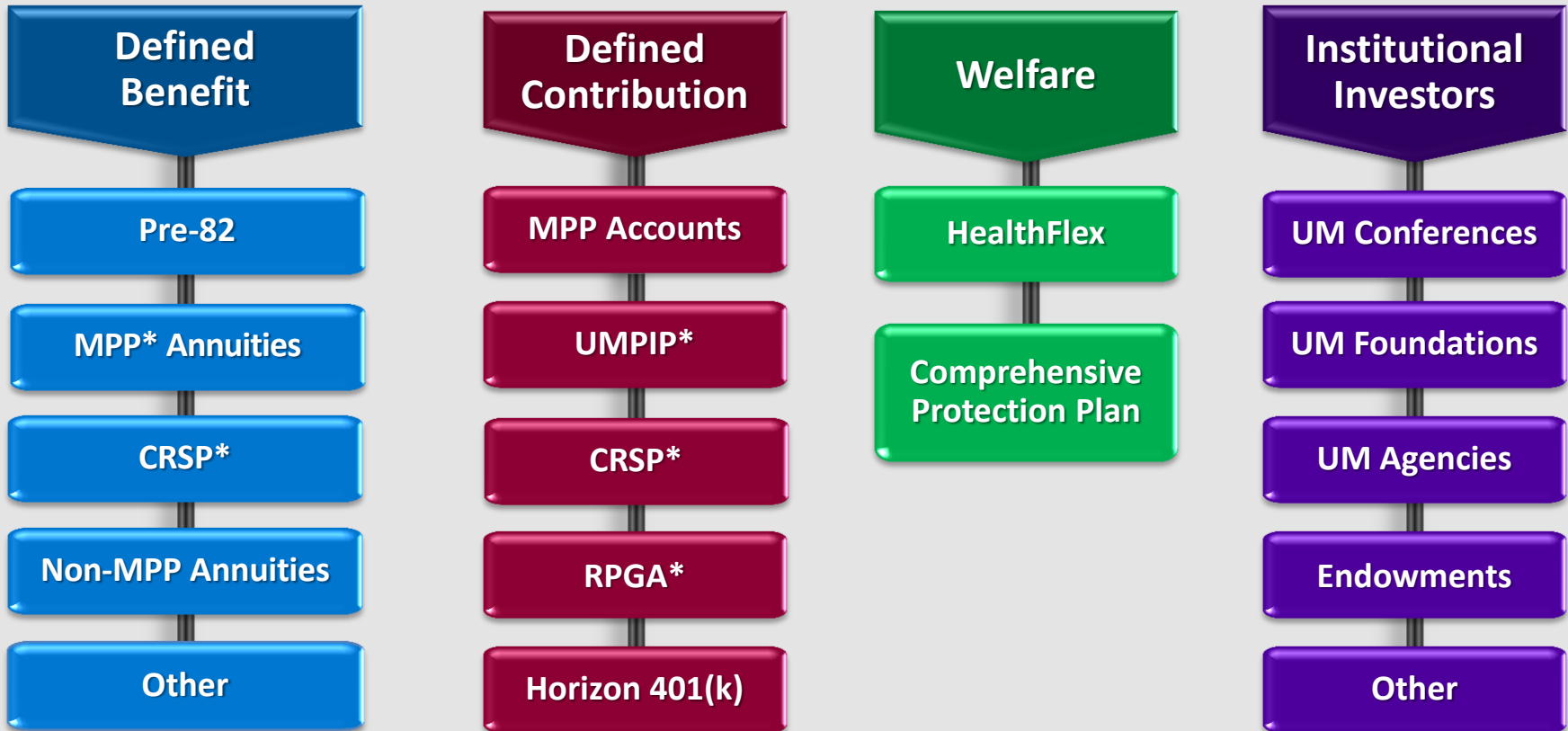
“...make a conscious effort to invest...with the goals outlined in the Social Principles”

Resolution 4071: Investment Ethics



“...invest in a sustainable and socially responsible manner, which is an investment discipline that integrates environmental, social and governance (ESG) factors to achieve suitable financial returns and positive social and environmental impact...”

Wespath Administered Programs

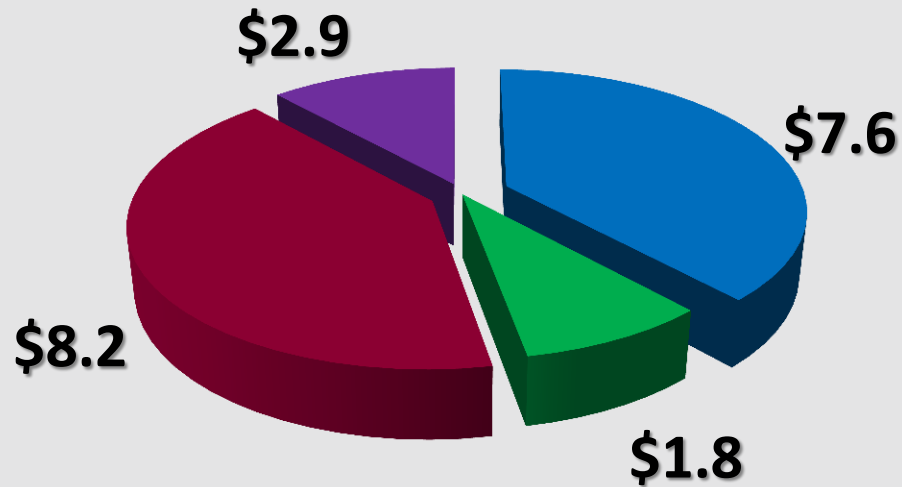


* MPP: Ministerial Pension Plan
CRSP: Clergy Retirement Security Program

UMPIP: United Methodist Personal Investment Plan
RPGA: Retirement Plan for General Agencies

Value of Investments Supporting Wespath Administered Programs

\$20.5 Billion

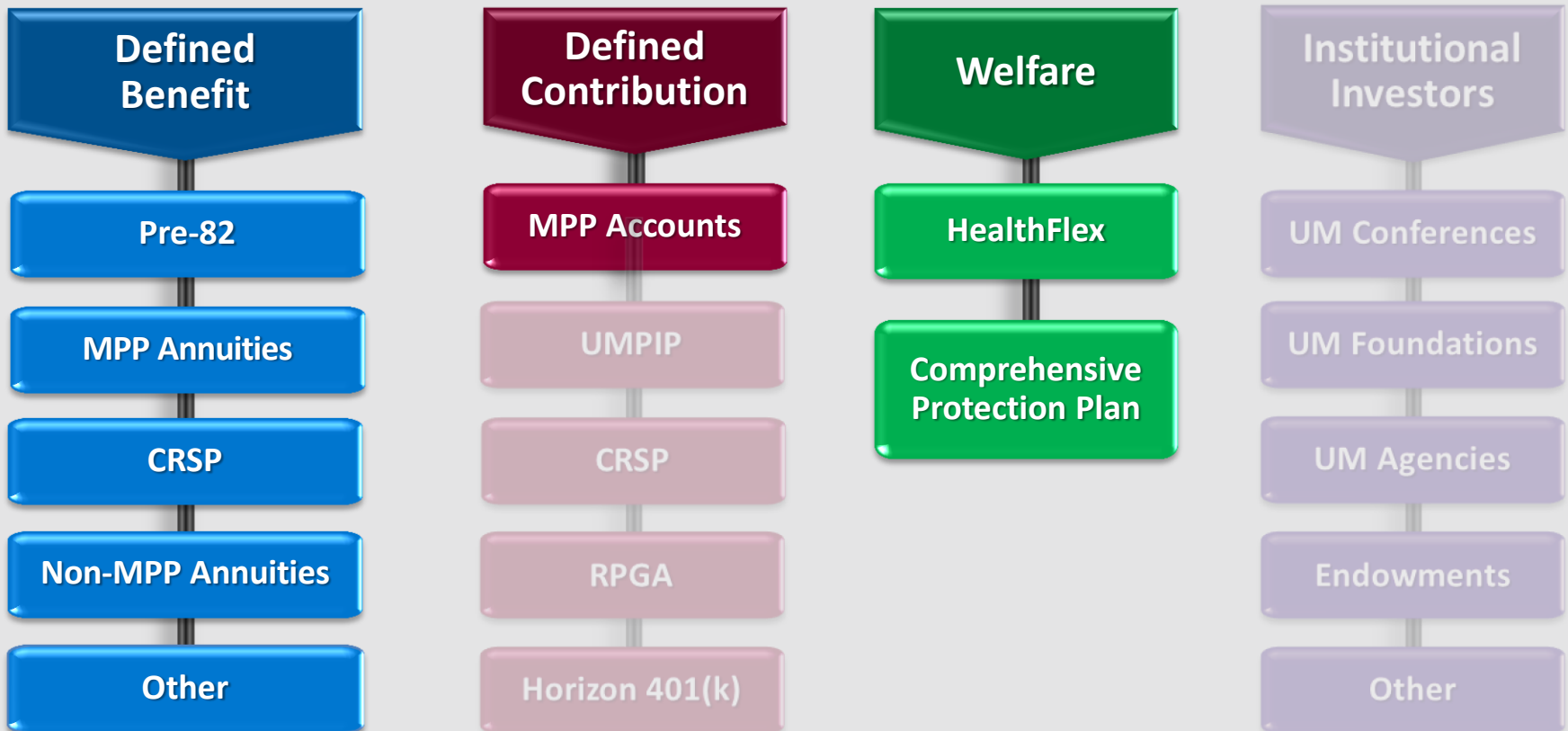


■ Defined Benefit
■ Defined Contribution

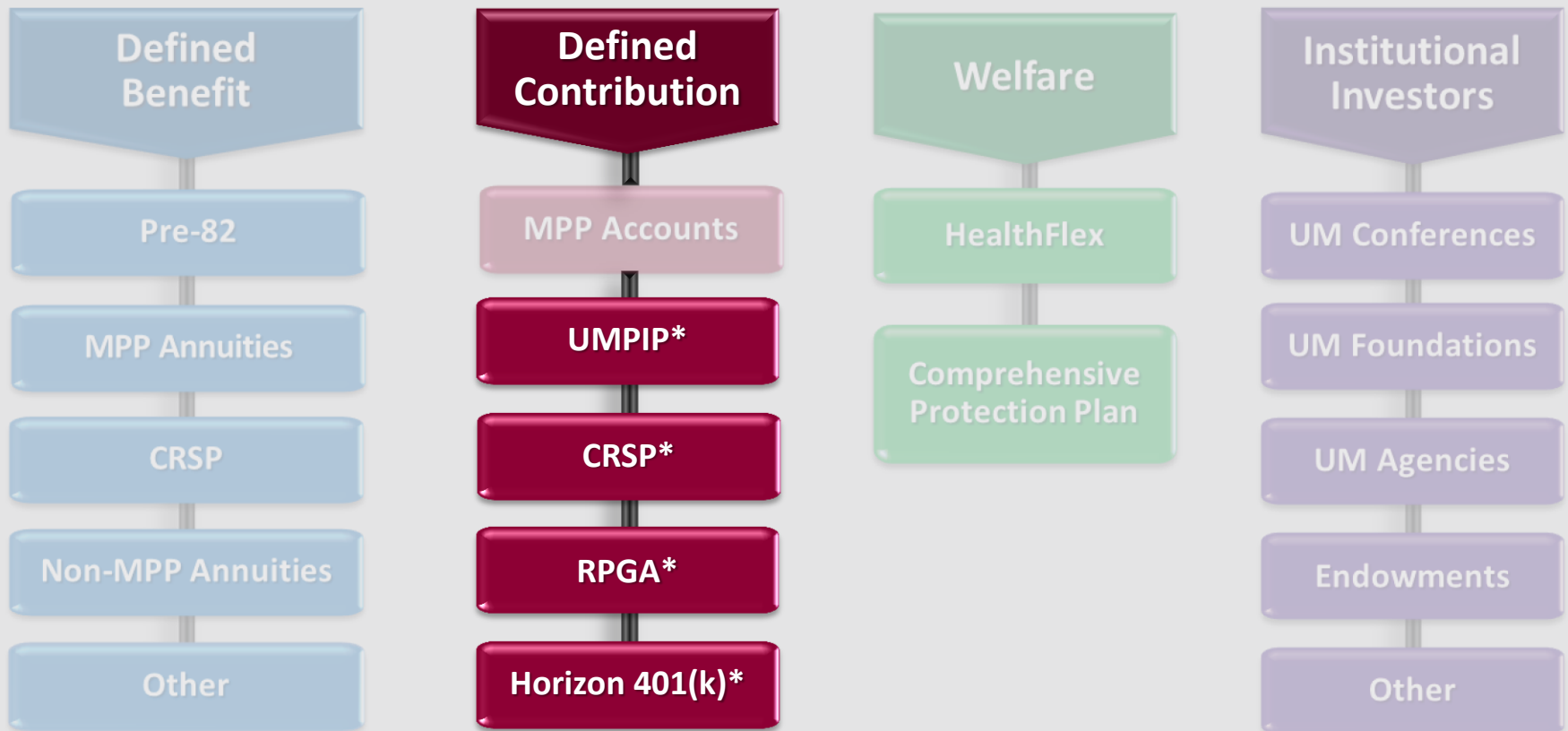
■ Welfare and Other
■ Institutional Investors

As of June 30, 2016

Wespath Directs Investments

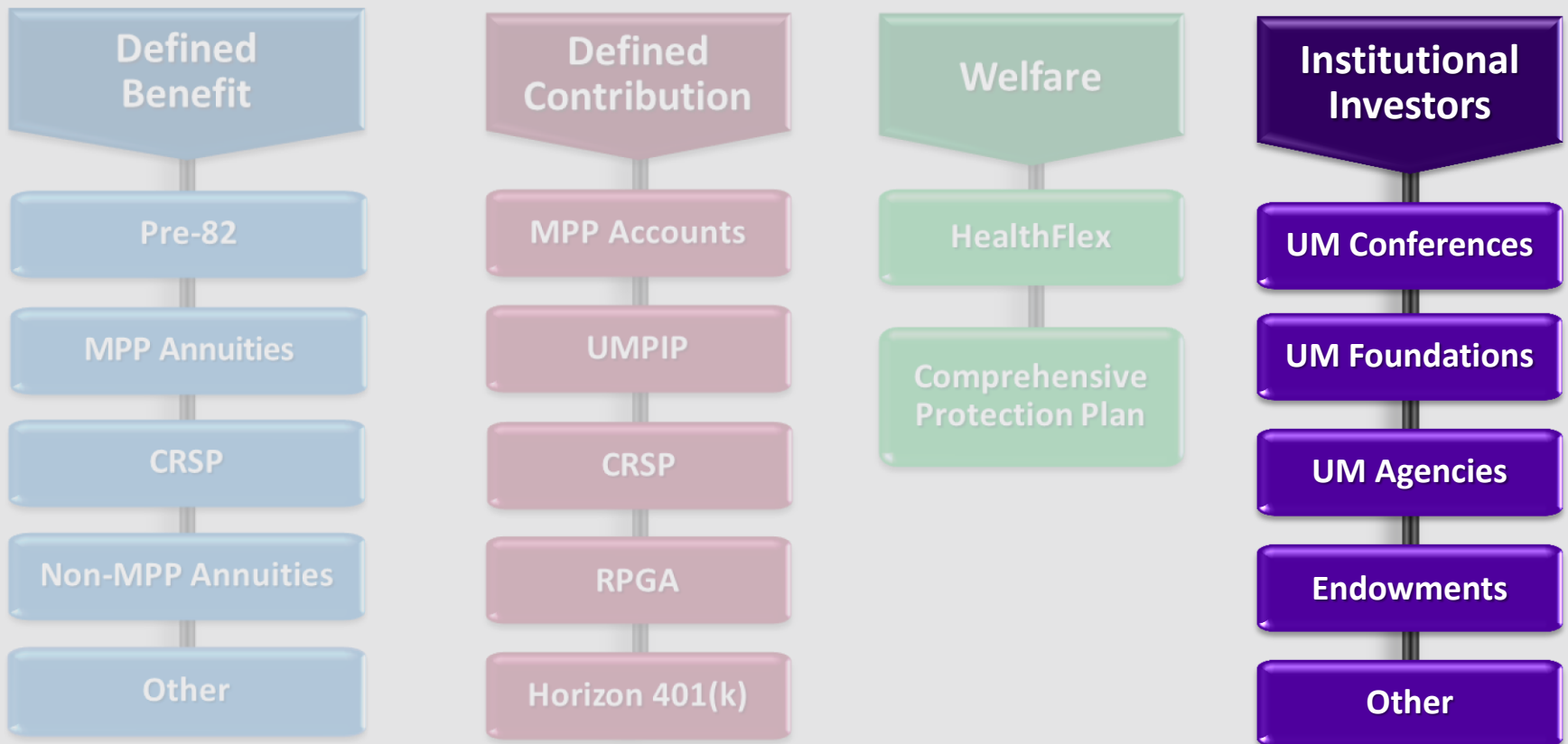


Participants Direct Investments



* Participants may choose Wespath to direct investments using LifeStage Investment Management.

Clients Direct Investments



Elements of Investment Philosophy

Disciplined

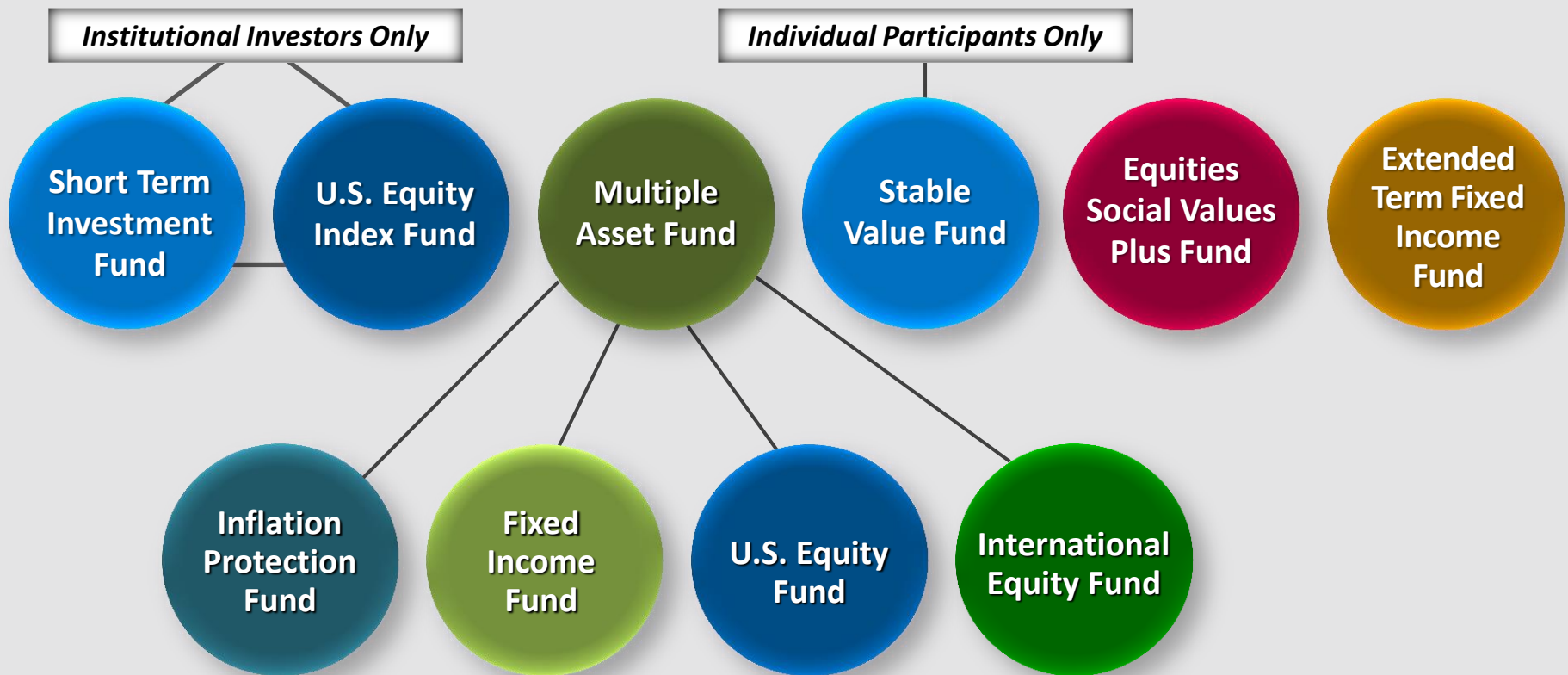
Broadly diversified

Long-term

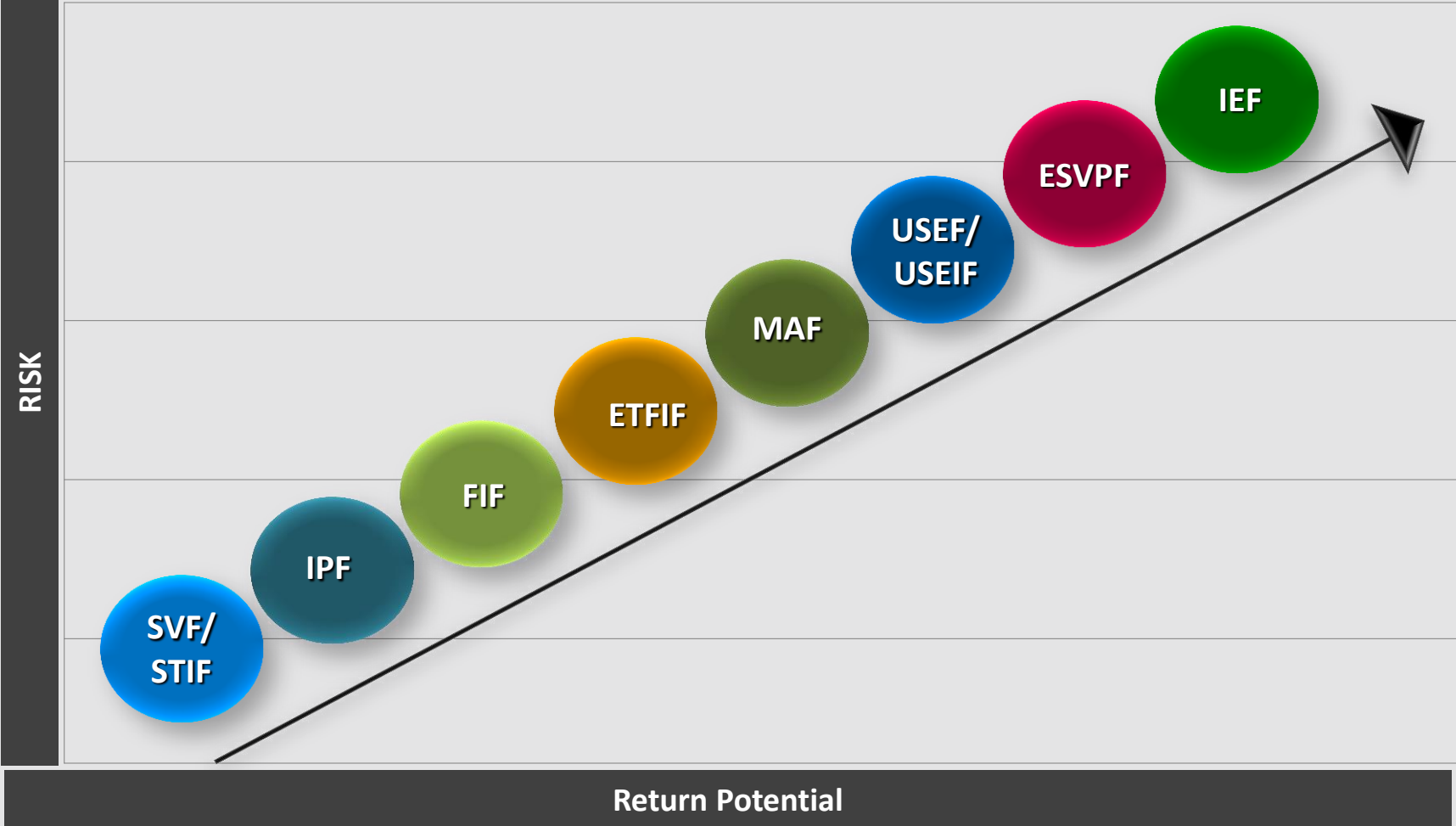
Sustainable

Aligned with UMC values

Wespath Investment Funds

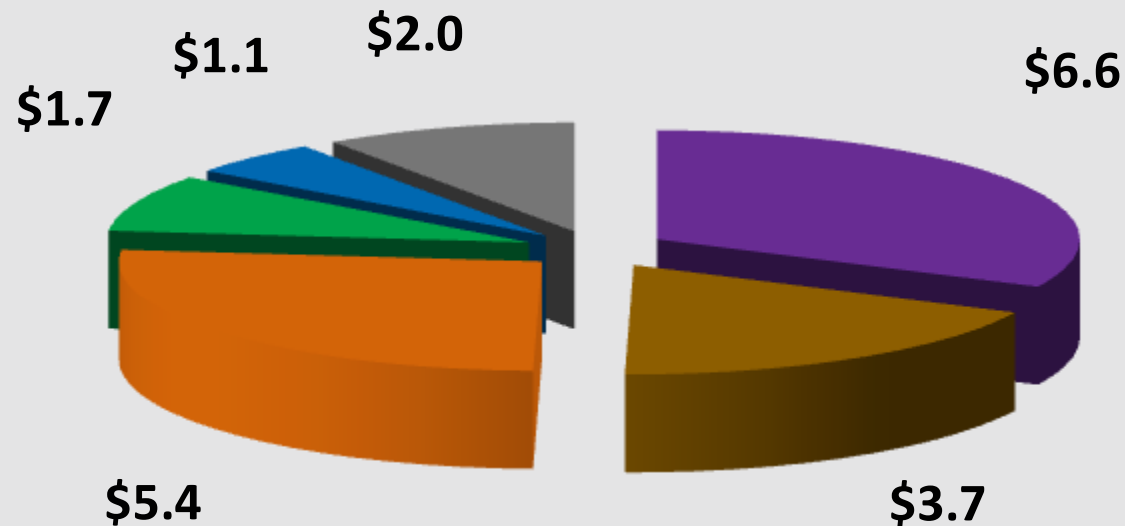


Risk/Return Profile of Funds



Investment Funds—\$20.5 Billion

Multiple Asset Fund comprised of four funds and totals \$5.9 billion



As of June 30, 2016

Stable Value Fund



Low-risk bond fund



Insurance wrap contracts
protect principal from change
in market interest rates

Inflation Protection Fund



**73% of fund invested
in U.S. and foreign
government bonds linked
to inflation**



**12% of fund invested
in commodities and
real assets**



**15% of fund invested
in floating rate notes**

Fixed Income Fund



U.S. bonds



Foreign bonds



Positive social purpose investments

U.S. Equity Fund



**93% of fund invested
in U.S. stocks**



**7% alternative investments of
real estate and private equity**

International Equity Fund



95% of fund Invested
in non-U.S. stocks

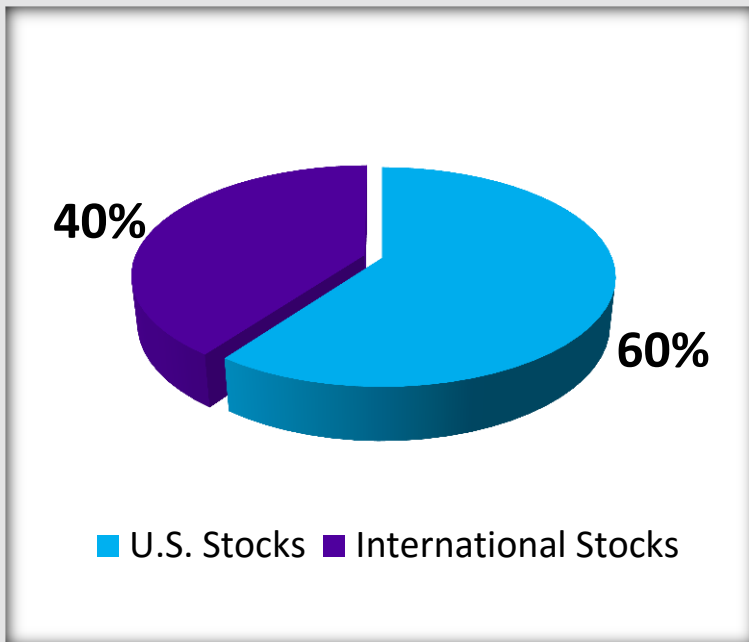
 worldpay *Europris*




infinis

5% alternative investments of
real estate and private equity

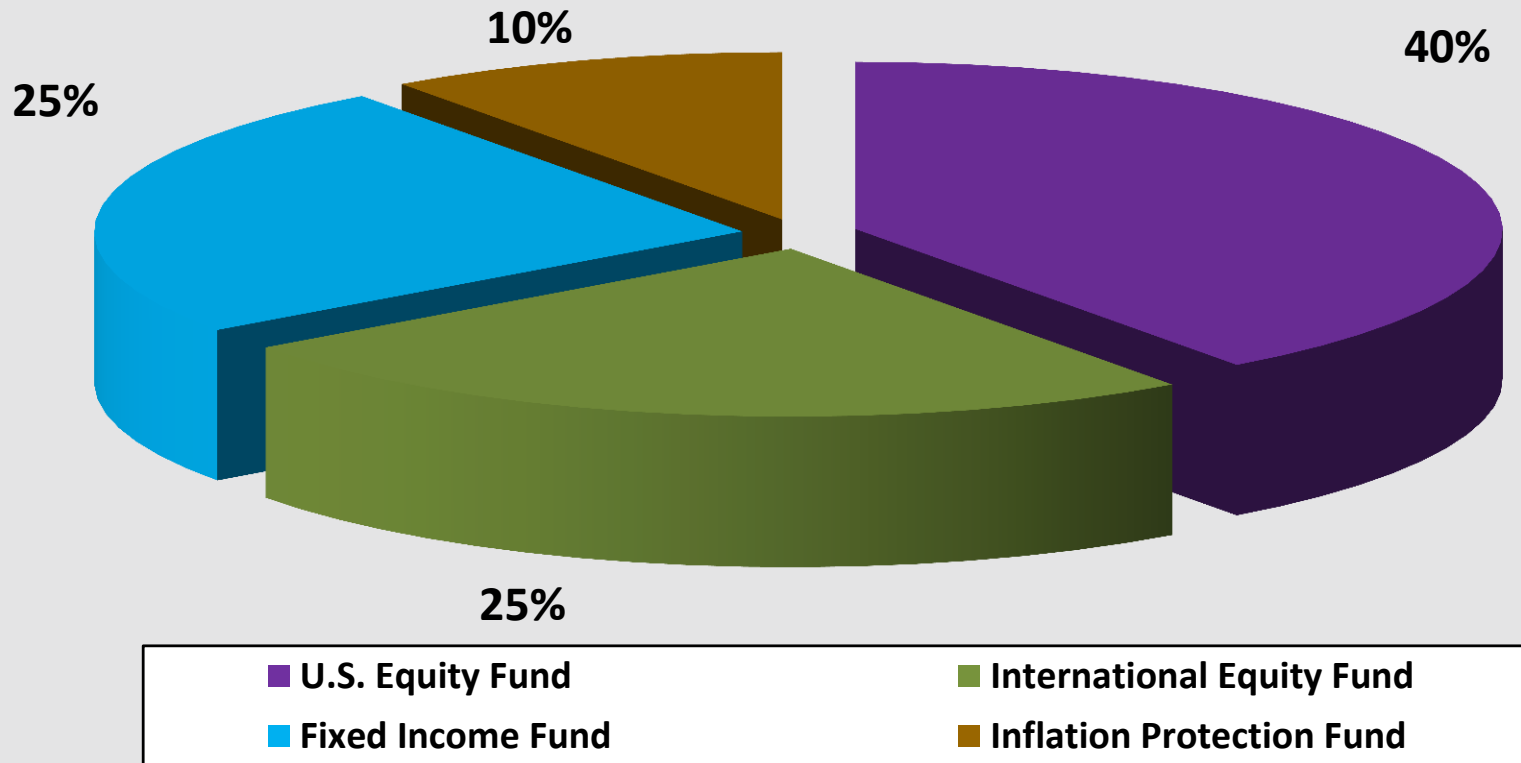
Equity Social Values Plus Fund



Special focus on:

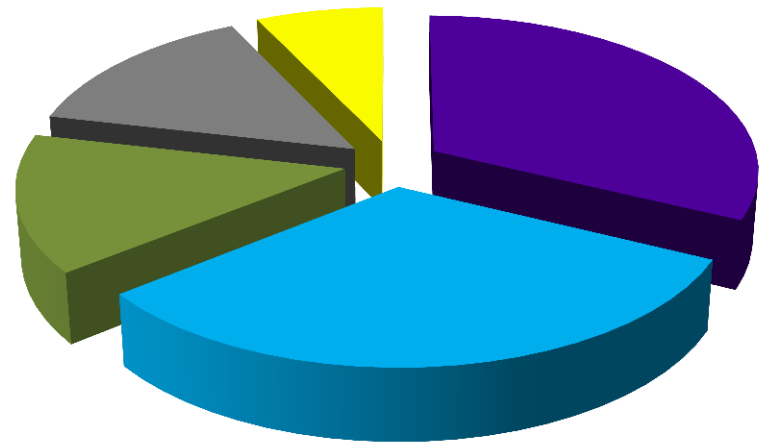


Multiple Asset Fund Pre-Specified Fund Allocations



LifeStage Investment Management

- **Social Security eligibility**
- **Accumulated savings**
- **Risk tolerance**
- **Plans for balance at retirement**
- **Value of Social Security Benefits**
- **Date to begin benefits**
- **Age**



**Customized Investment
Funds Allocation**

LifeStage Retirement Income Features

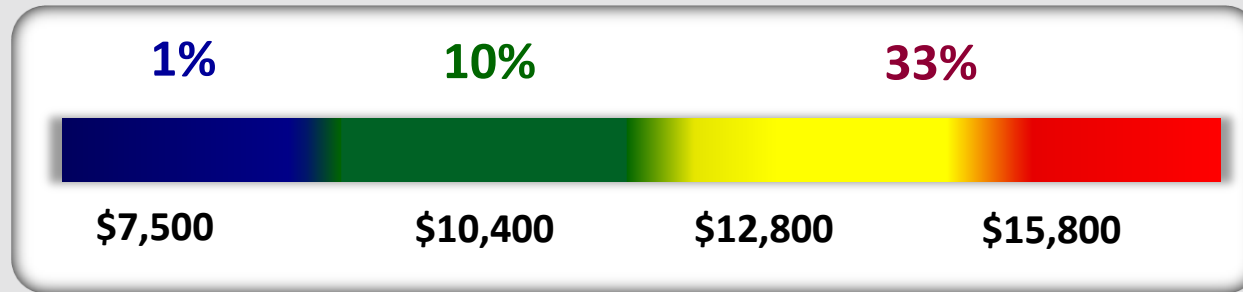
- Manages distributions from defined contribution accounts during retirement
- Balance on account can pass to spouse and/or estate at death
- Up to 20% of account can be set aside in a low-risk “reserve” to meet emergency needs
- Participant must use LifeStage Investment Management



LifeStage Retirement Income

How It Works

LifeStage establishes payment safety zone



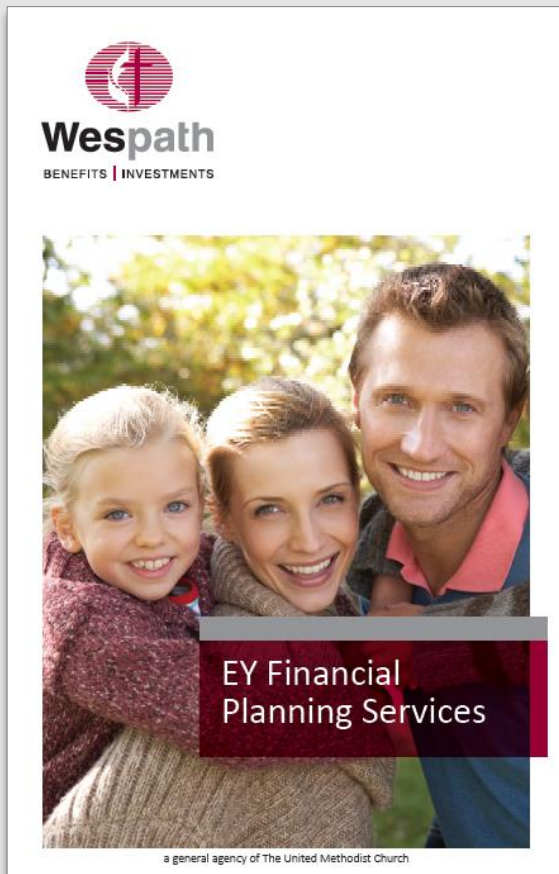
First payment set at 10% chance of exhausting account while alive

Subsequent payments increased based on rate of inflation

Payment adjusted based on extreme good or poor market returns



EY Financial Planning Services



Services available with no direct cost to*:

- Active participants
- Surviving spouses
- Terminated and retired participants with at least a \$10,000 balance on account

Features

- Advice from qualified financial planners
- Numerous financial planning topics can be addressed
- EY receives no fees directly from participants for its advice, and does not promote specific products or services

* **Costs for services are included in Wespath's operating expenses that are paid for by the funds.**

Fiduciary Governance

Fiduciary Committee

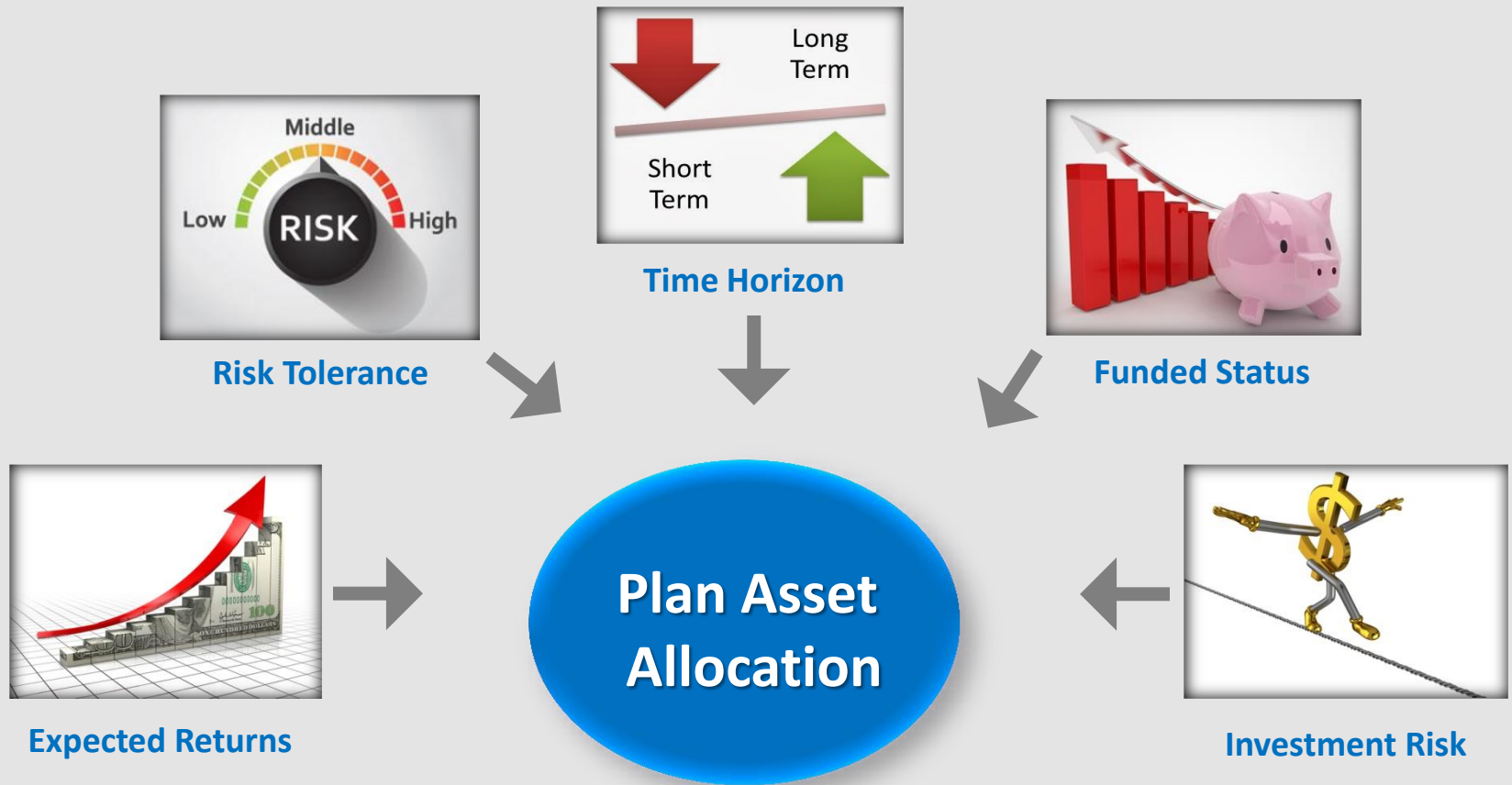
“Enact and monitor policies regarding the prudent management of Wespath investment funds, including the evaluation of investment performance and risk. Develop and monitor policies that prudently manage risks associated with the management and administration of Wespath’s benefit plans.”

UMC Principles Committee

“Establish and monitor the execution of sustainable investment policies and practices that inform Wespath actions aligned with the values of The United Methodist Church especially on environmental, social and governance (ESG) issues.”

Source: Wespath Board Policy Manual

Determining an Investment Strategy



Wespath Investment Management Teams

Institutional Investment Services

Duties

- Marketing
- Client service
- Consulting
 - Investment policy
 - Educating boards
 - Asset allocation
 - Evaluating performance

Investment Management

Duties

- Administering funds
- Manager selection and monitoring
- Performance analysis
- Reporting
- Social impact investing

Sustainable Investment Strategies

Duties

- Ascertain UMC social priorities
- Avoid investments that violate ethical and risk guidelines
- Engage companies and public policy officials
- Investment manager ESG integration

Sustainable Investment Strategies



AVOID

- Ethical exclusions
- Financial risk exclusions



ENGAGE

- Proxy voting
- Shareholder resolutions
- Corporations
- Policymakers



INVEST

- External manager benchmarking
- Positive Social Purpose Lending Program
- Low-carbon energy solutions



Wespath

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