

Quadrennial  
Benefits  
Conference



# Sustainable and Responsible Investments



**Wespath**  
BENEFITS | INVESTMENTS

# Agenda



**UMC Directive for Managing Plans and Investing**



**Wespath Administered Programs**



**Investment Funds**

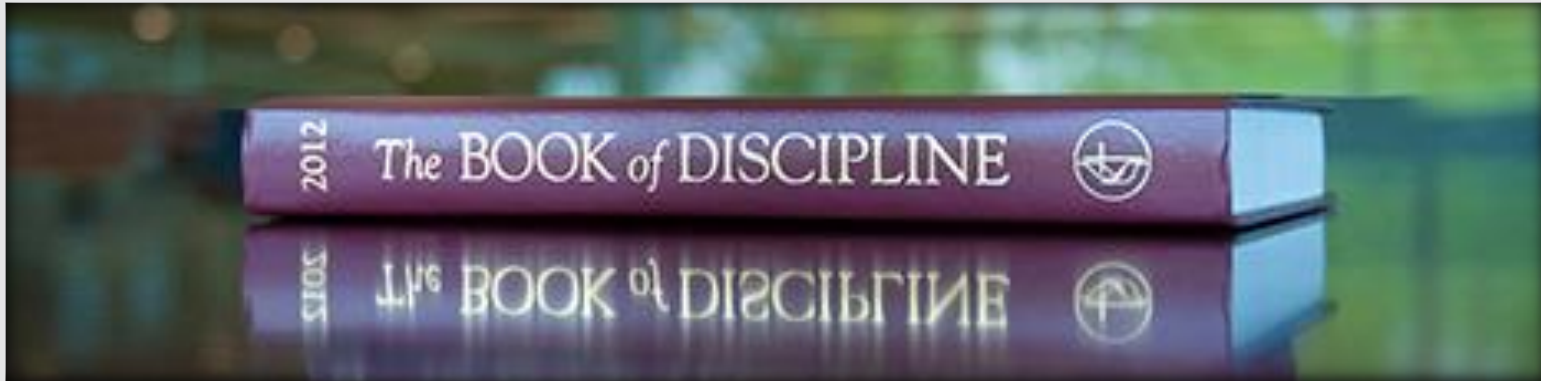


**Fiduciary Governance**



**Sustainable Investment Strategies**

# Sustainable and Socially Responsible Investment Directives



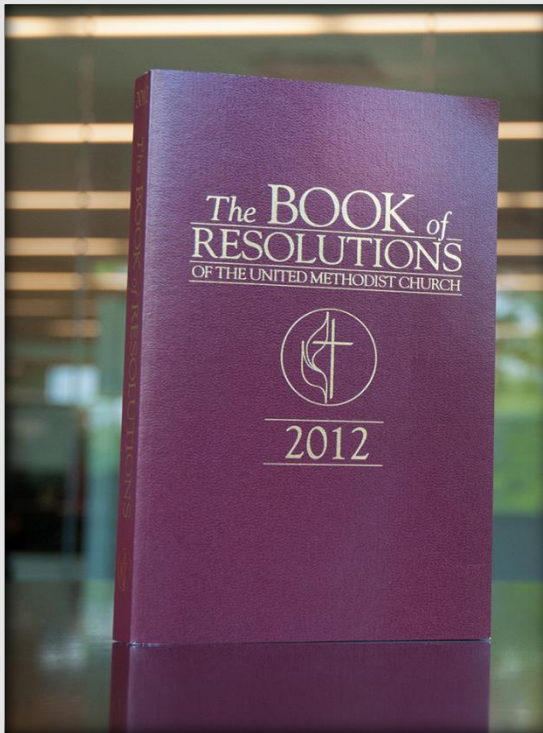
## ¶1504.14

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

## ¶717

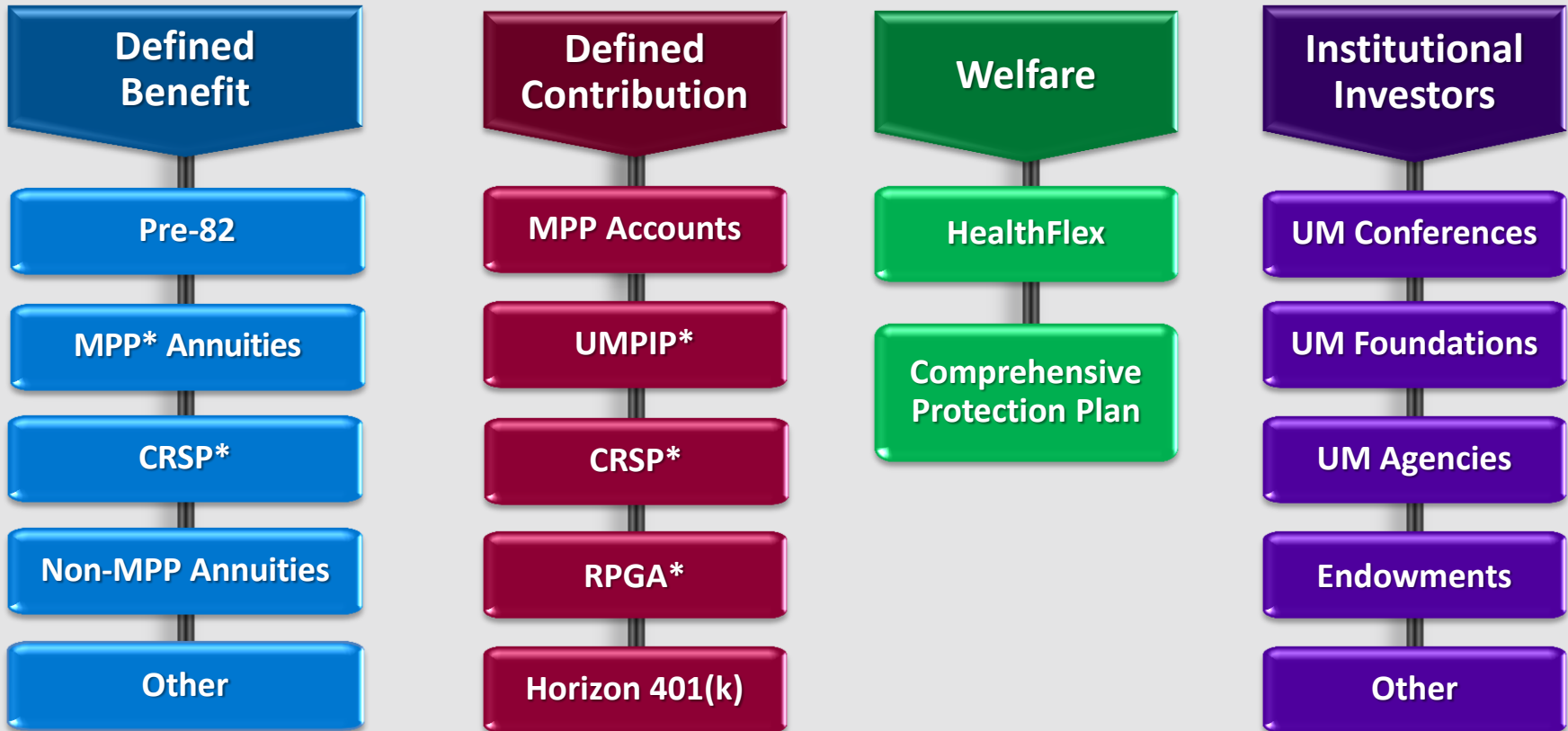
“...make a conscious effort to invest...with the goals outlined in the Social Principles”

# 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

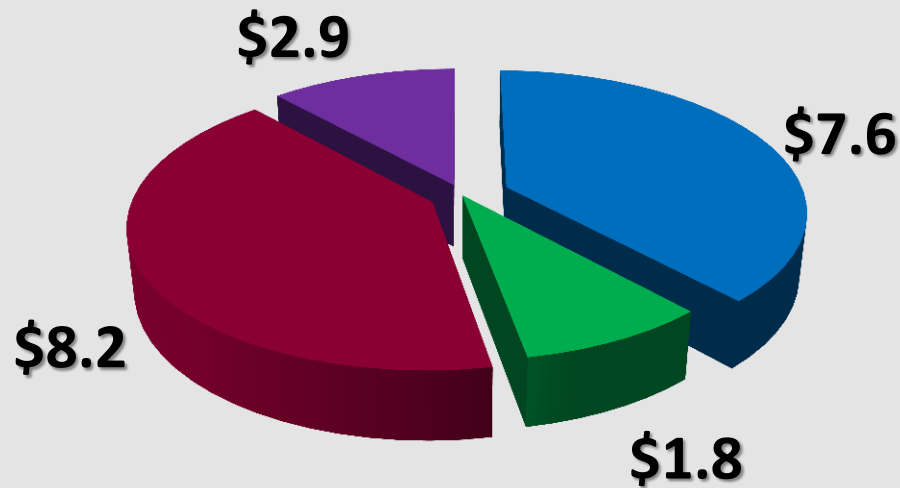


\* MPP: Ministerial Pension Plan  
CRSP: Clergy Retirement Security Program

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

# Value of Investments Supporting Wespath Administered Programs

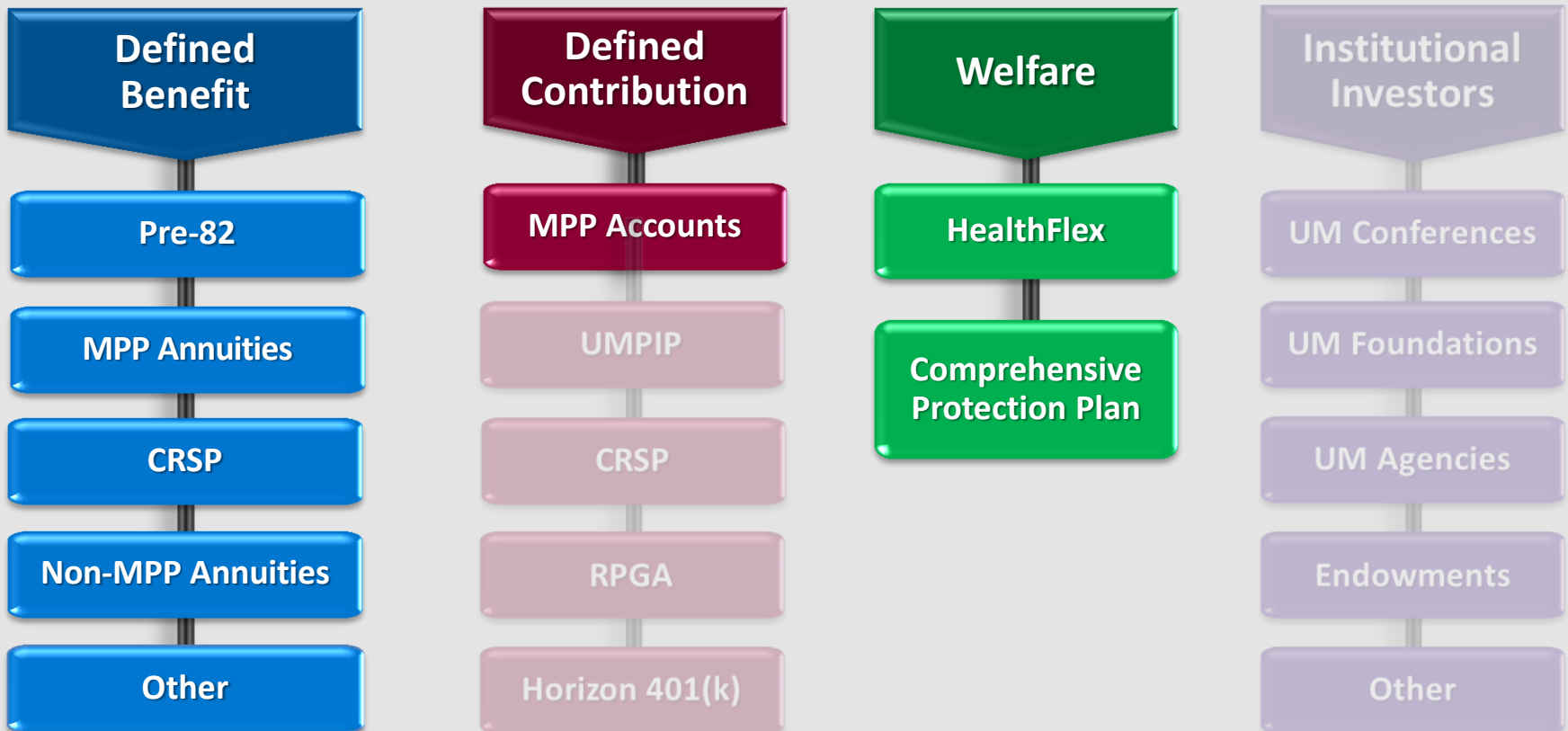
**\$20.5 Billion**



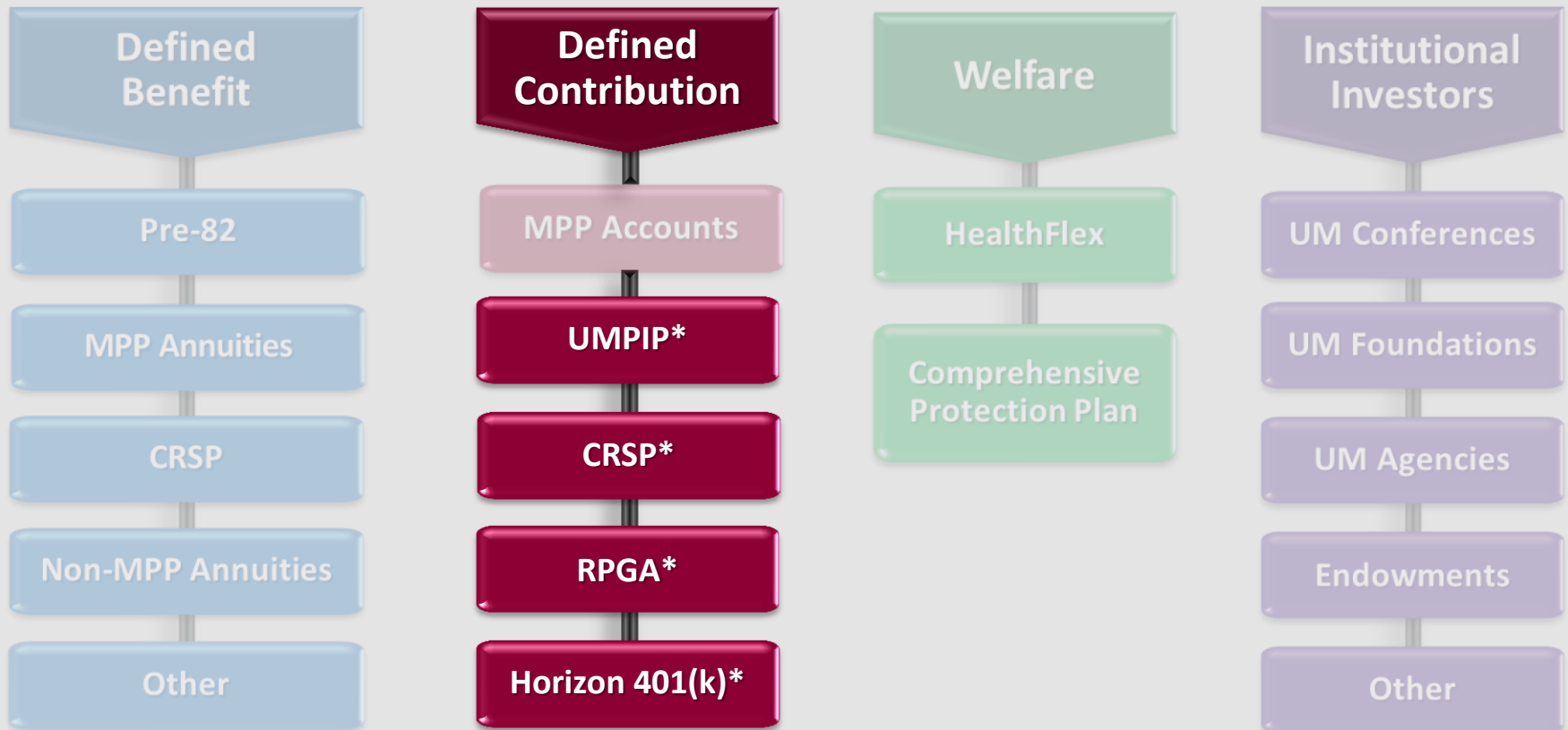
■ Defined Benefit	■ Welfare and Other
■ Defined Contribution	■ Institutional Investors

As of June 30, 2016

# Wespath Directs Investments



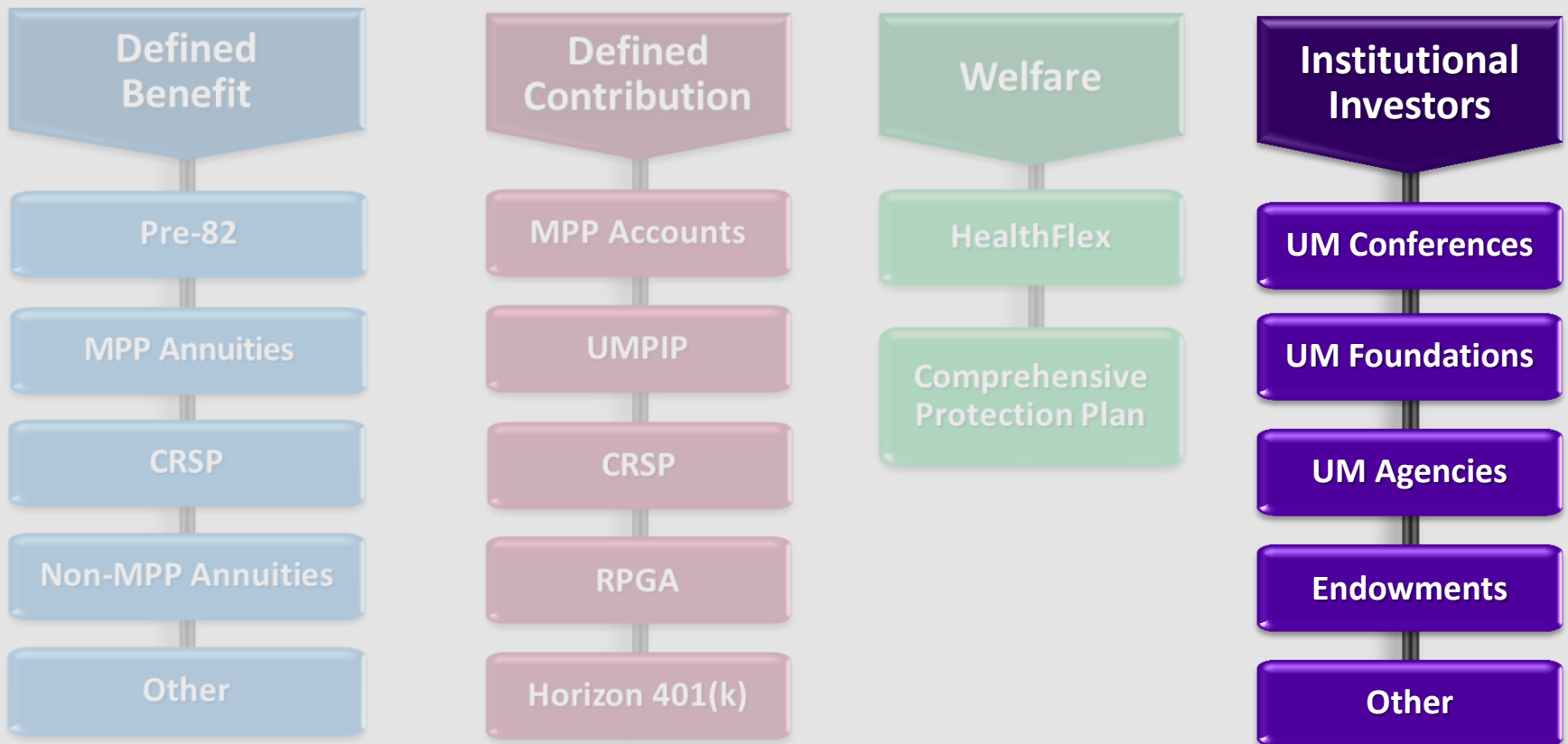
# Participants Direct Investments



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



# Clients Direct Investments



# Elements of Investment Philosophy

**Disciplined**

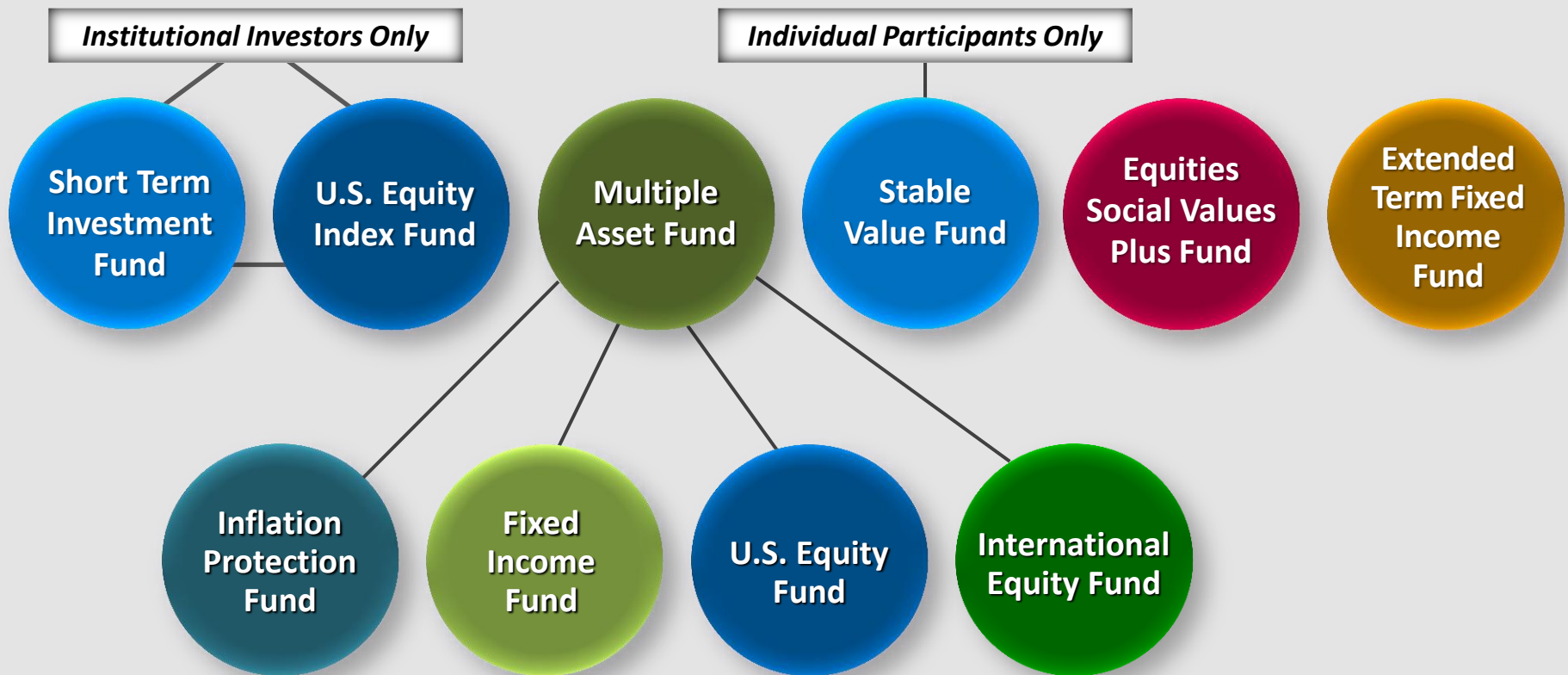
**Broadly diversified**

**Long-term**

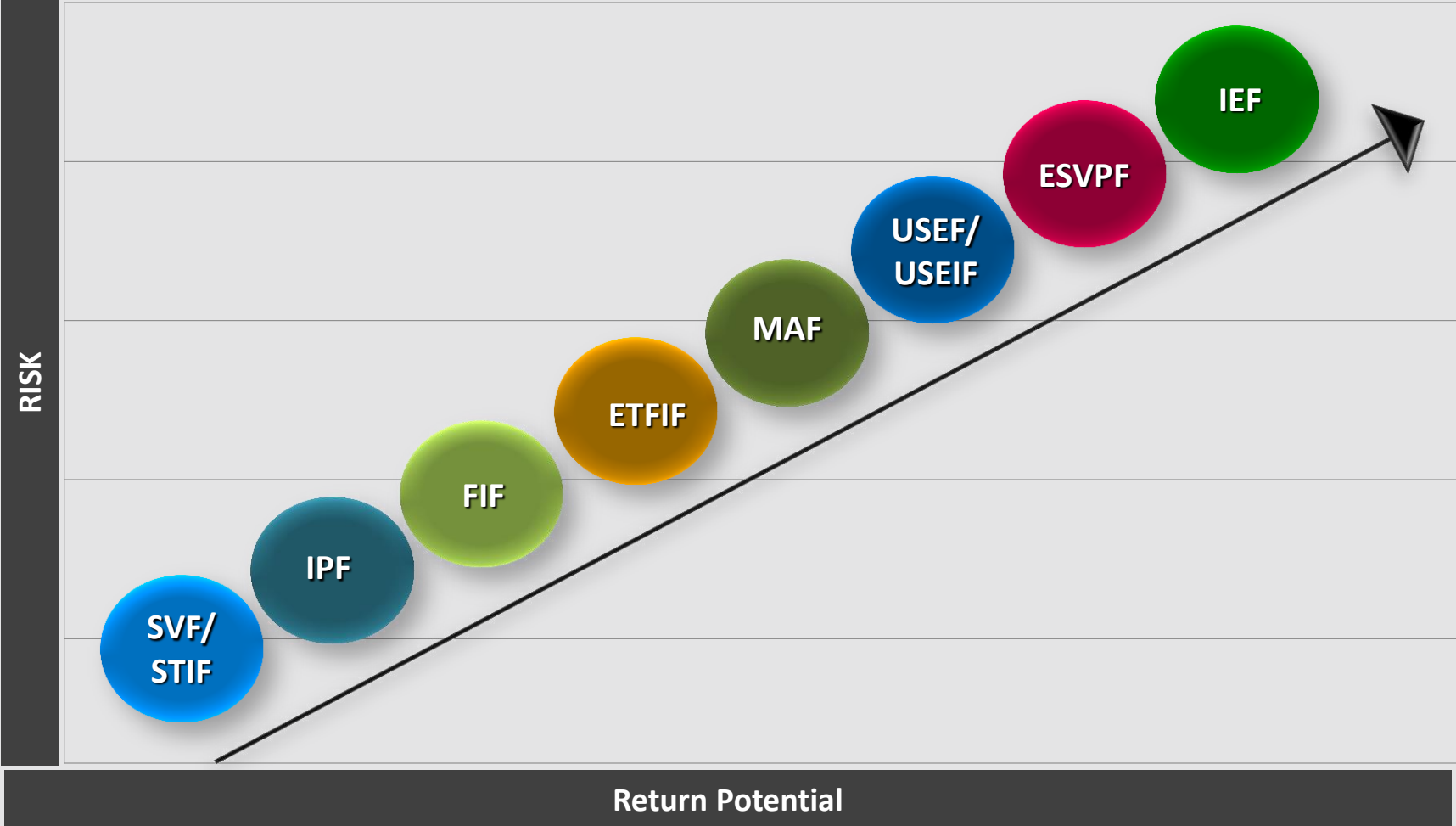
**Sustainable**

**Aligned with UMC values**

# Wespath Investment Funds

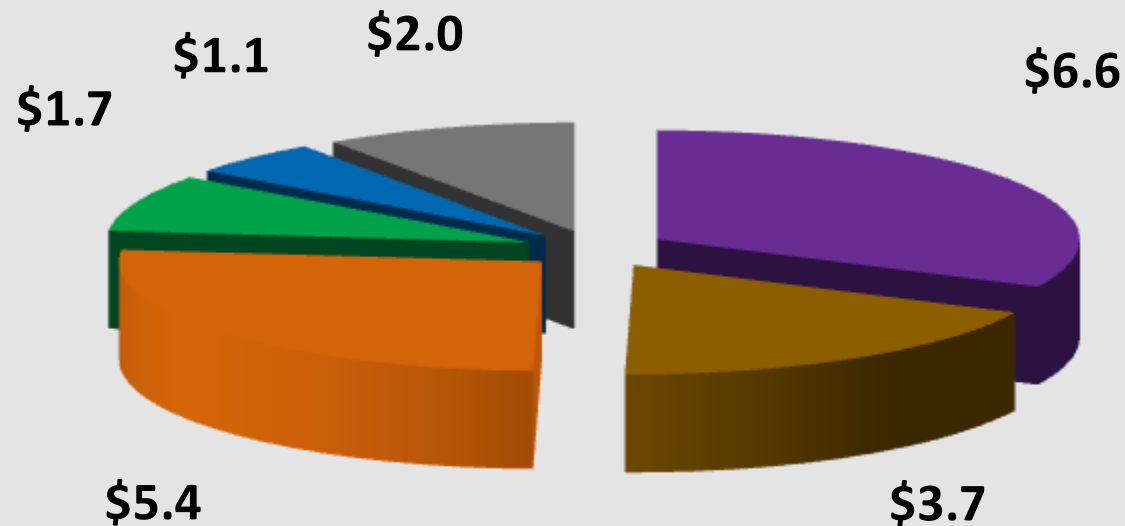


# Risk/Return Profile of Funds



# 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

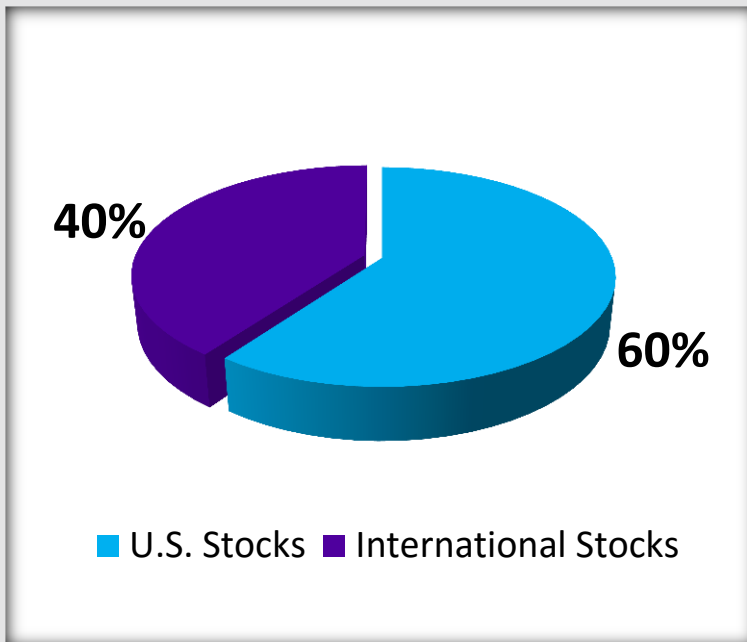
 worldpay *Europris*



  
infinis

5% alternative investments of  
real estate and private equity

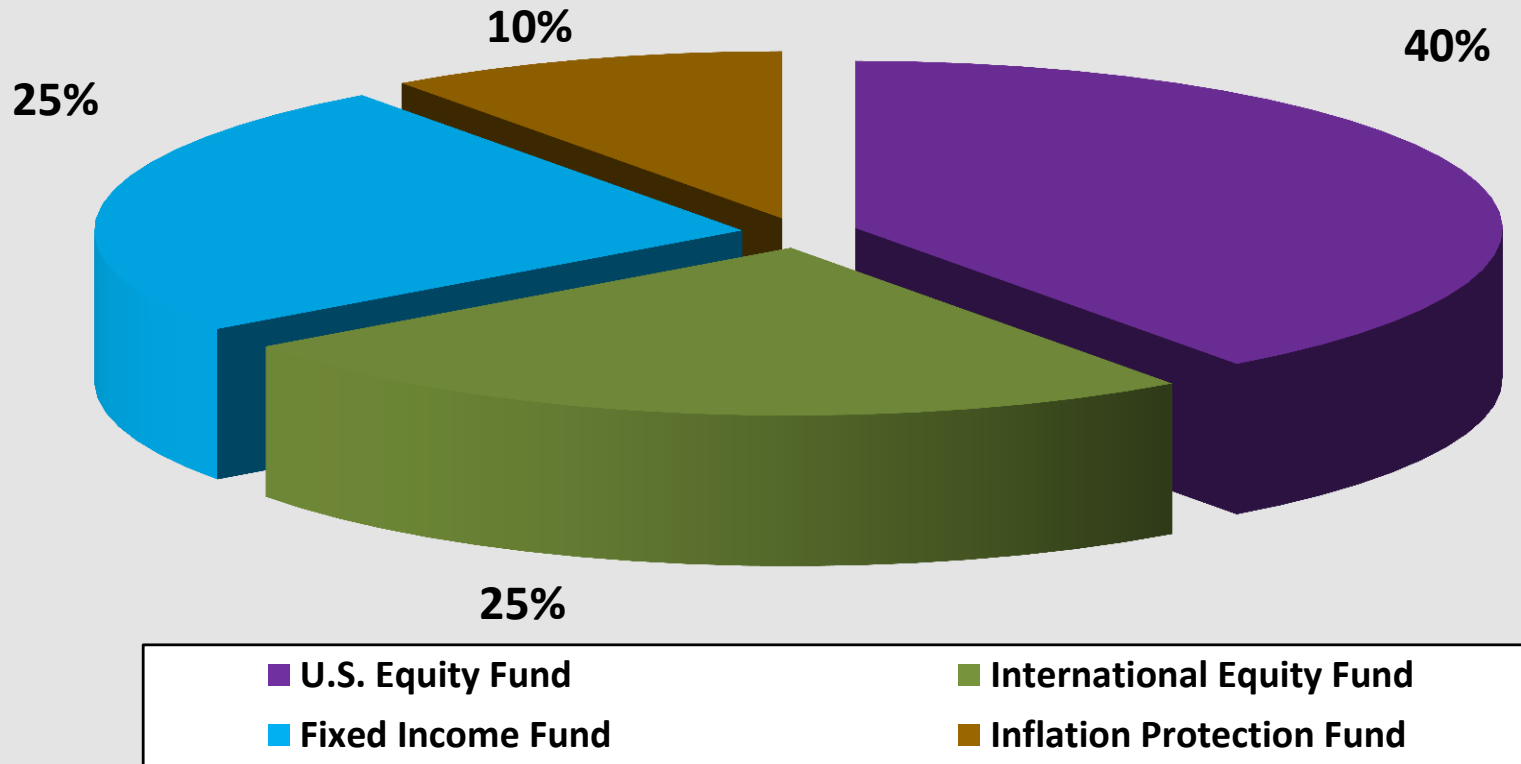
# Equity Social Values Plus Fund



*Special focus on:*

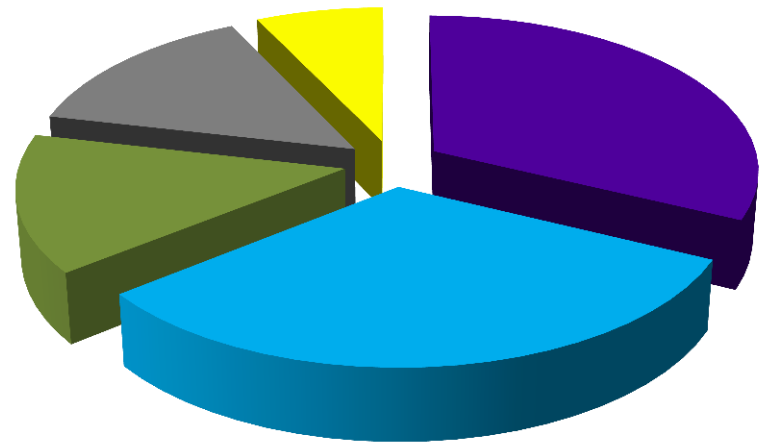


# Multiple Asset Fund Pre-Specified Fund Allocations



# 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

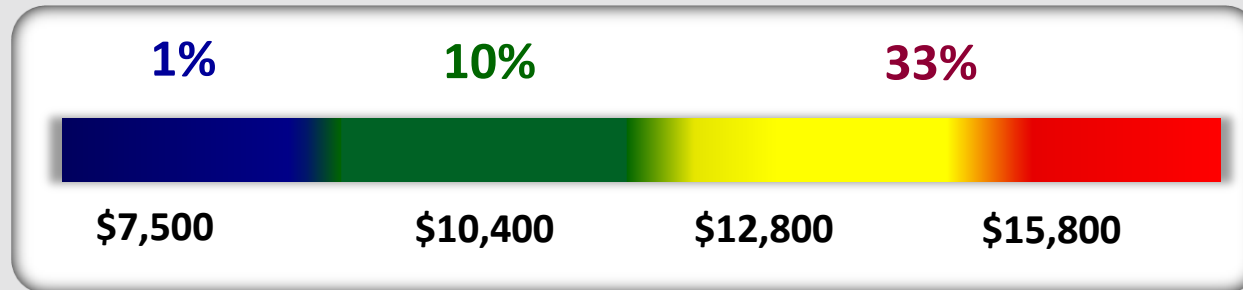
- Manages distributions from defined contribution accounts during retirement
- Balance on account can pass to spouse and/or estate at death
- Up to 20% of account can be set aside in a low-risk “reserve” to meet emergency needs
- Participant must use LifeStage Investment Management



# LifeStage Retirement Income

## How It Works

LifeStage establishes payment safety zone



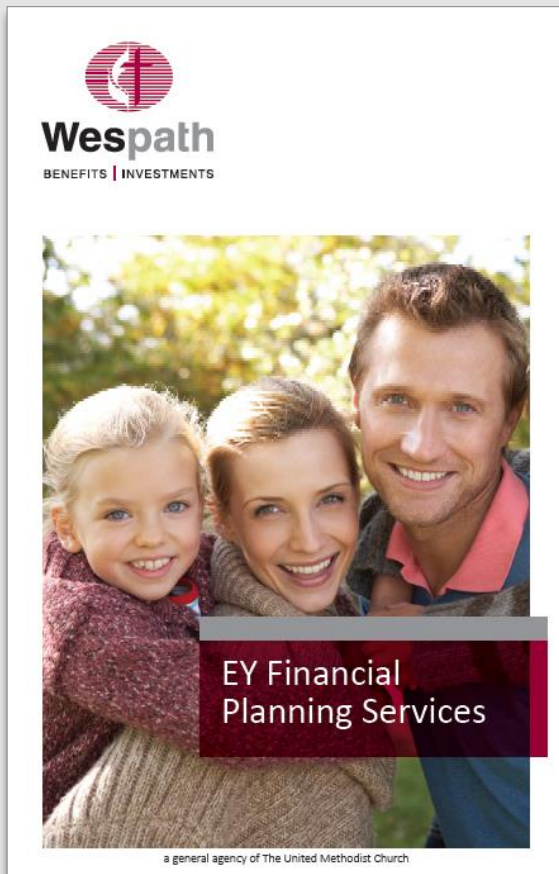
First payment set at 10% chance of exhausting account while alive

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**

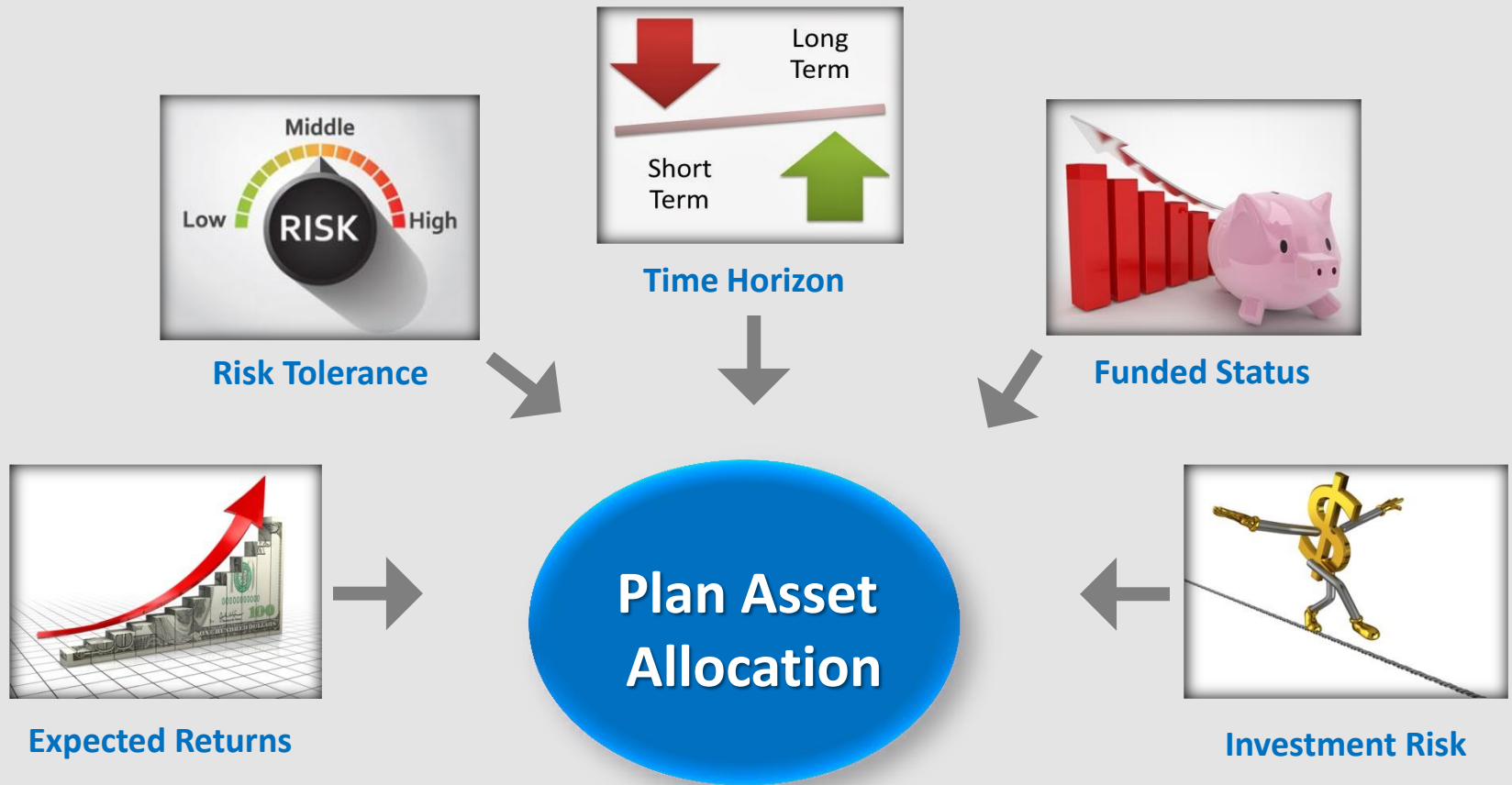
“Enact and monitor policies regarding the prudent management of Wespath investment funds, including the evaluation of investment performance and risk. Develop and monitor policies that prudently manage risks associated with the management and administration of Wespath’s benefit plans.”

## **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



**Wes**path

BENEFITS | INVESTMENTS