Wespath

BENEFITS | INVESTMENTS

2016 Annual Report

a general agency of The United Methodist Church



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A Message from the Chairperson of the Board and the General Secretary

A Year of Engagement

We care for those who serve by providing investment and benefit services that honor the mission and principles of The United Methodist Church.

— Mission Statement

In 2016, we reached our 108th year of caring for those who serve—our work is a noble calling which we will continue to answer for many decades to come. One way to prepare for the future was to update and align our agency name with our mission—so we became Wespath Benefits and Investments (Wespath).

2016 was also a General Conference year and a year of engagement for us. This term is an appropriate descriptor for the active stance we took throughout the year, living into our mission and looking ahead to continue to protect the future financial best interests of those who serve The United Methodist Church (UMC).

In preparation for General Conference, we engaged many U.S. and Central Conference delegations, reinforcing and illuminating our belief in engagement over divestment, which remains our ongoing investment philosophy. We also brought forward changes to the U.S. benefit plans to assure continued protection for participants, as well as affordability and sustainability for conferences.

Engagement implies listening and sharing opinions, with all voices heard. It means having a seat at the table of discussion in order to help achieve our agency mission in support of the UMC mission of making disciples. Wespath lives out its mission through active engagement—with plan participants, conferences, Church leaders, institutional investors, and the companies in which we invest.

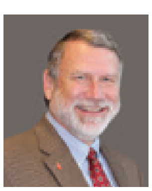
Long-Term Propositions

Benefits and investing are long-term propositions for us, as we serve more than 100,000 clergy and lay employees of the Church in the U.S. and around the world. We invest over $21 billion in assets on their behalf and that of our institutional investors. We have long-standing relationships that recognize and reinforce the common good of all in our sphere of service.

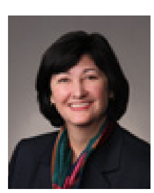
Continuing on our path means continuing to engage in new and renewed relationships, particularly with young clergy. We are dedicated to bringing life and sustainability to our mission, with each step we take.

Our message this year is followed with highlights from 2016 across the areas in which we serve the Church. We invite your response and feedback to this report as a way to engage with you. Your thoughts and opinions are appreciated, as we continuously strive to improve our operations, communications and outreach.

We remain yours in service to Christ,



Bishop Robert Schnase
Chairperson,
Board of Directors



Barbara A. Boigegrain
General Secretary
and Chief Executive Officer

2016 Highlights

Wespath Benefits and Investments— Our New Name

2016 brought a change in our identity from "General Board of Pension and Health Benefits of The United Methodist Church" to "Wespath Benefits and Investments." This doing-business-as name was created with two important elements in mind:

Wes—recognizes and honors John Wesley, the founder of Methodism and a strong advocate for social justice;

Path—refers to our goal of providing participants and institutional investors with a path to follow in achieving retirement, health and investment objectives.

While the name Wespath honors Wesley, it also implies other Wesleyan theological tenets—the importance of financial security and caring for physical health and for God's creation. Wespath reflects our Wesleyan heritage, and the notion of being on the right path in the areas in which we operate for our participants, institutional investors and for the UMC. We retained our long-standing agency symbol, which embeds the UMC Cross and Flame—continuing to reflect our connection with the Church.

Quadrennial Board of Directors Transition

We brought collective wisdom and individual skills together in selecting and training our new board of directors, as we celebrated the accomplishments of the previous quadrennium's members. Our board membership is a continuum of service—the current board building on the work of the previous board. The role of our board members has far-reaching impact for more than 100,000 Church workers: helping the agency look to the future and protecting the financial futures of those who serve the Church.

The members of our board are engaged in preparing to work on a vision for the future of the agency and provide guidance to our strategic plan. We followed the Board training with two Quadrennial Benefits Conferences to train 330 conference board of pension members, conference benefits officers, treasurers, district superintendents and conference administrators. The sessions helped them understand General Conference 2016 benefits-related changes and how they could affect conference decisions.

2016 Highlights

Geo-Political Landscape

As with all financial institutions, we are often in circumstances we cannot control. 2016 was not only a transformational year for the UMC, but also for the U.S. and the European Union. The global political environment brought the United Kingdom's decision to exit the European Union ("Brexit") and a change in presidential leadership in the U.S. Both changes, as well as others on the horizon, can impact the Church and Wespath. As we ended the year, we remained in an unsettled, somewhat turbulent period.

As leaders of the Church Alliance*, we work hard to try to make sure our voice is heard and considered in Washington D.C., on issues impacting clergy benefits. After the Church Alliance secured passage of the Church Plan Clarification Act (CPCA) at the end of 2015, Wespath's Legal department educated stakeholders about the CPCA's benefits, including automatic enrollment for church retirement plans.

Retirement, Health and Welfare Plans and Programs

We continued administration, monitoring and investment for the Comprehensive Protection Plan (CPP) and HealthFlex, and the denomination's retirement plans: the Clergy Retirement Security Program (CRSP) and historical defined benefit plans, the United Methodist Personal Investment Plan (UMPIP), the Horizon 401(k) Plan, the Retirement Plan for General Agencies (RPGA), the Global Episcopal Pension Program (GEPP), and the Collins Pension Plan for Missionaries (Collins Plan).

Caring for those who serve entails educating our plan sponsors and participants about their benefits so that they are used in the most optimal way. In 2016, Wespath demonstrated its continued commitment in the following areas:

Retirement Plan Participant Engagement

- Wespath measured nine engagement indicators within our Participant Engagement Strategy and identified improvement opportunities. We communicated these opportunities to conference staff to build awareness, and initiated targeted communications designed to improve our measures of engagement.

* The Church Alliance is a coalition of the chief executive officers of 37 church benefit programs, including mainline and evangelical Protestant denominations; two branches of Judaism; and Catholic dioceses, schools and institutions. Their combined programs provide retirement and health benefits to more than 1 million clergy, lay workers and their families.

- Our benefits educators and conference liaisons conducted over 110 workshops, seminars, clergy continuing education events, webcasts and other events—reaching more than 4,500 participants.
- Participants who use EY Financial Planning Services have lower projected income gaps than participants who do not use EY. Therefore, Wespath promoted EY Financial Planning Services to eligible participants and conducted an initiative to improve EY connectivity and utilization, with positive results. EY fielded 17,508 calls in 2016, compared with 16,723 calls in 2015. In addition, the number of registrants for the EY website more than quadrupled from 227 in 2015 to 943 in 2016, and visits to the website increased from 2,749 in 2015 to 8,982 in 2016.

Comprehensive Protection Plan

- CPP continued to provide long-term disability coverage to nearly 17,000 eligible active clergy, and death benefit coverage to active clergy and certain retirees and dependents.
- UMLifeOptions is available to plan sponsors who desire to provide additional life insurance to eligible active clergy, as well as long-term disability and life insurance coverage for eligible lay employees and clergy. As of December 31, 2016, there were 250 UMLifeOptions plan sponsors with approximately 5,400 plan participants.

Central Conference Pensions (CCP)

CCP continues to be a significant achievement and remarkable testament to the generosity of the Church and its members. CCP continued to receive donations and pledge payments throughout 2016.

Wespath representatives attended and assisted at all five Pre-2016 General Conference Briefings in Africa, Europe and Asia. A Central Conference benefits officer/treasurer also helped deliver a segment of Wespath's presentation to the plenary session on the floor of the 2016 General Conference.

During the year, Wespath representatives visited a number of central conferences for plan reviews and evaluations, including Russia, Mozambique, Congo, Angola, Cote d'Ivoire and the Philippines. These plan evaluations provided opportunities to meet with and interview some of the 1,353 retirees and 1,593 surviving spouses who receive pensions from CCP. Pension recipients openly expressed their thanks to CCP donors worldwide—their gifts are helping retirees and spouses afford food, medicine, and schooling for children and grandchildren.

Center for Health

The HealthFlex plan served 29 plan sponsors covering approximately 17,000 lives in 26 annual conferences and three non-annual conference plan sponsors. It includes a broad spectrum of award-winning well-being programs in addition to medical, prescription drug, behavioral health, dental and vision benefits with plan designs to encourage participant accountability.

HealthFlex introduced the "HealthFlex Exchange" model offering greater participant choice among plans, a defined contribution to be paid toward health benefits, and extensive tools and resources to help participants choose among the plan options. Fourteen plan sponsors have adopted this model as of January 1, 2017.

Virgin Pulse

This activity program is at the heart of the Center for Health's well-being programs. As of December 31, 2016, 44 annual conferences sponsored this program, as do UMC general agencies and other UMC organizations.

The Center for Health also collaborated with a number of UMC agencies/groups to expand well-being outreach and participant engagement.

Sustainable Investment

Wespath is committed to investing in a sustainable and responsible manner, creating long-term value for our participants and institutional investors. Our comprehensive approach to sustainable investment supports our role as a prudent fiduciary and the desire to have a positive impact on society.

- *Core investment beliefs* require that we take a long-term view in investing, which we must do given the long-term nature of our obligations and the perpetual nature of the missions of our institutional investors.
- *Active ownership* strategy focuses on identifying and engaging companies with unsustainable business policies and practices that present a risk to the value of the securities Wespath holds on behalf of plan participants and institutional investors.
- *Constructive engagement approach* focuses on environmental, social and governance (ESG) issues—taking advantage of Wespath's position as a significant global investor—and is the most powerful tool for effecting corporate change.

Wespath made new investments in companies that we believe will support the transition to a low-carbon economy while providing diversification to our funds. We intensified our shareholder engagement on critical ESG issues with companies in which we invest—and successfully created positive change. New partnerships were forged with like-minded investors around the world to scale our impact and support more sustainable and responsible corporate and investment practices.

Throughout the year, Wespath demonstrated leadership in promoting and advocating for sustainable business policies and practices. A 2016 survey of 363 analysts, portfolio managers, and Corporate Social Responsibility and Investor Relations managers from 704 different firms and 58 countries, conducted by the Independent Research in Responsible Investment (IRRI), ranked Wespath #34 in the world and #4 among U.S. pension funds for its contribution to the wider sustainable and responsible investor debate.

2016 Highlights

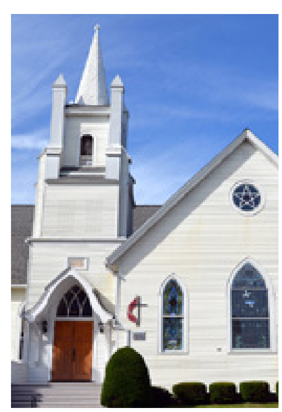
Institutional Investments—Continued Growth

The funds managed by Wespath experienced over $125 million in net inflows of non-plan assets from a variety of United Methodist-associated institutions, including general agencies, foundations, annual conferences, seminaries, child and youth services organizations, and churches. This was the sixth consecutive year of growth from this client segment, which represented $3 billion of the $21 billion invested in the Wespath funds. That said, Wespath's investment funds all produced gains in 2016, with its Multiple Asset Fund returning 8.4% for the year.

Cost of Operations

Wespath does not receive general Church funds to support the cost of its operations. As a result, our operations (excluding certain direct plan expenses) are funded solely from investment income and the passing through to our funds of investment management, bank custody and plan administration expenses. The annual cost from the three components, as a ratio to our average portfolio value, was 64.2 basis points (0.642%) in 2016.

Throughout the year, Wespath demonstrated leadership in promoting and advocating for sustainable business policies and practices.



Summary

2016 Financial Markets and Investment Results

Financial Markets

For the eighth consecutive year, U.S. equities advanced: the popular S&P 500 Index increased 12.0% in 2016. International equities also produced modest gains: the MSCI All Country World (ex U.S.) Index, which is a broad index of non-U.S. international stocks, increased 4.4% for the year.

Markets Rebound on Better Economic Data

The world stock markets entered 2016 with a rocky start as U.S. and international markets declined over 12% through mid-February. Investors cited meager fourth quarter 2015 U.S. economic growth, an economic slowdown in China, lower oil prices and a disappointing January U.S. employment report as factors contributing to the declines.

However, markets changed course in mid-February as oil prices bottomed, employment conditions improved, and the U.S. Department of Commerce reported an upward revision to fourth quarter U.S. growth. Stocks from developing countries, many of whose economies depend on commodities for revenue, performed well, primarily because of the rebound in oil and other commodity prices. Further, an anticipated resolution to a political corruption scandal in Brazil contributed to a 30% rise in its stock market in the month of March alone.

Brexit

Markets continued to advance through the remainder of the first half of the year as U.S. and international economic data continued to show steady improvement. Early year losses reversed, and global stocks recorded modest gains through mid-year. For a brief period in June, however, stocks and the value of the British pound relative to the U.S. dollar swooned after the British electorate surprised the world with its Brexit vote. Markets dislike surprises and uncertainty. Investors' initial reaction to the vote reflected a view that the British economy was destined for a major recession as it began the process of severing its formal agreements with the European Union.

Fear and uncertainty surrounding the British vote and its impact on world stock markets was short-lived. No more than a week after the British vote, markets resumed their steady upward climb, although the British currency remained depressed. Investors reacted positively to rising oil prices, continued strength in U.S. employment data, modest but steady world economic growth, and a recognition that China's central planners appeared to have successfully managed China's economic uncertainties.

Summary
2016 Financial Markets and Investment Results

U.S. Election
The world experienced a second major political surprise in less than six months with the election of Donald J. Trump as the 45th president of the United States. Prognosticators and polls predicted that the Republican nominee would likely lose the presidential race to Democratic candidate Hillary Clinton. As was the case with the Brexit vote, U.S. and world markets significantly declined as investors tried to digest the implications of Trump's victory and its ultimate impact on U.S. and world economic growth. Once again though, markets quickly adjusted, and stocks began a steady upward climb. Investors expected that the President-elect's policies regarding economic stimulus and less regulation would likely be good for business and good for growth. Accordingly, interest rates for fixed income securities rose and the dollar strengthened as investors concluded that more rapid growth would likely result in action by the Federal Reserve (Fed) to unwind its monetary stimulus program.

Economic Results
For the full year, the U.S. economy expanded a modest 1.6%, which was the lowest rate of growth since 2011. However, excellent employment conditions, along with increasing consumer and business confidence, contributed to optimistic expectations that future rates of growth would significantly improve.

International economic results, while somewhat muted, mollified investors who feared the onset of recession. China, which is the world's second-largest economy, maintained steady economic growth at about 6.5%. Europe's growth rate remained stable at 1.5%, and Japan's economy grew at 1%. Data trends pointed to better global growth rates in 2017 despite less-than-compelling 2016 results.

The Fed raised its overnight lending rate in December, which remains historically low. This was only the second rate increase since December 2006. The Fed has been very transparent in signaling to the market that future rate increases are likely should economic conditions continue to improve.

The U.S. bond market, as measured by the Bloomberg Barclays Capital U.S. Universal Bond Index, which is a broad universe of fixed income instruments, gained 3.9%. Most of the gain in the index is attributable to interest earned and the market's perception that credit conditions improved. The interest rate on the bellwether 10-year U.S. Treasury note reached a low of 1.36% in July. The rate reversed dramatically after the U.S. election results, ending the year at 2.44%—slightly higher than the 2.27% rate at the beginning of 2016. The Bloomberg Barclays U.S. Government Inflation-Linked Bond Index, which is comprised of U.S. Treasury Inflation Protected Securities, gained 4.9%.

Looking Ahead
Entering 2017, U.S. and world markets remained optimistic that growth would accelerate during the coming year. Observers will focus on the extent to which President Trump can successfully implement change aligned with his campaign promises. While action by the Fed could also affect market sentiment, most believe that increasing interest rates are justified and expected. Any increase in inflation beyond the Fed's 2% annual inflation target, however, could upset the markets.

Geopolitical events will also be of interest. North Korea's nuclear ambitions, the Syrian conflict and the ongoing war on terror will once again command investor attention. In addition, the Netherlands, France and Germany all have major elections in 2017, and the populist/anti-global movement continues to expand. Investors, worried that other countries may follow the U.K. in wanting to leave the EU, will be watching polling and election results closely.

Finally, investors will likely be paying close attention to the Organization of Petroleum Exporting Countries' (OPEC) efforts to maintain stability in oil prices.

Investment Fund Performance
All of Wespath's funds produced positive performance. The U.S. Equity Fund's 11.5% was the best among Wespath's funds. Wespath's other equity fund, the International Equity Fund, gained 6.0%. Among Wespath's fixed income offerings, the Fixed Income Fund gained 5.7%, the Extended Term Fixed Income Fund returned 5.4%, the Inflation Protection Fund gained 7.7% and Wespath's low-risk Stable Value Fund gained 1.4%. Wespath's flagship and broadly diversified Multiple Asset Fund (MAF), which is composed of pre-specified allocations to four of Wespath's funds, increased 8.4%.

In terms of benchmark-relative performance, Wespath's funds generally performed well versus their industry peers and fund performance benchmarks. The International Equity Fund, Fixed Income Fund and Stable Value Fund all comfortably exceeded their performance benchmarks. The U.S. Equity Fund, Inflation Protection Fund and Multiple Asset Fund underperformed their benchmarks.

The following charts and table recap 2016 investment performance for each of Wespath's funds directly available for investment by individual and institutional investors compared with each fund's respective performance benchmark. All investment results are net of investment management and fund administration expenses.

Fund Performance Returns

Returns for periods ended December 31, 2016, except for the return information for 2015:

Wespath Funds	2016	2015	3 Years	5 Years	10 Years	Inception
Stable Value Fund	1.36%	4.28%	2.51%	2.41%	3.11%	3.27%
Benchmark	0.33%	4.30%	2.16%	2.19%	2.87%	3.00%
Short Term Investment Fund	0.46%	0.03%	0.20%	0.30%	0.86%	1.37%
Benchmark	0.33%	0.05%	0.14%	0.12%	0.80%	1.33%
Inflation Protection Fund	7.70%	-4.99%	1.64%	1.11%	3.89%	3.90%
Benchmark	10.73%	-1.72%	4.36%	2.04%	4.99%	4.74%
Extended Term Fixed Income Fund	5.44%	-1.75%	N/A	N/A	N/A	2.24%
Benchmark	6.67%	-2.50%	N/A	N/A	N/A	2.51%
Fixed Income Fund	5.74%	-1.97%	2.63%	3.29%	5.26%	5.57%
Benchmark	4.62%	0.10%	3.35%	3.03%	4.61%	5.20%
Multiple Asset Fund	8.41%	-2.56%	3.22%	7.93%	5.28%	6.80%
Benchmark	8.58%	-0.90%	4.40%	8.39%	5.28%	6.54%
U.S. Equity Index Fund	12.35%	-0.16%	N/A	N/A	N/A	5.90%
Benchmark	12.74%	0.48%	N/A	N/A	N/A	6.43%
U.S. Equity Fund	11.53%	0.08%	7.33%	13.82%	6.79%	6.50%
Benchmark	12.74%	0.48%	8.43%	14.67%	7.07%	6.72%
Equity Social Values Plus Fund	6.97%	-1.13%	N/A	N/A	N/A	2.84%
Benchmark	7.19%	-0.66	N/A	N/A	N/A	3.19%
International Equity Fund	6.02%	-6.46%	-2.29%	5.40%	1.72%	5.79%
Benchmark	4.41%	-4.60%	-1.44%	5.35%	1.27%	4.59%

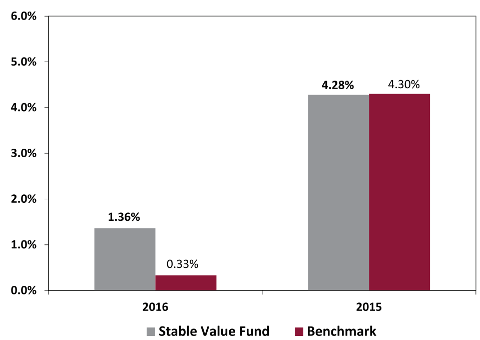
The inception dates are as follows: Multiple Asset Fund, May 1, 2002; Short Term Investment Fund, April 30, 2002; Stable Value Fund, November 30, 2002; Inflation Protection Fund, January 5, 2004; Equity Social Values Plus Fund, December 31, 2014; U.S. Equity Index Fund, December 31, 2014; Extended Term Fixed Income Fund, May 29, 2015; for all others, the inception date is December 31, 1997.

All fund returns are net of investment management, fund administration and bank custodial fees. Benchmark performance data do not reflect a provision for any fees.

Summary

2016 Financial Markets and Investment Results

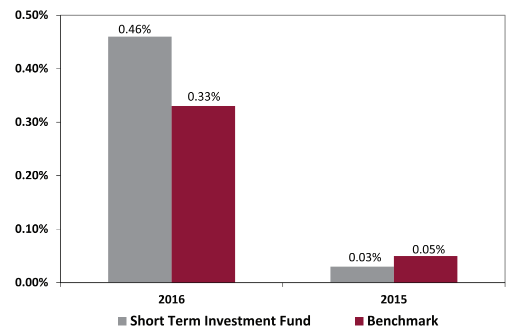
Stable Value Fund



The Stable Value Fund outperformed the Bank of America Merrill Lynch 3-Month Treasury Bill Index by **1.03%** during 2016.

On January 1, 2016, the benchmark for the Stable Value Fund became the Bank of America Merrill Lynch 3-Month Treasury Bill Index. Prior to this, the benchmark was the Bank of America Merrill Lynch Wrapped 1-5 Year Corporate Government Index. In 2015, approximately 75% of Stable Value Fund assets were re-allocated to other funds as a result of enhancements made to the LifeStage Investment Management algorithm. To accommodate the outflow, the fund assets were unwrapped on May 29, 2015, providing a special distribution of 2.74% to unit holders. This special distribution contributed to the uncharacteristically high return for the Stable Value Fund for 2015. The benchmark also was adjusted to reflect a one-time gain.

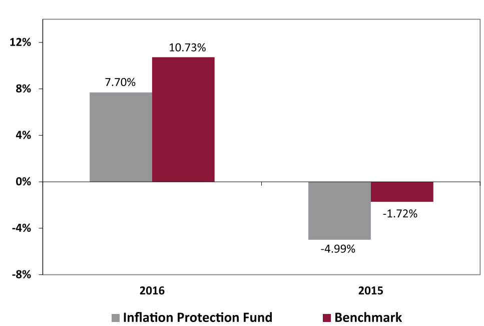
Short Term Investment Fund



The Short Term Investment Fund balances are primarily annual conference deposit accounts and HealthFlex reserves. The unusually low returns of the Fund and benchmark are due to the Federal Reserve's accommodative monetary policy of maintaining a low Federal Funds rate.

The benchmark for the Short Term Investment Fund is the Bank of America Merrill Lynch 3-Month Treasury Bill Index.

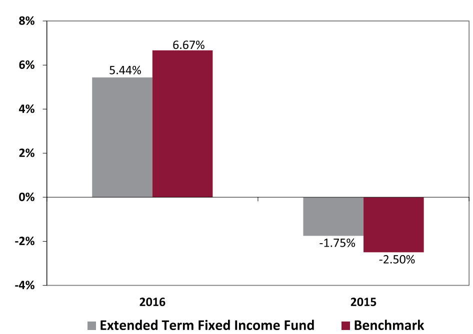
Inflation Protection Fund



For the year, the Inflation Protection Fund gained **7.70%**, underperforming the fund benchmark by **3.03%**. The fund's strategic overweight to U.S. Treasury Inflation Protected Securities (TIPS), and a corresponding underweight to non-U.S. developed market inflation-linked bonds detracted from performance. The fund's commodities manager significantly outperformed its benchmark, positively contributing to benchmark-relative performance. However, the fund's allocations to senior secured loans and high-yield asset-backed securities modestly detracted from benchmark-relative performance.

On January 1, 2016, the benchmark for the Inflation Protection Fund became 80% Barclays World Government Inflation-Linked Bond Index (Hedged), 10% Barclays Emerging Market Tradeable Inflation-Linked Bond Index (Unhedged) and 10% Bloomberg Commodity Index. During 2015, the benchmark was the Barclays Capital U.S. Government Inflation-Linked Bond (Series B) Index.

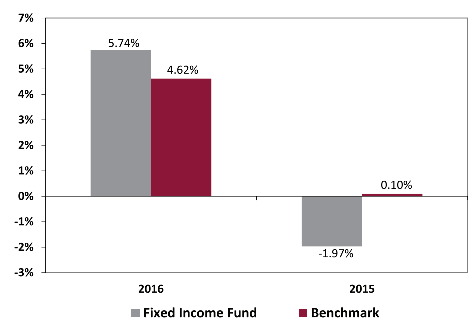
Extended Term Fixed Income Fund



For the year, the Extended Term Fixed Income Fund returned **5.44%**, underperforming its benchmark by **1.23%**. The fund's policy to maintain a shorter-than-benchmark duration while interest rates remain at historically low levels detracted from benchmark-relative performance.

The benchmark for the Extended Term Fixed Income Fund is the Barclays Capital U.S. Long Government/Credit Index. The inception date for ETFIF was May 29, 2015.

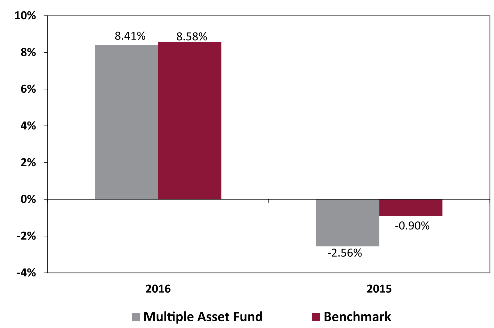
Fixed Income Fund



For the year, the Fixed Income Fund gained **5.74%**, outperforming its benchmark return by **1.12%**. The fund's strategy to underweight U.S. Treasury and government bonds and overweight investment grade and high-yield credit contributed to the benchmark-relative performance. Additionally, the fund's overweight to emerging market debt also contributed positively to return.

The benchmark for the Fixed Income Fund is the Barclays Capital U.S. Universal Index (ex mortgage-backed securities).

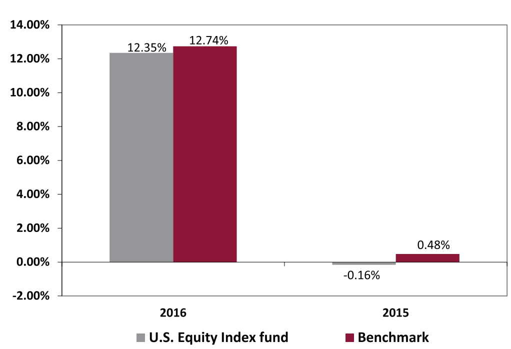
Multiple Asset Fund



For the year, the Multiple Asset Fund returned **8.41%**, underperforming its benchmark return by **0.17%**. The U.S. Equity Fund and Inflation Protection Fund detracted from relative performance, while the International Equity Fund and Fixed Income Fund contributed positively to benchmark-relative performance.

On January 1, 2016, the performance benchmark for MAF became 40% Russell 3000 Index, 25% MSCI All Country World Index (ACWI) ex U.S. Investable Market Index (IMI), 25% Barclays Capital U.S. Universal Index (ex mortgage-backed securities) and 10% Inflation Protection Fund (IPF) Custom Benchmark. The IPF Custom Benchmark consists of 80% Barclays World Government Inflation-Linked Bond Index (Hedged), 10% Barclays Emerging Market Tradeable Inflation-Linked Bond Index (Unhedged) and 10% Bloomberg Commodity Index. During 2015, the performance benchmark for MAF was comprised of 40% Russell 3000 Index, 25% MSCI All Country World Index (ACWI) ex U.S. Investable Market Index (IMI), 25% Barclays Capital U.S. Universal Index (ex mortgage-backed securities) and 10% Barclays Capital U.S. Government Inflation-Linked Bond Index.

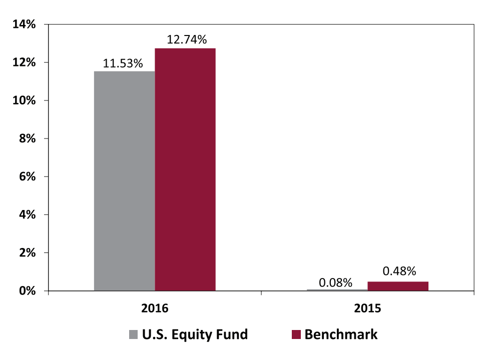
U.S. Equity Index Fund



The U.S. Equity Index Fund is a passively managed fund designed to closely match the fund benchmark, less fees and expenses.

The benchmark for the U.S. Equity Index Fund is the Russell 3000 Index.

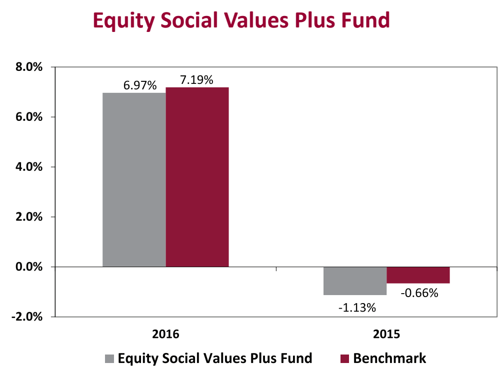
U.S. Equity Fund



For the year, the fund gained **11.53%**, underperforming its benchmark return by **1.21%**. The fund's strategic asset allocation of overweighting small- and mid-sized company stocks, with a corresponding underweight in large-company stocks, benefited benchmark-relative performance. The fund's underweight to higher dividend-yielding securities, particularly telecommunications services companies, detracted from performance. The fund's strategic allocation to alternative strategies of private equity and private real estate detracted from performance during the year.

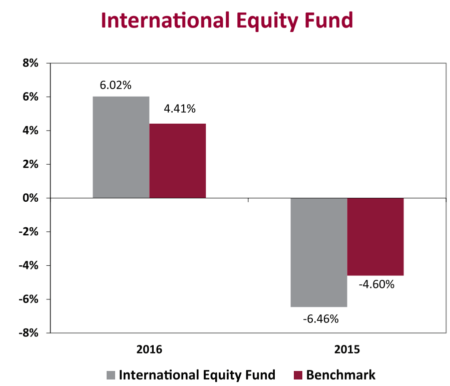
The benchmark for the U.S. Equity Fund is the Russell 3000 Index.

Summary
2016 Financial Markets and Investment Results



The Equity Social Values Plus Fund is a passively-managed fund designed to closely match the fund benchmark, less fees and expenses. Relative performance is affected by the international daily valuation policy.

The benchmark for the Equity Social Values Plus Fund is the MSCI World Custom ESG Special Weighted Index.



For the year, the fund returned **6.02%**, outperforming the fund benchmark by **1.61%**. The fund's daily valuation policy contributed positively for the year. The ethical exclusions strategy and strategic allocation to the alternative strategies of private equity and private real estate contributed positively to benchmark-relative performance.

The benchmark for the International Equity Fund is the MSCI ACWI ex U.S. Investable Market Index (IMI).

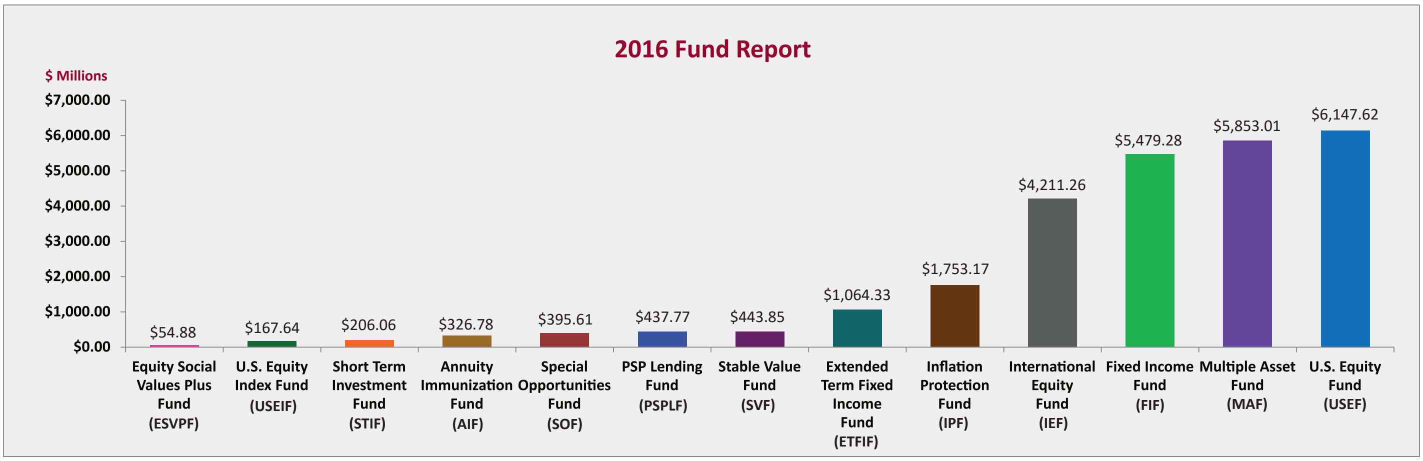
Additional information regarding fund performance, including a detailed analysis of the factors that positively and negatively influenced results for the funds, is available on Wespath's website at the following web addresses:

- For monthly economic commentary and discussion of investment performance results: **wespath.org/investments/performance/monthly-investment-report/**
- *Investment Funds Description*: **wespath.org/assets/1/7/3052.pdf**

Fund Net Assets and Other Fund Information

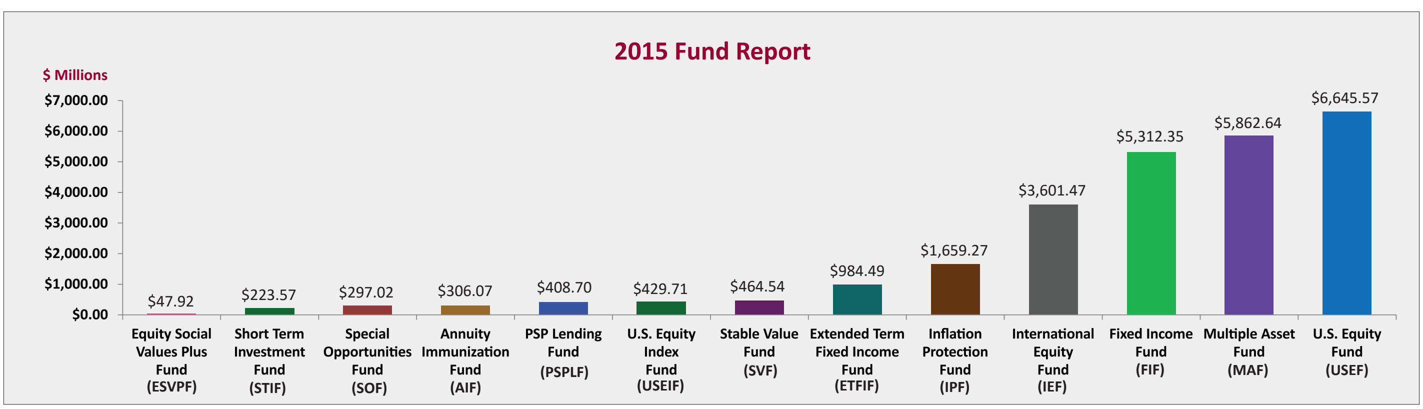
The following charts display the fund net assets for each of the funds managed by Wespath as of December 31, 2016 and December 31, 2015. The charts also show the total number of units, the fund expenses [cost in basis points (bps)] and the end of year fund price. The fund expenses shown are annual costs as a percentage of fund assets.

Costs incurred by Wespath in managing and administering the funds are paid by the funds. Expenses include investment management fees, bank custodial fees, and costs incurred by Wespath to administer the plans and funds. The chart below provides total expense information for each of the funds that are available to individuals and UMC-affiliated institutions.



	ESVPF	USEIF	STIF	AIF	SOF	PSPLF	SVF	ETFIF	IPF	IEF	FIF	MAF	USEF
Market Value	$54.88	$167.64	$206.06	$326.78	$395.61	$437.77	$443.85	$1,064.33	$1,753.17	$4,211.26	$5,479.28	$5,853.01	$6,147.62
Units *(millions)*	5.19	14.95	16.87	18.14	24.54	2.70	443.85	102.73	106.64	144.54	195.71	222.79	185.77
Fund Expenses	0.61%	0.34%	0.39%	–	–	–	0.36%	0.42%	0.58%	0.79%	0.55%	0.65%	0.67%
End of Year Price	$10.58	$11.22	$12.21	–	–	–	$1.00	$10.36	$16.44	$29.14	$28.00	$26.27	$33.09

Note: *MAF is a composite of USEF, FIF, IEF and IPF. USEF is invested in USEIF. The total fund net assets less MAF ($5.5 billion) and USEF investment in USEIF ($116.5 million) are $20.9 billion. After adjusting the total fund net assets for the impact of investment-related receivables, payables, cash and other assets ($0.4 billion), the market value of the fund investments is $21.3 billion.*



	ESVPF	STIF	SOF	AIF	PSPLF	USEIF	SVF	ETFIF	IPF	IEF	FIF	MAF	USEF
Market Value	$47.92	$223.57	$297.02	$306.07	$408.70	$429.71	$464.54	$984.49	$1,659.27	$3,601.47	$5,312.35	$5,862.64	$6,645.57
Units *(millions)*	4.85	18.39	17.30	17.73	2.63	43.04	464.54	100.20	108.69	131.05	200.63	241.93	223.96
Fund Expenses	0.59%	0.35%	–	–	–	0.36%	0.33%	0.44%	0.56%	0.76%	0.55%	0.64%	0.65%
End of Year Price	$9.89	$12.16	–	–	–	$9.98	$1.00	$9.83	$15.27	$27.48	$26.48	$24.23	$29.67

Note: *MAF is a composite of USEF, FIF, IEF and IPF. USEF is invested in USEIF. The total fund net assets less MAF ($5.836 billion) and USEF investment in USEIF ($386.0 million) are $20.0 billion. After adjusting the total fund net assets for the impact of investment-related receivables, payables, cash and other assets ($0.2 billion), the market value of the fund investments is $20.2 billion.*

Sustainable Investment Strategies

Wespath invests in a sustainable and responsible manner, creating long-term value for our participants and clients while aspiring to uphold the values of the UMC. Our comprehensive approach to sustainable investment supports our role as prudent fiduciaries and our aspiration to have a positive impact on the environment and society.

We incorporate the consideration of environmental, social and governance (ESG) factors into investments across asset classes and in the selection of our external asset managers. Our internal framework of *Avoid-Engage-Invest* guides our activities. Based on long-standing United Methodist social concerns, we *avoid* investing in certain companies because their core business relates to one of our six ethical exclusions[1] or because of the financial risks they face from specific sustainability-related issues. We leverage our "seat at the table" with global companies and *engage* with them in order to create positive financial, environmental and social change. We aim to *invest* wisely by evaluating the competencies of our external managers in integrating ESG issues into investment decision-making, and by thematic investments dedicated to seeking market-rate returns and demonstrable social and environmental impact.

More details can be found in our 2015-2016 Sustainable Investment Report *Global Investor—Sustainable Investor*, available at: **wespath.org/investments/sustainable-investment-report/**.

[1] Core business activities related to the production and distribution of alcoholic beverages, tobacco products, gambling, weapons, adult entertainment, or the operation of privately-owned correctional facilities.

Management's Report
On Financial Statements

We have prepared the accompanying combined financial statements of Wespath Benefits and Investments (Wespath) for the years ended December 31, 2016 and 2015. We are responsible for the content and integrity of the financial statements as well as the other financial information included in this annual report. The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and reflect our best estimates and judgments. The other financial information included in this annual report is consistent with the financial statements. We believe that the financial statements present fairly Wespath's financial position; results of operations and changes in net assets; changes in plan accumulations, plan sponsor deposits and endowments; and cash flows.

Wespath's financial statements have been audited by Grant Thornton LLP, independent certified public accountants, whose report appears on page 16. Grant Thornton LLP was given unrestricted access to all financial records and related information, including minutes of meetings of the Board of Directors and committees. We believe that all representations made to Grant Thornton LLP during its audit were valid, timely and appropriate.

We recognize our responsibility for fostering a strong ethical climate so that Wespath's affairs are conducted according to the highest standards of conduct. This responsibility is characterized and reflected in Wespath's Code of Conduct (Code). The Code addresses, among other things, the necessity of assuring open communication within Wespath, potential conflicts of interest, compliance with all applicable domestic and foreign laws, and the confidentiality of proprietary information. We maintain a systematic program to assess compliance with the Code, including a requirement that all employees and board members must affirm their compliance annually.

Management of Wespath has established and maintains a system of internal controls that provides reasonable assurance as to the integrity and reliability of the financial statements, the protection of assets from unauthorized use or disposition, and the prevention and detection of fraudulent financial reporting. This system of internal controls provides for appropriate division of responsibility, and is documented by written policies and procedures that are communicated to employees with significant roles in the financial reporting process and are updated as necessary. Management monitors the system of internal controls for compliance. Wespath maintains an internal auditing program that independently assesses the effectiveness of the system of internal controls and recommends possible improvements. In planning and performing its audit of Wespath's financial statements, Grant Thornton LLP considered Wespath's internal controls relevant to Wespath's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Wespath's internal control. In addition, Wespath has an Audit Committee that oversees the internal and external audit processes. (See the Audit Committee section on page 40.)

Barbara A. Boigegrain
General Secretary and Chief Executive Officer

Timothy C. Koch
Chief Financial Officer

Report of Independent Certified Public Accountants

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Audit Committee of the Board of Directors
Wespath Benefits and Investments

We have audited the accompanying combined financial statements of Wespath Benefits and Investments, which comprise the combined statements of assets, liabilities and net assets as of December 31, 2016 and 2015, and the related combined statements of operations and changes in net assets, changes in plan accumulations, plan sponsor deposits and endowments, and cash flows for the years then ended, and the related combined notes to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Wespath Benefits and Investments as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Chicago, Illinois
June 1, 2017

Combined Statements of Assets and Liabilities and Net Assets

Assets (in thousands)	**December 31, 2016**	**December 31, 2015**
Investments (Notes 2, 3 and 5)		
Fixed income securities and contracts (Note 6)	$ 8,239,304	$ 7,658,603
Equity securities	7,203,700	7,221,262
Cash equivalents	1,783,577	1,048,200
Limited partnership investments (Note 2)	1,135,778	996,042
Emerging market funds (Note 2)	946,081	633,395
Securities loaned under securities lending agreements (Notes 2 and 4)	2,015,919	2,612,973
Total investments	21,324,359	20,170,475
Invested collateral from securities lending agreements (Note 4)	1,317,599	1,683,189
Other assets	344,774	176,340
Cash	108,755	23,475
Total assets	**$ 23,095,487**	**$ 22,053,479**

Liabilities and Net Assets (in thousands)	**December 31, 2016**	**December 31, 2015**
Plan accumulations, plan sponsor deposits and endowments (Note 2)		
Defined contribution plans	$ 8,237,060	$ 7,981,034
Defined benefit plans	3,933,742	3,814,383
Annuities	3,974,679	3,743,826
Disability, death and health benefit program deposits (Note 8)	1,605,926	1,541,090
Plan sponsor and other deposits	3,146,504	2,901,374
Endowments	45,182	42,302
Total plan accumulations, plan sponsor deposits and endowments	20,943,093	20,024,009
Payable under securities lending agreements (Note 4)	1,317,599	1,683,189
Other liabilities (Note 2)	799,758	281,974
Total liabilities	23,060,450	21,989,172
Net assets (Note 2)	35,037	64,307
Total liabilities and net assets	**$ 23,095,487**	**$ 22,053,479**

See accompanying "Notes to the Combined Financial Statements."

Combined Statements of Operations and Changes in Net Assets

Years Ended December 31 (in thousands)	**2016**	**2015**
Interest, dividend, partnership and trust investment income	$ 557,350	$ 577,073
Securities lending and other income	11,159	9,187
Investment income	568,509	586,260
Net realized gain on investments	838,031	789,705
Net unrealized gain (loss) on investments	224,598	(1,571,014)
Net gain (loss) on investments and investment income	1,631,138	(195,049)
Investment management and custodial fees	(74,455)	(72,506)
Net investment earnings (loss)	1,556,683	(267,555)
Operating expenses	(57,572)	(55,578)
Net earnings (loss) before allocation	1,499,111	(323,133)
Allocated net (earnings) loss to unitized funds (Note 7)	(1,490,381)	327,682
Allocated liquid net assets to fund non-MPP annuities (Note 9)	(38,000)	–
(Decrease) increase in net assets	(29,270)	4,549
Net assets:		
Beginning of year	64,307	59,758
End of year	$ 35,037	$ 64,307

See accompanying "Notes to the Combined Financial Statements."

Combined Statements of Changes in Plan Accumulations, Plan Sponsor Deposits and Endowments

Year Ended December 31, 2016 (in thousands)	**Balances Beginning of Year**	**Net Earnings Allocated to Unitized Funds**	**Contributions and Deposits**	**Distributions and Withdrawals**	**Net Transfers and Other**	**Balances End of Year**
Defined contribution plans	$ 7,981,034	$ 588,578	$ 214,627	$ (311,669)	$ (235,510)	$ 8,237,060
Defined benefit plans	3,814,383	287,764	137,743	(310,186)	4,038	3,933,742
Annuities	3,743,826	250,995	–	(329,952)	309,810	3,974,679
Disability, death and health benefit program deposits	1,541,090	115,940	157,388	(185,043)	(23,449)	1,605,926
Plan sponsor and other deposits	2,901,374	243,613	493,673	(464,108)	(28,048)	3,146,504
Endowments	42,302	3,491	108	(890)	171	45,182
Total plan accumulations, plan sponsor deposits and endowments	$ 20,024,009	$ 1,490,381	$ 1,003,539	$ (1,601,848)	$ 27,012	$ 20,943,093

Year Ended December 31, 2015 (in thousands)	**Balances Beginning of Year**	**Net Loss Allocated to Unitized Funds**	**Contributions and Deposits**	**Distributions and Withdrawals**	**Net Transfers and Other**	**Balances End of Year**
Defined contribution plans	$ 8,399,685	$ (99,032)	$ 213,291	$ (320,604)	$ (212,306)	$ 7,981,034
Defined benefit plans	4,072,586	(94,333)	143,200	(310,115)	3,045	3,814,383
Annuities	3,865,997	(24,945)	–	(319,791)	222,565	3,743,826
Disability, death and health benefit program deposits	1,604,540	(40,400)	158,591	(178,054)	(3,587)	1,541,090
Plan sponsor and other deposits	2,904,640	(67,838)	509,536	(442,136)	(2,828)	2,901,374
Endowments	44,549	(1,134)	1,736	(2,113)	(736)	42,302
Total plan accumulations, plan sponsor deposits and endowments	$ 20,891,997	$ (327,682)	$ 1,026,354	$ (1,572,813)	$ 6,153	$ 20,024,009

See accompanying "Notes to the Combined Financial Statements."

Combined Statements of Cash Flows

Years Ended December 31 (in thousands)	**2016**	**2015**
Cash flows from operating activities		
(Decrease) increase in net assets	$ (29,270)	$ 4,549
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:		
Depreciation	1,986	2,328
Net unrealized (gain) loss on investments	(224,598)	1,571,014
Net realized gain on investments	(838,031)	(789,705)
Undistributed earnings – limited partnership investments	(2,016)	(10,034)
Changes in assets and liabilities:		
Decrease in invested collateral from securities lending agreements	365,590	451,999
Increase in other assets	(170,057)	(15,250)
Increase in other liabilities	517,784	115,138
Decrease in payable under securities lending agreements	(365,590)	(451,999)
Net earnings (loss) allocated to unitized fund accounts	1,490,381	(327,682)
Allocated liquid net assets to fund non-MPP annuities (Note 9)	38,000	–
Contributions and deposits	1,003,539	1,026,354
Distributions and withdrawals	(1,601,848)	(1,572,813)
Net transfers and other	(10,988)	6,153
Net cash provided by operating activities	174,882	10,052
Cash flows from investing activities		
Purchases of investments	(38,493,324)	(34,848,214)
Sales of investments	38,404,085	34,811,321
Capital expenditures	(363)	(424)
Net cash used in investing activities	(89,602)	(37,317)
Net increase (decrease) in cash	85,280	(27,265)
Cash at beginning of year	23,475	50,740
Cash at end of year	$ 108,755	$ 23,475

See accompanying "Notes to the Combined Financial Statements."

Notes to the Combined Financial Statements

Note 1: Nature of Operations

Wespath Benefits and Investments (Wespath) became the new doing-business-as name of the General Board of Pension and Health Benefits of The United Methodist Church, Incorporated in Illinois (the Illinois Corporation) effective in July 2016. The name was designed with two important elements in mind: Wes—to recognize and honor John Wesley, the founder of Methodism and a strong advocate for social justice; and Path—referring to our goal of providing participants and institutional investors with a path to follow in helping to achieve retirement, health and investment objectives. Wespath operates as two distinct not-for-profit corporations: the Illinois Corporation and the UMC Benefit Board, Inc. (the Benefit Board), collectively referred to as Wespath. The Illinois Corporation is a not-for-profit administrative general agency of the religious denomination known as The United Methodist Church (UMC) and is responsible for the general supervision and plan administration of retirement, disability, death and health benefit plans, programs and funds for plan sponsors as authorized by General Conference, the denomination's highest legislative authority. The Benefit Board is the trustee for various trusts and the fund manager of Wespath's assets.

Pension and retirement plans administered by Wespath: As of December 31, 2016, the three Internal Revenue Code (IRC) section 403(b) retirement benefit plans are the Clergy Retirement Security Program (CRSP), providing retirement benefits to eligible clergy; the Retirement Plan for General Agencies (RPGA), providing retirement benefits to eligible employees of general agencies; and the United Methodist Personal Investment Plan (UMPIP), providing retirement benefits and savings opportunities for clergy and lay employees of United Methodist churches and church-related organizations. The current IRC section 401(a) plan is the Horizon 401(k) Plan, a retirement savings plan for employee and employer contributions available to employees of eligible United Methodist-related institutions.

In addition, Wespath administers certain legacy benefit plans, which no longer accrue additional service credit for plan participants or allow for the eligibility of new participants.

CRSP consists of two components: a defined benefit component, based on Denominational Average Compensation (DAC), and a defined contribution component, providing for a plan sponsor contribution of 2% of a clergyperson's actual compensation. In addition, the plan sponsor matches 100% of a clergyperson's elective contributions to UMPIP up to 1% of the clergyperson's plan compensation and contributes the matching funds to the clergyperson's CRSP defined contribution account.

CRSP is an amendment and restatement of the Ministerial Pension Plan (MPP). The program consists of three parts covering three different time periods: CRSP for service beginning January 1, 2007; MPP for service from January 1, 1982 through December 31, 2006; and Supplement One to CRSP for service prior to 1982 (Pre-82 Plan).

RPGA became effective on January 1, 2010, and is an amendment and restatement of the Retirement Security Program for General Agencies (RSP), which is retained in Supplement Two to RPGA.

Disability, death, and health benefit plans and programs administered by Wespath: The three current disability, death and health benefit programs include the Comprehensive Protection Plan (CPP), providing various welfare benefits to eligible clergy; UMLifeOptions, providing various welfare benefits to eligible clergy and lay employees of participating local churches, annual conferences, general agencies and other eligible United Methodist-related institutions; and HealthFlex, providing group health coverage and access to retiree medical supplement options for employees of participating local churches, annual conferences, general agencies and other eligible United Methodist-related institutions.

Funding of benefit obligations: Plan sponsors are responsible for the funding and recording of all pension, disability, death and health benefit obligations. All sponsoring entities are responsible for funding both current and past service costs. Pension and other post-retirement obligations are the responsibility of the sponsoring entities.

Wespath Trusts and Funds: All of the assets of the trusts are invested in a prudent manner based on Wespath's investment policies. As of December 31, 2016, Wespath administered 17 active investment funds. Eight funds are available for direct investment by UMPIP, CRSP and RPGA defined contribution participants: Multiple Asset Fund (MAF), Fixed Income Fund (FIF), Inflation Protection Fund (IPF), U.S. Equity Fund (USEF), International Equity Fund (IEF), Extended Term Fixed Income Fund (ETFIF), Equity Social Values Plus Fund (ESVPF) and Stable Value Fund (SVF). SVF is not available for investment by institutional investors or for plan reserves. Instead, these groups can invest in the Short Term Investment Fund (STIF) and the U.S. Equity Index Fund (USEIF), as well as the other seven funds listed above. Wespath also manages seven funds that provide indirect exposure to specialized investment strategies for participants, plan reserves and institutional investors: Positive Social Purpose Lending Fund (PSPLF), Domestic Private Real Estate Fund (DPRF), Domestic Private Equity Fund (DPEF), International Private Equity Fund (IPEF), International Private Real Estate Fund (IPRF), Annuity Immunization Fund (AIF) and Special Opportunity Fund (SOF).

Recent accounting pronouncements: In April 2015, the Financial Accounting Standards Board (FASB) issued ASU No. 2015-07, "Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)," which exempts investments measured using the net asset value (NAV) practical expedient in Accounting Standards Codification (ASC) 820, Fair Value Measurement, from categorization within the fair value hierarchy and related disclosures. This ASU requires presentation of the carrying amount of investments measured at the NAV practical expedient as a reconciling item between the total amount of investments categorized within the fair value hierarchy and total investments measured at fair value on the face of the financial statements. This ASU is effective for entities other than public business entities for fiscal years beginning after December 15, 2016. However, early adoption was permitted, and Wespath adopted the ASU for 2015, with retrospective application. The revised disclosures are included in Note 3 to the financial statements.

In July 2015, the FASB issued ASU No. 2015-12, "Plan Accounting: Defined Benefit Pension Plans (Topic 960), Defined Contribution Pension Plans (Topic 962), and Health and Welfare Benefit Plans (Topic 965): (Part I) Fully Benefit-Responsive Investment Contracts, (Part II) Plan Investment Disclosures, (Part III) Measurement Date Practical Expedient." This three-part standard simplifies employee benefit plan reporting with respect to fully benefit-responsive investment contracts and plan investment disclosures, and provides for a measurement date practical expedient. Parts I and II are effective for fiscal years beginning after December 15, 2015, and should be applied retrospectively, with early application permitted. Wespath elected to adopt Part I in 2015. The revised disclosures are included in Note 6 to the financial statements. Parts II and III are not applicable to Wespath.

Notes to the Combined Financial Statements

Note 2:
Summary of Significant Accounting Policies

Basis of presentation: The combined financial statements consisting of the Combined Statements of Assets and Liabilities and Net Assets (Balance Sheets); Combined Statements of Operations and Changes in Net Assets (Statements of Operations); Combined Statements of Changes in Plan Accumulations, Plan Sponsor Deposits and Endowments (Statements of Changes); and the Combined Statements of Cash Flows (known collectively as the financial statements) include the accounts of the funds within Wespath and the Benefit Board, prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported. Actual results could differ from those estimates. All significant intercompany and interfund accounts and transactions have been eliminated in these financial statements.

Investments: All investment transactions are governed by the investment policy and guidelines of Wespath. In general, investments are stated at fair value. Changes in fair value of investments are recorded in the Statements of Operations as "Net unrealized gain (loss) on investments." Investment purchases and sales are recorded as of the trade date. Net gains and losses on the sale of investments, other than cash equivalent investments, are included in "Net realized gain on investments" in the Statements of Operations. Gains and losses on the sale of cash equivalent investments are included in interest income. Costs of investments sold are determined on an average cost basis. The fair value of the investments described in Note 2 is measured under Level 1 or 2; Level 3 detailed in Note 3 ("Fair Value Measurements") or as limited partnerships and emerging market funds, which are not classified as Level 1, 2 or 3.

Fixed income securities and contracts: Fixed income securities and contracts consist primarily of U.S. Treasury and agency securities, corporate bonds, mortgage-backed securities, asset-backed securities, sovereign securities denominated in U.S. dollars and foreign currencies, stated at fair value determined primarily by matrix pricing, and forward contracts and mortgage contracts or other loans that comprise investments in Wespath's Positive Social Purpose Lending Program.

The Positive Social Purpose Lending Program was established in 1990 to earn risk-adjusted market rates of return while funding a variety of projects in traditionally underserved communities. This includes, but is not limited to, the development of affordable housing for low- and moderate-income individuals and families, homeless shelters, health centers, senior living centers, microfinance and charter schools. The program invests primarily in privately placed mortgage-backed securities, mortgage loans and direct loans that meet certain criteria, such as specified minimum loan-to-value and debt coverage ratios. At December 31, 2016 and 2015, Wespath had outstanding positive social purpose investments of $782 million and $715 million, respectively. Mortgage contracts and other loans are stated on the financial statements at fair value based either on the net present value of the estimated future cash flows discounted at market equivalent rates or, for those mortgage contracts and other loans that have published trades or other observable pricing information by independent third-party pricing services.

At December 31, 2016 and 2015, Wespath had outstanding commitments to provide $158 million and $199 million, respectively, in additional funding related to the Positive Social Purpose Lending Program. These commitments are not recorded in the financial statements. Funds set aside to cover these commitments are included under the captions "Fixed income securities and contracts" and "Cash equivalents."

Also included in this category are derivative-based wrap contracts used in conjunction with the SVF portfolio. These contracts are utilized to mitigate market rate risk exposure on the underlying SVF portfolio of investments, stated at contract value as detailed in Note 6.

Equity securities: Equity securities consist primarily of common and preferred stocks, stated at fair value determined primarily by closing prices quoted on recognized U.S. and international security exchanges.

Cash equivalents: Cash equivalent investments are stated at fair value or at cost, which approximates fair value. Cash equivalents include cash, short-term securities that mature within three months or less at date of purchase, and cash collateral related to margin requirements on futures contracts, all of which are stated at cost.

Limited partnerships: Limited partnership investments consisting of real estate, private equity and real assets are carried at Wespath's share of the partnership's net asset value (NAV) or its equivalent based primarily on annual audited or unaudited year-end financial statements, which are used to estimate fair value at year-end. In some cases, management uses discretion in determining fair value for a particular partnership based on more current information regarding market conditions or applying a different valuation that better reflects the true underlying value of the investments.

Emerging market funds: Emerging market funds are valued using an estimated daily NAV.

The following table summarizes the fair value and unfunded commitments of limited partnerships and emerging market funds as of December 31, 2016:

Investments Valued at NAV as of December 31, 2016

(in thousands)	Fair Value	Unfunded Commitments	Redemption Notice Period
Open-end funds			
Real estate	$ 86,712	$ –	90 days
Emerging market	946,081	–	120 days
Closed-end funds			
Real estate	572,977	379,194	
Real assets	96,011	147,616	
Private equity	380,078	234,839	
Total	**$ 2,081,859**	**$ 761,649**	

The following table summarizes the fair value and unfunded commitments of limited partnerships and emerging market funds as of December 31, 2015:

Investments Valued at NAV as of December 31, 2015

(in thousands)	Fair Value	Unfunded Commitments	Redemption Notice Period
Open-end funds			
Real estate	$ 96,876	$ –	90 days
Emerging market	633,395	–	120 days
Closed-end funds			
Real estate	488,022	272,323	
Real assets	54,506	166,746	
Private equity	356,638	294,003	
Total	**$1,629,437**	**$ 733,072**	

Open-end real estate funds primarily invest in U.S. commercial real estate. These have an indefinite life, and investments may be redeemed on 90 days' notice. However, the fund manager has the discretion not to accept the redemption request.

Emerging market funds are open-ended comingled funds invested in underlying international equities in emerging markets. These have an indefinite life, and investments may be redeemed on up to 120 days' notice.

Notes to the Combined Financial Statements

Closed-end real estate funds primarily invest in U.S. commercial real estate. Closed-end real assets funds primarily invest in real assets such as timber, energy, agriculture and infrastructure. Closed-end private equity funds primarily invest in privately held U.S. companies. These investments cannot be redeemed. Distributions from each fund occur as the underlying investments of the funds are liquidated. Wespath estimates that the underlying investments of the existing funds will be liquidated over the next 15 years.

International securities: International securities primarily consist of equity and fixed income securities of entities domiciled outside the United States as well as foreign currency forward contracts. Investments in international fixed income securities and contracts are included under the caption "Fixed income securities and contracts." Investments in international equity securities are included under the caption "Equity securities." Investments in emerging market funds are included under the caption "Emerging market funds." The total investment in international securities is $6,365 million and $6,136 million in 2016 and 2015, respectively.

Securities loaned under securities lending agreements: A portion of equity securities, fixed income securities and international securities has been loaned to qualified borrowers pursuant to Wespath's securities lending program, further described in Note 4.

The following table summarizes the fair value of securities on loan and the collateral held as of December 31, 2016:

(in thousands)	Market Value of Securities on Loan	Collateral Held
Fixed Income Securities	$ 785,405	$ 803,356
Domestic Equity Securities	1,086,318	1,112,193
International Equity Securities	144,196	155,207
Total	**$ 2,015,919**	**$ 2,070,756**

The following table summarizes the fair value of securities on loan and the collateral held as of December 31, 2015:

(in thousands)	Market Value of Securities on Loan	Collateral Held
Fixed Income Securities	$ 1,044,524	$ 1,066,693
Domestic Equity Securities	1,328,637	1,360,200
International Equity Securities	239,812	252,634
Total	**$ 2,612,973**	**$ 2,679,527**

Other assets: Other assets primarily consist of fixed assets and investment receivables. Fixed assets, which include property, furniture and equipment, are assets with cost in excess of $5,000 that have a useful life greater than one year. Fixed assets are stated at cost less depreciation. Depreciation of fixed assets is provided on a straight-line basis over the assets' estimated service life, typically five to seven years for furniture, fixtures and equipment; 15 years for land improvements; and 40 years for the building. Depreciation expense totaling $1.986 million for 2016 and $2.328 million for 2015 is included in operating expenses in the Statements of Operations. Receivables due from the purchasers of investments sold of $199 million and $30 million at December 31, 2016 and 2015, respectively, are included in "Other assets."

Property and equipment, which are components of "Other assets," are comprised of the following as of December 31:

(in thousands)	2016	2015
Land	$ 15,685	$ 15,685
Land improvements	3,726	3,726
Building	29,869	29,869
Computer and office equipment	20,806	23,112
	70,086	**72,392**
Less accumulated depreciation		
Land improvements	1,563	1,315
Building	4,663	3,916
Computer and office equipment	19,777	21,455
Property and equipment – net	**$ 44,083**	**$ 45,706**

Defined contribution plans: This liability represents the accumulated fair value of contributions and earnings to the defined contribution components of the three IRC Section 403(b) and one IRC Section 401(k) pension or retirement plans as remitted by the plan sponsor to a participant's account.

Defined benefit plans: Plan sponsors fund current and future benefits for service rendered under the defined benefit plans. For financial statement purposes, Wespath reflects only amounts that plan sponsors have contributed to date, with accumulated investment earnings. These plans have funded and unfunded liabilities. Plan sponsors of the Pre-82 Plan are required to contribute the unfunded amounts, plus any changes resulting from benefit improvements, no later than the end of the year 2021. Plan sponsors of CRSP contributed $138 million and $139 million to the plans in 2016 and 2015, respectively.

Annuities: Annuities are monthly benefit payments for retired individuals that have been established under defined contribution plans. Actuarially determined benefits are funded from the individual accounts of the retiring participants upon retirement. Participants make specific elections with regard to survivor benefits, post-retirement benefit increases and other terms of the annuity.

Disability, death and health benefit program deposits: These pooled accounts represent deposits to certain employee welfare benefit plans held to provide benefits to participants in the disability, death and health benefit programs.

Plan sponsor and other deposits: These deposits represent amounts received from plan sponsors to fund pension, disability, death, health benefit and other programs, and from institutional investors. These funds are invested at the direction of the account holder.

Endowments: Included in the endowment liabilities, within Wespath, are funds administered on behalf of UMC-related organizations. Wespath invests these funds as the trustee. Distributions of income are made in accordance with the provisions of the applicable governing documents. Many annual conferences, particularly those in the South Central and Southeastern jurisdictions, have Conference Superannuate Endowment Fund accounts. These funds, the principal of which may not be withdrawn as mandated by General Conference, represent endowment funds for the benefit of retirees of the former Methodist Episcopal Church, South. Also included in endowments, within Wespath, are undesignated gifts, bequests and donations.

Other liabilities: Other liabilities primarily consist of payables for investment purchases of $681 million and $191 million at December 31, 2016 and 2015, respectively.

Net assets: Combined Net Assets at December 31, 2016 and 2015, represent Wespath's unrestricted net assets. Net assets are determined based on increases or decreases in the value of assets not specifically allocated to plans or a specific investor.

Net earnings (loss) before allocation: Net earnings (loss) before allocation consist of the combination of the excess of net investment earnings over operating expenses or net investment loss and operating expenses.

Notes to the Combined Financial Statements

Note 3: Fair Value Measurements

Wespath uses the fair value hierarchy, which is based on the inputs used to measure fair value. Observable inputs are inputs that market participants use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants use in pricing the asset or liability based on the best information available in the circumstances. Wespath utilizes the following hierarchy to classify assets and liabilities held at fair value based on the transparency of inputs:

Level 1: Quoted prices are available in active markets for identical assets or liabilities as of the report date.

Level 2: Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. These types of securities include investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed.

Level 3: This includes securities that have little to no observable pricing inputs as of the report date. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

When available, Wespath values securities at observable market prices, observable market parameters, or broker or dealer prices (bid and ask prices). In the case of securities transacted on recognized exchanges, the observable market prices represent quotations for completed transactions from the exchange on which the securities are principally traded. For investments in illiquid or privately held securities and private real estate, real asset or private equity limited partnership investments that do not have readily determinable fair values, the determination of fair value requires Wespath to estimate the value of the securities using the best information available.

Among the factors that may be considered by Wespath in determining the fair value of illiquid or privately held securities are the cost, terms and liquidity of the investment; the financial condition and operating results of the issuer; the quoted market price of publicly traded securities with similar quality and yield; and other factors generally pertinent to the valuation of these investments. In instances where a security is subject to transfer restrictions, the value of the security is based primarily on the quoted price of a similar security without restriction, but may be reduced by an amount estimated to reflect such restrictions. In addition, even where the value of a security is derived from an independent source, certain assumptions may be required to determine the security's fair value. The actual value realized upon disposition could be different from the currently estimated fair value. All of Wespath's investments in illiquid, infrequently traded or privately held securities have been valued using Level 3 inputs.

Fixed income securities, such as domestic government or corporate bonds, are stated at fair value determined primarily by matrix pricing. In instances where sufficient market activity exists, the valuations may utilize a market-based approach through which quotes from market makers are used to determine fair value. In instances where sufficient market activity may not exist or is limited, valuations also utilize proprietary valuation models, which may consider market characteristics, such as benchmark yield curves, option-adjusted spreads, credit spreads, estimated default rates, coupon rates, anticipated timing of principal repayments, underlying collateral, and other unique security features in order to estimate the relevant cash flows, which are then discounted to calculate the fair value. Fair value estimates of guaranteed investment contracts are made according to the methodologies further detailed in Note 6. Mortgage contracts and other loans are stated at fair value based on the net present value of the estimated future cash flows discounted at market equivalent rates. Most of Wespath's fixed income securities have been valued at Level 2. The exceptions relate to certain domestic government securities that have been valued at Level 1 and to certain corporate bonds that have been valued at Level 3. All mortgage contracts and other loans have been primarily valued at Level 2.

For private real estate limited partnership investments, fair value estimates of the underlying real estate investments are based on a combination of property appraisal reports prepared by third-party, independent appraisers and internal models developed by the underlying fund managers using a variety of market-based assumptions. The estimates of fair value are based on three conventional approaches to value, all of which require the exercise of subjective judgment. The three approaches are: 1) current cost of replacing the real estate less deterioration and functional and economic obsolescence; 2) discounting a series of expected income streams and reversion at a specific yield or by directly capitalizing a single-year income estimate by an appropriate factor; and 3) the value indicated by recent sales of comparable real estate in the market. In reconciliation of these three approaches, the independent appraiser uses one, or a combination of them, to determine an approximated fair value.

For private equity limited partnership investments, fair value estimates of the underlying private equity investments made by the respective partnerships require significant judgment and interpretation of the general partner's overall management. Underlying private equity partnership investment values are determined based on available market data, including observations of the trading multiples of public companies considered comparable to the investments being valued. Valuations also are adjusted to give consideration to the financial condition and operating results specific to the issuer, the lack of liquidity inherent in a non-public investment, the long-term nature of such investments, credit markets, and the fact that comparable public companies are not identical to the companies being valued.

For real assets limited partnership investments such as timberland, agricultural properties and private equity energy investment vehicles, fair value estimates of the underlying properties are determined by qualified third-party appraisers and internal models developed by the underlying fund managers using a variety of market-based assumptions. Estimates of fair value are based on factors such as current supply/demand dynamics for the underlying assets, commodity prices and sales of comparable properties.

Wespath recognizes transfers between levels on the first day of the month in which the transfers occur. No significant transfers occurred in 2016 or 2015.

Notes to the Combined Financial Statements

The following table summarizes financial assets at fair value, by levels, as of December 31, 2016:

Asset Class (in thousands)	**Level 1**	**Level 2**	**Level 3**	**Investments**
Investments at fair value (non NAV)				
Domestic common stock[A]	$ 5,224,735	$ –	$ 51,579	$ 5,276,314
International common stock[B]	3,143,933	–	20	3,143,953
Preferred stock[C]	6,861	366	–	7,227
Domestic government fixed income[D]	2,093,376	–	–	2,093,376
International government fixed income[E]	387	1,276,132	–	1,276,519
Domestic government and other agencies[F]	–	324,453	–	324,453
Municipal fixed income[G]	–	62,863	–	62,863
Corporate fixed income[H]	–	3,344,584	267,024	3,611,608
Asset-backed securities[I]	–	503,221	2,224	505,445
Collateralized loan obligations[J]	–	614,621	–	614,621
Risk management instruments[K]	12,475	184,650	–	197,125
Cash equivalents[L]	22,206	–	326	22,532
Total investments at fair value (non NAV)	**$ 10,503,973**	**$ 6,310,890**	**$ 321,173**	**$17,136,036**
Investments at fair value (NAV)				
Emerging market funds[M]				946,081
Private equity and real estate partnerships[N]				1,039,767
Real assets partnerships[O]				96,011
Total investments at fair value				**$19,217,895**
Cash equivalents at cost[P]				1,688,186
Wrap contracts at contract value[Q]				418,278
Total investments				**$21,324,359**

A Domestic common stock reflects investments in common stock of companies primarily domiciled in the United States.

B International common stock reflects investments in common stock of companies domiciled outside of the United States.

C Preferred stock is comprised of straight and convertible preferred stock issues across various industry sectors.

D Domestic government fixed income represents investments in U.S. Treasury bonds, U.S. Treasury notes and U.S. Treasury inflation-adjusted securities at various interest rates and maturities.

E International government fixed income includes non-U.S. government investments, including inflation-adjusted securities, with both fixed and variable yields, and geographical concentrations in Europe, Asia and South America.

F Domestic government and other agencies include Government National Mortgage Association, Federal National Mortgage Association and Federal Home Loan Mortgage Corporation investments with both variable and fixed rates ranging from 0% to 13%.

G Municipal fixed income is comprised of various state and local municipality investments with coupon rates from 0.87% to 8.084%.

H Corporate fixed income represents U.S. and international investment grade and high-yield corporate securities across various industry sectors.

I Asset-backed securities are comprised of investments collateralized by a specific pool of underlying assets such as auto loans, credit card receivables, whole loans, etc. The portfolio consists of both variable and fixed rate issues with interest rates up to 10.6%.

J Collateralized loan obligations reflect the Positive Social Purpose private loan portfolio. The purpose of this portfolio is to provide funds for affordable housing development while sustaining a competitive yield.

K Risk management instruments include derivatives held primarily as hedges to mitigate financial risk exposure. Investments include foreign currency and futures contracts, forward commitments, options on futures contracts and swap contracts.

L Cash equivalents include investments in commercial paper, U.S. Treasury bills and money market funds.

M Emerging market funds represent equity ownership of comingled funds that primarily invest in international private equity securities.

N Private equity partnerships represent primary and secondary investments in limited partnerships that invest in leveraged buyout and venture capital companies. Private real estate partnerships represent primarily investments in limited partnerships that hold commercial real estate debt and equity securities.

O Real assets partnerships include investment in limited partnerships that invest in timberland and private equity energy properties.

P Cash equivalents at cost include investments in commercial paper, repurchase agreements and time deposits. These investments are carried at cost, which approximates fair value.

Q Wrap contracts at contract value represent investments that insulate the holder from changes in fair value in the underlying portfolio of the Stable Value Fund. These investments are reported at contract value (Note 6).

The following table summarizes the change in fair value associated with Level 3 financial assets for the year ended December 31, 2016:

(in thousands)	Corporate Fixed Income	Asset-Backed Securities	Domestic Common Stocks	International Common Stacks	Cash Equivalents	Total
Balance as of December 31, 2015	$ 263,020	$ 14	$ –	$ –	$ –	$ 263,034
Purchases	115,810	937	64,358	24	107,026	288,155
Sales	(123,540)	(3,289)	(9,425)	–	(106,700)	(242,954)
Transfer out	–	(4,290)	–	–	–	(4,290)
Transfer in	–	8,859	42	3	–	8,904
Realized gains/(losses) – net	(3,260)	11	77	–	–	(3,172)
Unrealized gains/(losses) – net	14,994	(18)	(3,473)	(7)	–	11,496
Balance as of December 31, 2016	**$ 267,024**	**$ 2,224**	**$ 51,579**	**$ 20**	**$ 326**	**$ 321,173**

Notes to the Combined Financial Statements

The following table summarizes financial assets at fair value, by levels, as of December 31, 2015:

Asset Class (in thousands)	**Level 1**	**Level 2**	**Level 3**	**Investments**
Investments at fair value (non NAV)				
Domestic common stock[A]	$ 5,669,011	$ –	$ –	$ 5,669,011
International common stock[B]	3,115,723	–	–	3,115,723
Preferred stock[C]	5,199	1,226	–	6,425
Domestic government fixed income[D]	1,827,446	–	–	1,827,446
International government fixed income[E]	–	1,374,067	–	1,374,067
Domestic government and other agencies[F]	–	310,098	–	310,098
Municipal fixed income[G]	–	54,658	–	54,658
Corporate fixed income[H]	–	3,239,930	263,020	3,502,950
Asset-backed securities[I]	–	669,501	14	669,515
Collateralized loan obligations[J]	–	571,304	–	571,304
Risk management instruments[K]	16,782	(798)	–	15,984
Cash equivalents[L]	10,846	1,100	–	11,946
Total investments at fair value (non NAV)	**$ 10,645,007**	**$ 6,221,086**	**$ 263,034**	**$ 17,129,127**
Investments at fair value (NAV)				
Emerging market funds[M]				633,395
Private equity and real estate partnerships[N]				941,536
Real assets partnerships[O]				54,506
Total investments at fair value				**$ 18,758,564**
Cash equivalents at cost[P]				978,671
Wrap contracts at contract value[Q]				433,240
Total investments				**$ 20,170,475**

The following table summarizes the change in fair value associated with Level 3 financial assets for the year ended December 31, 2015:

(in thousands)	**Corporate Fixed Income**	**Asset-Backed Securities**	**Total**
Balance as of December 31, 2014	$ 314,919	$ 66	$ 314,985
Purchases	130,239	28	130,267
Sales	(170,032)	(18)	(170,050)
Transfers out	–	(26)	(26)
Realized losses – net	(1,114)	–	(1,114)
Unrealized losses – net	(10,992)	(36)	(11,028)
Balance as of December 31, 2015	**$ 263,020**	**$ 14**	**$ 263,034**

For the years ended December 31, 2016 and 2015, the net change in unrealized gains/(losses) associated with Level 3 financial assets held at year-end are $3.6 million and ($14.7) million, respectively.

Note 4:
Securities Lending Agreements

Wespath enters into securities lending transactions in its fixed income and equity portfolios, for which it receives compensation. Loans of securities are collateralized by cash and securities equal to at least 102% and 105% of the carrying value of the securities on loan for domestic and international securities, respectively. Wespath typically reinvests the cash collateral in repurchase agreements. Wespath monitors the fair value of the collateral relative to the amounts due under the agreements and, when required, requests through its advisors additional collateral or reduces the loan balance in order to maintain the contractual margin protection. The amount of the collateral related to its reinvestment agreements is carried at amortized cost, which approximates fair value, and is reported on the Balance Sheets as "Invested collateral from securities lending agreements." Repurchase agreements are collateralized by securities with a fair value equal to at least 100% of Wespath's investment in the agreement.

Cash collateral is invested in repurchase agreements of a short-term nature; however, such investments are subject to risk of payment delays or default on the part of the issuer or counterparty or otherwise may not generate sufficient interest to support the costs associated with securities lending. Wespath could also experience delays in recovering its securities and possible loss of income or value if the borrower fails to return the borrowed securities, although Wespath is indemnified from this risk by contract with the securities lending agent.

The fair value of the securities loaned totaled $2,016 million and $2,613 million at December 31, 2016 and 2015, respectively. The securities loaned are recorded in the Balance Sheets as "Securities loaned under securities lending agreements." The fair value of the "Invested collateral from securities lending agreements" includes only cash collateral received and reinvested that totaled $1,318 million and $1,683 million at December 31, 2016 and 2015, respectively. These amounts are offset by a liability recorded as "Payable under securities lending agreements." At December 31, 2016 and 2015, Wespath had received non-cash collateral of $753 million and $996 million, respectively, in the form of government-backed securities not included in the Balance Sheet totals.

The following table outlines the cash collateral received on securities loaned at December 31, 2016:

Loan Type (in thousands)	**Overnight and Continuous**	**Up to 30 Days**	**30-90 Days**	**Greater than 90 Days**	**Total**
Fixed Income Securities	$ 166,254	$ 20,816	$ –	$ –	$ 187,070
Domestic Equity Securities	999,802	–	–	–	999,802
International Equity Securities	119,935	9,431	–	1,361	130,727
Total	**$ 1,285,991**	**$ 30,247**	**$ –**	**$ 1,361**	**$ 1,317,599**

The following table outlines the cash collateral received on securities loaned at December 31, 2015:

Loan Type (in thousands)	**Overnight and Continuous**	**Up to 30 Days**	**30-90 Days**	**Greater than 90 Days**	**Total**
Fixed Income Securities	$ 272,725	$ –	$ –	$ –	$ 272,725
Domestic Equity Securities	1,182,762	436	–	–	1,183,198
International Equity Securities	220,783	6,483	–	–	227,266
Total	**$ 1,676,270**	**$ 6,919**	**$ –**	**$ –**	**$ 1,683,189**

Notes to the Combined Financial Statements

Note 5: Risk Management Instruments

Wespath may, from time to time, enter into financial futures contracts, foreign-currency forward contracts, forward contracts to purchase U.S. government agency obligations for trading purposes and commodity futures contracts. Equity futures contracts are used as a means to replicate the performance of the broad stock market and to reduce transaction costs associated with rebalancing a market-based indexed portfolio when there are cash inflows or outflows. Foreign-currency forward contracts are used to manage the risk of foreign currency fluctuations and to ensure that adequate funds, denominated in the local currency, are available to settle purchases of foreign securities. Forward contracts to purchase U.S. government agency obligations are used to take advantage of market yield premiums available for delayed settlement contracts. Fixed income financial futures (both exchange-traded and over-the-counter, including forward contracts and futures contracts) are used for hedging purposes. Hedging transactions that use fixed income futures contracts are defined as transactions that are substitutes for fixed income securities that the portfolio could own, and that have the comparable economic impact of managing the risks of the portfolio. In addition, fixed income financial futures are used for obtaining efficient investment exposure to certain financial market sectors that may not be economically accessible outside of the derivatives market. Commodity futures contracts are used to gain exposure to price changes of various commodities, such as energy, agriculture, metals and livestock. Wespath does not use derivative instruments or strategies to leverage its investments.

Financial futures contracts, commodity futures contracts, foreign-currency forward contracts and forward contracts to purchase U.S. government agency obligations are stated at fair value determined by prices quoted on national security exchanges. Fluctuations in value prior to maturity are recognized as unrealized gains or losses in the period during which they arise. At maturity, realized gains or losses are recognized and settled daily with cash through a margin account. Other liabilities, including the payables related to forward contracts to purchase U.S. government agency obligations, are stated at face value.

As with all of the securities included in Wespath's investment portfolio, these instruments are exposed to both market and credit risk. The market risk associated with these instruments is that equity prices or foreign exchange rates could change, resulting in a loss in the value of the investment. These risks may be offset partially by holding positions in the underlying securities. The credit risk associated with these instruments relates to the failure of the counterparty to pay based on the contractual terms of the agreement. Wespath monitors the counterparties who are responsible for fully satisfying their obligations under the contracts, and no loss related to this risk is expected. Each equity futures contract requires that Wespath place on deposit with the executing counterparty an amount equal to the margin requirement for the contract. The margin requirement is recalculated daily to reflect the change in fair value.

Fund transfers to or from Wespath depend on the change in margin requirement. Hence, Wespath's daily credit exposure is limited to the margin requirement attributable to one day's price fluctuation.

The fair value or the notional value of the net positions of risk management instruments and the location of related unrealized gains (losses) in the Balance Sheets as of December 31 are listed in the table below:

(in thousands)	2016	2015	Location on Balance Sheet
Forward Commitments			
Federal National Mortgage Association*	$ 161,178	$ –	Fixed income securities
Contracts to sell foreign currency*	752,283	783,699	Other assets
Contracts to (buy) foreign currency*	(747,912)	(249,191)	Other liabilities
Contracts to (buy) equity futures			
S&P 500 Index**	(128,917)	(125,183))	Equity securities
Russell 2000 Index**	(16,418)	(15,388)	Equity securities
Other index futures**	(536,836)	(102,357)	Equity securities
Contracts to (buy) sell other futures			
Fixed income securities**	(109,861)	50,398	Equity securities
Cash and equivalents**	(18,226)	17,197	Equity securities
Commodities**	(161,131)	(137,647)	Equity securities
Other			
Net credit default swap contracts – long position*	(106)	(923)	Fixed income securities
Net credit default swap contracts – short position*	(807)	(846)	Other liabilities
Interest rate swap contracts – long position*	3,705	(3,595)	Fixed income securities
Interest rate swap contracts – short position*	(580)	–	Other liabilities
Inflation rate swap contracts*	333	99	Fixed income securities
Zero coupon swap contracts – long position*	1	–	Fixed income securities
Zero coupon swap contracts – short position*	2	–	Other liabilities
Purchased options*	6,320	3,655	Fixed income securities
Written options*	(7,058)	(2,852)	Other liabilities

* At fair value
** At notional value

Net gains (losses) from risk management instruments, included in the Statements of Operations, are listed in the table below for the years ended December 31:

Derivative Investments (in thousands)	2016 Net Gains (Losses) on Investments Realized	2016 Net Gains (Losses) on Investments Unrealized	2015 Net Gains (Losses) on Investments Realized	2015 Net Gains (Losses) on Investments Unrealized
Forward commitments	$ (3,111)	$ (337)	$ (1)	$ –
Foreign exchange contracts	26,809	–	63,609	(11,514)
Futures contracts	52,039	4,572	(87,387)	11,209
Credit default swap contracts	(1,272)	2,602	(3,770)	(1,555)
Interest rate swap contracts	(12,003)	9,788	(3,212)	(2,742)
Inflation rate swap contracts	103	180	(62)	648
Zero coupon swap contracts	71	10	–	–
Options contracts	(372)	(1,351)	(1,106)	31
Total	**$ 62,264**	**$ 15,464**	**$ (31,929)**	**$ (3,923)**

Notes to the Combined Financial Statements

Note 6: Stable Value Fund

Investments in fixed income securities and contracts include the investments of the Stable Value Fund. GAAP requires that fair value be based upon the standard discounted cash flow methodology for traditional and variable Guaranteed Investment Contracts (GICs). Fair value is based on fair value of underlying portfolios for fixed maturity, constant duration synthetic and insurance company account GICs.

The stable value funds consist of constant duration synthetic guaranteed investment contracts, which are described in detail below. These investment contracts are benefit-responsive, unless otherwise noted.

Constant Duration Synthetic Guaranteed Investment Contracts: Constant duration synthetic GICs consist of a portfolio of securities owned by the fund and a benefit-responsive, book-value wrap contract purchased for the portfolio. The wrap contract amortizes gains and losses of the underlying securities over the portfolio duration and assures that benefit-responsive payments will be made at book value for participant-directed withdrawals. The initial crediting rate is established based on the market interest rates at the time the underlying portfolio is funded.

The total contract value for constant duration synthetic GICs was $418 million and $433 million at December 31, 2016 and 2015, respectively.

Most investment contracts have book value crediting rates that are reset periodically. The crediting rates are initiated at the inception of each contract and typically are recalculated on a quarterly basis. Applicable book value wrap fees, underlying asset management fees and/or product fees are subtracted from the gross crediting rate to determine a net crediting rate for each reset period.

The primary variables impacting the future crediting rates of security-backed contracts include the current yield of the assets underlying the contract, the duration of the assets underlying the contract, and the existing difference between the fair value of the assets underlying the contract and the contract value. The security-backed contracts are designed to reset their respective crediting rates on a quarterly basis, and the interest credited cannot be less than zero percent (0%).

The crediting rate of security-backed contracts will track current market yields on a trailing basis. The rate reset allows the contract value to converge with the fair value of the underlying portfolio over time, assuming the portfolio continues to earn the current yield for a period of time equal to the current portfolio duration.

To the extent that the underlying portfolio of a security-backed contract has unrealized and/or realized losses, a positive adjustment is made to the adjustment from fair value to contract value under contract value accounting. As a result, the future crediting rate may be lower over time than the then-current market rates. Similarly, if the underlying portfolio generates unrealized and/or realized gains, a negative adjustment is made to the adjustment from fair value to contract value, and the future crediting rate may be higher than the then-current market rates.

Certain employer-initiated events (e.g., layoffs, plan terminations, mergers, early retirement incentives, employer communications designed to induce participants to transfer from the fund, competing fund transfers, violation of equity wash or equivalent rules in place, and changes of qualification status of employer or plan) are not eligible for book-value disbursements even from fully benefit-responsive contracts. These events may cause liquidation of all or a portion of a contract at a market-value adjustment.

In general, issuers may terminate the contract and settle at other-than-contract value for the following reasons: changes in the qualification status of employer or plan changes, breach of material obligations under the contract, misrepresentation by the contract holder or failure of the underlying portfolio to conform to the pre-established investment guidelines. Issuers also may make payments at a value other than book value when withdrawals are caused by certain employer-initiated events.

No events are probable of occurring that might limit the ability of Wespath to transact at contract value with the contract issuers and that also limit the ability of Wespath to transact at contract value with the participants.

Note 7: Allocated Net (Earnings) Loss

The assets in the various Wespath-administered investment funds are priced daily and recorded in units to the accounts of plan participants, plan sponsors, institutional investors and plan reserves. The accounts are allocated primarily with their portion of actual earned returns, including realized and unrealized gains and losses, net of all operating expenses. Where appropriate, certain administrative costs that are strictly related to the administration of various plans, such as HealthFlex, are charged directly to those plans through an expense allocation process.

Note 8: HealthFlex

HealthFlex is a self-funded church plan, contracting with certain outside firms for administrative services only. Some of the benefit programs under HealthFlex are insured by third-party providers. Wespath also participates in a purchasing coalition with other church benefit program administrators, in which a single pharmacy benefit manager with beneficial economies of scale administers prescription drug claims.

As the HealthFlex plan administrator, Wespath bills plan sponsors a premium for benefits received by the plan participants. The premium is actuarially determined to cover all plan costs, including premiums paid to insurance companies, self-funded claims and all administrative costs.

Wespath invests the assets of HealthFlex in MAF and STIF, and incurs the expense of staff support and other costs to administer HealthFlex.

Activity for the HealthFlex plan for the years ended December 31 is as follows:

(in thousands)	2016	2015
Premiums		
Medical	$ 114,388	$ 117,123
Other premiums	6,104	4,282
Total premiums	120,492	121,405
Claims		
Medical (net of rebates)	(104,624)	(104,636)
Other expenses	(5,868)	(4,272)
Total claims	(110,492)	(108,908)
Administration		
Wespath	(2,791)	(2,549)
Third-party	(11,003)	(11,229)
Total administration	(13,794)	(13,778)
Net experience	(3,794)	(1,281)
Investment earnings (loss)	5,054	(1,803)
Performance dividend*	(10,000)	–
Decrease in accumulated reserves	(8,740)	(3,084)
Accumulated reserves		
Beginning of year	131,217	134,301
End of year	$ 122,477	$ 131,217

The HealthFlex accumulated reserves are included in the Balance Sheets as part of "Disability, death and health benefit program deposits."

* In 2016, HealthFlex declared a performance dividend of $10 million to plan sponsors. The dividend and its distribution are based on the proportionate share of the performance surplus for plan years 2014 and 2015. The dividend was distributed to plan sponsors in March 2016.

Notes to the Combined Financial Statements

Note 9: Operating Expenses

The components of operating expenses for the years ended December 31 are as follows:

(in thousands)	2016	2015
Salaries	$ 27,299	$ 25,678
Current and retired employee benefits	1,931	8,744
Professional services	8,207	8,175
Occupancy and other office expenses	4,603	4,963
Computers and other equipment	1,580	1,910
Meetings and travel	1,792	1,447
Additional annuities funding	9,469	3,500
Other expenses	2,691	1,161
Total operating expenses	**$ 57,572**	**$ 55,578**

All operating expenses are considered to be programmatic and are allocated to the unitized fund accounts or benefit plans. In 2016, Wespath paid $6.0 million in eligible current and retired employee benefits through funding by the General Agency Benefit Trust (GABT) per the terms of the trust. GABT accumulated reserves are included in the Balance Sheets as part of "Plan sponsor and other deposits." The $6.0 million of operating expense budgeted for current and retired employee benefits was redirected to additional annuities funding of Wespath obligations outside of MPP (non-MPP annuities), which totaled $9.5 million in 2016. Also during 2016, Wespath transferred an additional $38 million from unrestricted liquid net assets for the additional funding of non-MPP annuities due to increased liabilities related to the improved mortality rates in the Society of Actuaries mortality improvement scale for retirement plans (MP-2014).

Note 10: Tax Status and Positions

Wespath operates exclusively for religious and charitable purposes and is exempt from federal income taxes under IRC section 501(c)(3). The FASB issued guidance that requires tax effects from uncertain tax positions to be recognized in the financial statements only if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority. Management believes there are no material uncertain tax positions that require recognition in the accompanying financial statements. While exempt from income tax under IRC section 501(c)(3), Wespath is subject to tax on income unrelated to its exempt purposes, unless that income is otherwise excluded by IRC. The tax years ending 2013, 2014, 2015 and 2016 are still open to audit for both federal and state purposes. There were no interest or penalties related to income taxes that have been accrued or recognized as of and for the years ended December 31, 2016 and 2015.

Note 11: Related Party Transaction

Wespath borrowed certain funds from the CPP welfare plan, one of the plans managed by Wespath, to fund the cost of construction of the headquarters at 1901 Chestnut Avenue, Glenview, Illinois. In exchange, CPP received a note receivable. During construction, the loan bore interest at a rate of 4% (the market rate at the time of the transaction), compounded monthly. No payments for the accrued interest were made; the amounts were added to the loan balance at the end of each month. At the time of conversion to a permanent mortgage, Wespath repaid $6.5 million in principal.

On March 1, 2011, the construction loan payable to CPP was converted to a mortgage note payable to CPP, secured by the Glenview property, in the amount of $27.9 million bearing an interest rate of 6% (the market rate at the time of the transaction). The mortgage note payable was refinanced on July 1, 2016 in the amount of $25.8 million bearing an interest rate of 4% (the market rate at the time of the transaction). Beginning July 1, 2016, Wespath is making monthly payments of $137 thousand, which includes interest, through March 2041.

The annual principal payments are as follows:

Years ending December 31 (in thousands)	
2017	$ 637
2018	663
2019	690
2020	718
2021	747
Thereafter	22,083
	$ 25,538

On July 1, 2016, Wespath executed a loan from HealthFlex in the amount of $26 million in order to provide additional funding of non-MPP annuities. The note has an 84-month term and bears a variable interest rate equal to the STIF annual rate of return with an additional premium of 70 basis points (currently 1%) that will be adjusted annually every July.

Note 12: Subsequent Events

In preparing these financial statements Wespath has evaluated events and transactions for potential recognition or disclosure through June 1, 2017, the date the financial statements were available to be issued. No events or transactions were identified that would require recognition or disclosure.

Other Information

Executive Compensation

Wespath regularly reviews and analyzes market compensation data to help ensure that we can attract, retain and help motivate superior leadership in a competitive market while maintaining our commitments to stewardship and strong investment returns. The Wespath Senior Leadership Team, Personnel Committee and Board of Directors take their roles in setting executive compensation seriously—striving to balance the values of the Church in which we serve and the business environment in which we compete for talent.

The executive compensation philosophy for our top five positions developed with input from an independent compensation consulting firm is to target the 50th percentile of the comparable market data (excluding long-term incentives) from the composite talent market (+/-10%). A detailed review of total compensation for executives within comparable organizations was completed by an independent compensation consulting firm. The executive compensation program was found to be consistent with Wespath's compensation philosophy and within range of competitive compensation market practices.

In choosing the comparable organizations, several factors were considered, including the mix and complexity of the products and services offered, the clients being served and asset size. Companies with whom we compete for talent were considered, as well as data from a published survey of other church organizations. Wespath, with more than $21 billion in assets under management, is the largest participating organization in the church survey.

Total Cash Compensation (in thousands) **2016**	
Chief Executive Officer	
Financial Services*	$ 2,155.9
Composite**	1,535.0
Wespath	779.4
Chief Operating Officer	
Financial Services	$ 673.3
Composite	556.6
Wespath***	540.0
Chief Investment Officer	
Financial Services	$ 783.8
Composite	555.2
Wespath	449.5
Chief Financial Officer	
Financial Services	$ 672.9
Composite	520.0
Wespath	419.7
Chief Legal Officer	
Financial Services	$ 482.3
Composite	416.5
Wespath	345.2

* Median (50th percentile) of total cash compensation at comparable financial services organizations

** Median (50th percentile) of total weighted cash compensation, including financial services organizations (50%), general industry (25%) and not-for-profit organizations (25%)

*** Annual compensation as position filled for partial year only

Audit Committee

Wespath's Audit Committee generally is composed of five members from the Board of Directors and four non-Board committee members who have specialized accounting or auditing experience and expertise. The Board of Directors of Wespath has adopted a written charter for the Audit Committee. The Board of Directors of Wespath has determined that more than one member of the Audit Committee is an audit committee financial expert, as defined in its charter.

The Audit Committee selects Wespath's independent certified public accounting firm and reviews the professional services it provides. The Audit Committee reviews the scope of the audit performed by the independent certified public accounting firm, its report on the audit, Wespath's annual financial statements, any material comments contained in the auditor's communication to the Audit Committee, Wespath's internal accounting controls, and other matters relating to accounting, auditing and financial reporting as it deems appropriate. The Audit Committee has discussions at least once a year with the external auditor without management being present. The Audit Committee reviews the external auditor's scope of work and related fees and expenses to determine we have not hired the firm for other significant amounts of work. The Audit Committee has discussed with Wespath's internal audit service provider and with appropriate Wespath management the overall scope and plans for their respective audits. The Audit Committee regularly meets with each to discuss the results of their examinations and their observations and recommendations regarding Wespath's internal controls.

Investment Managers, Positive Social Purpose Lending Program Intermediaries, Banks, Auditors and Consultants

Investment Managers

Adams Street Partners, LLC
Chicago, Illinois
USEF – *private equity*
IEF – *private equity*

Advisory Research, Inc.
Chicago, Illinois
USEF – *domestic equity*

Allianz Global Investors/
RCM Capital Management, LLC
San Francisco, California
USEF – *domestic equity*

Baillie Gifford
Edinburgh, Scotland
IEF – *international equity*

BlackRock, Inc.
San Francisco, California
and New York, New York
IPF – *inflation-protected fixed income*
FIF – *corporate fixed income*
USEF – *domestic equity*
USEIF – *domestic equity*
IEF – *international equity*

Blackstone Group LP
New York, New York
IEF – *private real estate*
SOF – *private real estate*

Brown Capital Management, Inc.
Baltimore, Maryland
USEF – *domestic equity*

The Bank of New York Mellon
Pittsburgh, Pennsylvania
USEF, USEIF, ESVPF, ETFIF,
IEF, FIF, IPF, SVF, STIF,
MAF – *securities lending*

Cabot Properties, Inc.
Boston, Massachusetts
USEF – *private real estate*

Capital Group
Los Angeles, California
FIF – *emerging market debt*
IEF – *developed and emerging-markets international equity*
IPF – *emerging market inflation bonds*

CBRE Global Investors
Los Angeles, California
USEF – *private real estate*

Center Square Investment Management
Plymouth Meeting, Pennsylvania
USEF – *private real estate*

Cerberus Capital Management
New York, New York
USEF – *private real estate*
SOF – *private real estate distressed debt and equity*

Conservation Forestry, LLC
Exeter, New Hampshire
SOF – *timber*

Credit Suisse Asset Management, LLC
New York, New York
IPF – *senior secured loans*

Daruma Asset Management, LLC
New York, New York
USEF – *domestic equity*

Deutsche Asset Management
Chicago, Illinois
USEF – *domestic REITs*

Dodge & Cox Management
San Francisco, California
SVF – *stable value fixed income*
ETFIF – *fixed income*

Disciplined Growth Investors
Minneapolis, Minnesota
USEF – *domestic equity*

Epoch Investment Partners
New York, New York
USEF – *domestic equity*

Equity International Management, LLC
Chicago, Illinois
IEF – *private real estate*

Fidelity Institutional Asset Management
Smithfield, Rhode Island
USEF – *domestic equity*

Genesis Investment Management, Ltd.
London, England
IEF – *emerging-markets equity*

Gresham Investment Management, LLC
New York, New York
IPF – *commodities*

Hancock Timber Resource Group
Boston, Massachusetts
IPF – *timber*
SOF – *timber*

Investment Managers, Positive Social Purpose Lending Program Intermediaries, Banks, Auditors and Consultants

Investment Managers (continued)

HarbourVest Partners
Boston, Massachusetts
IEF – *private equity*

Hotchkis and Wiley Capital Management
Los Angeles, California
USEF – *domestic equity*

Hutensky Capital Partners
Hartford, Connecticut
USEF – *private real estate*

H/2 Capital Partners
Stamford, Connecticut
SOF – *private real estate distressed debt*

Impax Asset Management
London, England
USEF – *domestic equity*
IEF – *international equity*

JP Morgan Asset Management
New York, New York
USEF – *private equity*
IPF – *international infrastructure*
SOF – *international infrastructure*

LM Capital, LLC
San Diego, California
FIF – *fixed income*

Lone Star Funds
Dallas, Texas
FIF – *fixed income*
SOF – *private real estate distressed debt*

LSV Asset Management
Chicago, Illinois
USEF – *domestic equity*

Marathon Real Estate
New York, New York
SOF – *private real estate distressed debt*

Miller Howard Investment Inc.
Woodstock, New York
USEF – *domestic equity*

Neuberger Berman Fixed Income LLC
Chicago, Illinois
FIF, SVF – *fixed income*
IPF – *inflation-protected fixed income*
ETFIF – *long duration fixed income*

Northern Trust Quantitative Advisors
Chicago, Illinois
USEF – *domestic equity*
ESVPF – *domestic and international sustainable equity*
IEF – *international equity*

Northwood Securities LLC
New York, New York
IEF – *international REITs*

Oaktree Capital Management LP
Los Angeles, California
FIF – *fixed income*
IEF – *emerging market international equity*

Pacific Investment Management Company (PIMCO)
Newport Beach, California
AIF, FIF – *fixed income*

Parametric Portfolio Associates, LLC
Minneapolis, Minnesota
USEF – U.S. equity index financial futures
IEF – *international equity index financial futures*
MAF – *equity and fixed income financial futures*
ETFIF – *fixed income financial futures*

Pearlmark Real Estate Partners
Chicago, Illinois
USEF – *private real estate*

PGIM Fixed Income
Newark, New Jersey
SVF – *stable value fixed income*
ETFIF – *fixed income*

PGIM Real Estate
Madison, New Jersey
USEF – *private real estate*
SOF – *private real estate*

Prism Capital
Chicago, Illinois
USEF – *private equity*

Putnam Investments
Boston, Massachusetts
IEF – *international equity*

Schroders Investment Management
New York, New York
FIF – *fixed income*

Sprucegrove Investment Management Ltd.
Toronto, Ontario, Canada
IEF – *international equity*

Stafford Capital Partners
Austin, Texas
USEF – *private equity*

Standish Mellon Asset Management
Pittsburgh, Pennsylvania; Boston, Massachusetts; and San Francisco, California
Sweep Account – *short term fixed income*
SVF – *stable value fixed income*

Investment Managers (continued)

Systima Capital Management
Lake Forest, Illinois
SOF – *real estate debt*

TA Associates Realty
Boston, Massachusetts
USEF – *private real estate*

Townsend Group
Cleveland, Ohio
USEF – *private real estate*

Tricon Capital Group, Inc.
Toronto, Ontario, Canada
USEF – *private real estate*

Urban American
West New York, New Jersey
USEF – *private real estate*

Waterfall Asset Management
New York, New York
IPF – *asset-backed securities*

Wellington Management Company
Boston, Massachusetts
FIF – *fixed income*
USEF – *domestic equity*
IEF – *international equity*

Wespath Investment Management
Glenview, Illinois
AIF, PSPLF, FIF, Sweep Account –
loan participations to support affordable housing and community development

Zevenbergen Capital Management
Seattle, Washington
USEF – *domestic equity*

Positive Social Purpose Lending Program Intermediaries

Bellwether Enterprise Real Estate Capital, LLC
Columbia, Maryland

California Community Reinvestment Corporation
Los Angeles, California

Capital Impact Partners
Arlington, Virginia

Cinnaire Corporation
Lansing, Michigan

The Community Development Trust, Inc.
New York, New York

Community Investment Corporation
Chicago, Illinois

The Community Preservation Corporation
New York, New York

Community Reinvestment Fund
Minneapolis, Minnesota

Delaware Community Investment Corporation
Wilmington, Delaware

Greystone Servicing Corporation, Inc.
Atlanta, Georgia

Local Initiatives Managed Asset Corporation
New York, New York

The Low Income Investment Fund
San Francisco, California

International Microfinance Intermediary

Shared Interest
New York, New York

Renewable Energy Intermediary

Developing World Markets
Stamford, Connecticut

Custodial Bank

The Bank of New York Mellon Corporation
Pittsburgh, Pennsylvania

Commercial Bank

The Northern Trust Company
Chicago, Illinois

Independent Certified Public Accounting Firm

Grant Thornton LLP
Chicago, Illinois

Internal Auditors

Protiviti
Chicago, Illinois

PC Connection
Merrimack, New Hampshire

Actuarial Consultants

Mercer Health & Benefits LLC
Chicago, Illinois

Willis Towers Watson
New York, New York

Wespath
BENEFITS | INVESTMENTS

Caring For Those Who Serve

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