

XYZ ENTITY INVESTMENT POLICY STATEMENT

Investment Policy Statement XYZ Entity Effective: _____

Purpose and Overview

In fulfilling its fiduciary duties, the **XYZ Entity** has established this Investment Policy Statement (IPS) to guide the investment of its assets. This policy applies to the assets of the following entity:

**The XYZ Entity
Address
City, State, Zip**

The intent of this Investment Policy Statement (IPS) is to provide guidelines that are specific enough to be meaningful but also flexible enough to take into account practical considerations. The IPS should be reviewed annually or whenever there are significant changes in spending needs or investment circumstances. The IPS incorporates accountability standards that will be used for monitoring the progress of the investment program and for evaluating our Investment Manager and the contributions of the manager(s) selected on behalf of the funds and their beneficiaries. Wespath Institutional Investments is our Investment Manager and will be referred to as 'Investment Manager' throughout this IPS.

This IPS is designed to:

- Define the responsibilities of the Board of Directors, Entity Finance/Investment Committee, and Investment Manager(s)
- Establish asset allocation parameters, risk tolerance, and an investment strategy for investment pools
- Establish expectations for investing in alignment with the Social Principles of The United Methodist Church
- Develop investment guidelines that apply to the individual investment pools
- Establish formal criteria to monitor and evaluate the performance results
- Establish effective communication procedures between the Board of Directors, Entity Finance/Investment Committee and the Investment Manager(s)
- Create a formal review process for the IPS

Roles and Responsibilities

Fiduciary Responsibility

The Board of Directors is entrusted with the management of invested funds; fiduciary responsibility is of utmost importance. Fiduciary responsibility requires those responsible for investments to fulfill the legally imposed duties of loyalty and care summarized below:

- **Duty of care** - To invest with the care that a prudent person would use regarding investment of his/her own funds. Fulfilling this duty includes attention to appropriate risk levels, diversification, and performance of investments.
- **Duty of loyalty** - To manage funds with the interest of the Entity paramount and without factoring in personal considerations. In other words, no conflict of interest on the part of staff,

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officers, or finance committee members. Actual or apparent conflicts of interest may arise. Those involved are required to disclose such conflict of interest to the Entity Finance/Investment Committee followed by abstention from participating in investment decisions where the conflict exists. Conflicts can arise when “related parties” - persons working for both entities - are involved in determining the investment as well as when officers, finance committee members, or staff hold undisclosed investment positions in or information about an entity into which board funds are placed.

Board of Directors

The Board of Directors is responsible for establishing the overarching principles, policies, and guidelines for the investment management of all monies and assets of the organization.

The members of the Board of Directors have the responsibility of administering invested funds in accordance with each fund’s purpose or restrictions. The Board has the authority to expand or redefine the stated goals and objectives subject to Board approval to reflect changing funding requirements, capabilities, or purposes.

Finance/Investment Committee

The Entity Finance/Investment Committee’s responsibilities are as follows:

1. Remain in compliance with church law according to the current The Book of Discipline of the United Methodist Church.
2. Review the investment performance of the portfolio and the investment managers on at least an annual basis, including compliance with the asset allocation policies of the portfolio.
3. Determine risk parameters for stated investment objectives for account design. This includes allocating investments across different asset classes such as stocks, bonds and alternative investments to achieve diversification. This Committee will monitor and review at least annually, or as deemed appropriate by the Treasurer or members of the Board of Directors, investment allocations for rebalancing to ensure that the portfolio is aligned with the investment strategy determined by the Entity Finance/Investment Committee.
4. Establish performance and risk expectations of the investment program(s) and monitor and evaluate the results achieved on, at minimum, an annual basis.
5. Monitor and review the overall costs of operating the portfolio on an annual basis.
6. Review and recommend the annual disbursement rate for the portfolio and adjust the portfolio models accordingly.
7. Recommend modifications or enhancements to this policy, as needed.
8. Ensure that the management and operations of each portfolio will remain in compliance with current fiduciary laws and employ investment practices that exhibit accepted standards of excellence for investment stewards.
9. Establish effective communication procedures between the Entity Finance/Investment Committee, the Board of Directors, the staff, Investment Manager(s) and other relevant outside service providers.
10. Elect a Committee Chairperson to serve in that capacity for the term of _____

Professional Staff

The Treasurer, or designated person(s), is responsible for ensuring this IPS is adhered to on a regular basis. Adherence to this policy includes the coordination of all administration of investment transactions with each investment manager and their respective custodians. The Treasurer, or designated person(s), is authorized to conduct approved business on behalf of the Entity.

Investment Manager

The Board of Directors and Entity Finance/Investment Committee appoint Wespath Institutional Investments as the Investment Manager for the assets governed under this policy. The Entity Finance/Investment Committee requires that the Investment Manager provide, in writing,

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acknowledgement of fiduciary responsibility to the Committee. The primary role of the Investment Manager is to assist the Entity by providing investment management and custody services. More specifically, the Investment Manager will:

1. Inform the Entity Finance/Investment Committee so that they may make informed decisions regarding the specific allocation of the investment assets; and
2. Provide regular analysis and performance reporting based on the Entity Finance/Investment Committee needs.
3. Periodically and as necessary, provide the Entity Finance/Investment Committee:
 - a. a review and appraisal of the investment program referred to above;
 - b. a commentary of investment results in light of the current investment environment and the goals and guidelines;
 - c. a review of the key investment decisions and the rationale for these decisions;
 - d. a discussion of the Investment Manager's outlook and what specific decisions this outlook may indicate;
 - e. any recommendations as to changes in goals and guidelines in light of material and sustained changes in the capital markets;
 - f. any significant change in the Investment Manager's investment outlook or key investment employees; and
 - g. a meeting at a place and time to be determined

The investments within the funds shall be invested in accordance with the *Investment Strategy Statement and Statement of Administrative Investment Policy of Wespath Institutional Investments* (http://www.wespath.org/assets/1/7/investment_policy.pdf). This document is considered an addendum to this policy. The Entity Finance/Investment Committee acknowledges that the Wespath document may be modified at any time by the Investment Manager without specific consent of the Entity Finance/Investment Committee.

Governance

Governance of the investments is the responsibility of the Board of Directors. The Entity Finance/Investment Committee shall make recommendations to the Board of Directors as it relates to all IPS related topics. All actions and minutes of the Entity Finance/Investment Committee meetings are reported to the Board of Directors. The Board is authorized to delegate certain responsibilities to professional experts in various fields, including the Investment Manager and the Treasurer.

The Treasurer's core responsibilities will include performing a regular accounting of all assets owned, purchased, or sold, as well as movement of assets within the investment pool accounts. The Investment Manager has discretion within policy guidelines to purchase, sell, or hold the specific securities that will be used to meet each investment fund's objectives.

Statement of Objectives

Investment objectives have been established in conjunction with a comprehensive review of current and projected financial requirements identified by the Board of Directors. The IPS objectives are as follows:

1. Provide the ongoing financial resources required to support pension and health benefits for active and retired clergy and staff of the Entity.
2. Investment monitoring will use appropriate benchmarks and risk adjusted performance ratios for comparisons. This will assist in analyzing investment success and serve as a guide for investment selection decisions and serve as a framework for oversight of the individual investments and allocations within each portfolio.

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3. Establish asset allocation parameters, risk tolerance, and an investment strategy.
4. Benchmarking investment costs to industry standards.
5. Invest assets according to the soundness and safety of investments in institutions, companies, corporations, or funds which make a positive contribution toward the realization of the goals outlined in the Social Principles of our Church. Investments will be avoided in companies engaged in core businesses that are not aligned with the Social Principles as outlined in ¶17 of the 2020/2024 Book of Discipline.

Investment Guidelines

Risk Posture and Time Horizon

The Entity Finance/Investment Committee understands that capital market returns will vary from year to year due to a variety of essentially unpredictable factors, including in general: changing market valuations and trends, the interplay of global economic cycles, changing monetary conditions, and the occurrence of geopolitical events, natural disasters, and other exogenous forces. The Entity Finance/Investment Committee recognizes that risk must be assumed in the investment pool(s) to achieve a pool's investment objective over an acceptable time horizon. Generally, higher potential returns carry a correspondingly higher level of risk. The time horizon assigned to each investment pool will depend on the purpose and estimated timeframe that funds in each investment pool will be utilized.

The Entity will endeavor to invest in a manner that achieves a risk-adjusted rate of return appropriate for each of the Entity's investment pool(s) based on the target asset allocation(s). In addition to the capital markets risks, the Entity Finance/Investment Committee also considers and seeks to effectively manage and control the following forms of risk:

1. **Asset Protection Risk** is the risk of loss due to fraud, embezzlement, or financial system failure, which is mitigated through strong internal controls and the use of licensed trust companies to custody investment assets.
2. **Purchasing Power Risk** is the risk of loss when the rate of return on investments does not keep up with the rate of inflation. For mitigation, the Entity Finance/Investment Committee will understand and implement investment strategies that increase the probability of producing positive real rates of return over the accepted time horizon.
3. **Liquidity Risk** is the risk of loss arising from situations that include not having enough cash and/or cash equivalents to meet the obligations of the Entity and where the sale, if possible, of illiquid assets will yield less than their fair value. To mitigate this risk, the Entity Finance/Investment Committee will use proper cash management planning and employ asset allocation strategies constructed with highly liquid capital market securities.

Asset Allocation Policy

Academic research offers considerable evidence that the asset allocation decision far outweighs security selection and market timing in its impact on portfolio variability and performance. The Entity Finance/Investment Committee will recommend, and the Board of Directors will approve, an asset allocation policy consistent with the investment objectives set forth in this IPS. This policy will be developed after the examination of the historical relationships of risk, return, and correlation among various asset classes. The policy will be designed to provide the greatest probability of meeting or exceeding return objectives at the lowest possible risk.

The Entity Finance/Investment Committee, in consultation with the Investment Manager, will consider the risk, reward and volatility of securities markets in establishing the risk tolerance for each portfolio. The Committee will review the long-term characteristics of various asset classes with emphasis placed on balancing risk with expected return. The Committee will select asset classes and allocation targets that are prudent and acceptable investments to achieve the goals and objectives of each investment pool.

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Target Asset Allocations

To achieve its investment objective, each investment pool shall be allocated to one or more funds managed by Wespath. The purpose of allocating among investment funds is to seek a prudent level of diversification and to mitigate risk.

Investment Pool 1:

<u>Investment Fund</u>	<u>Allocation Range</u>	<u>Target Allocation</u>
Wespath Multiple Asset Fund – I Series	90% - 100%	100%

The Multiple Asset Fund (MAF) seeks to maximize long-term investment returns, including current income and capital appreciation, while reducing short-term risk by investing in a broad mix of investments. MAF holds a pre-specified allocation of units of the following Wespath funds: Fixed Income Fund (FIF), Inflation Protection Fund (IPF), International Equity Fund (IEF) and U.S. Equity Fund (USEF).

The Multiple Asset Fund, through its investment in the four other Wespath funds, participates in the management styles of more than 50 different investment management firms. These managers provide the fund with broad diversification of holdings in a variety of U.S. and non-U.S. securities. These include stocks, traditional bonds, inflation-linked bonds, real estate investment trusts, securities, commodities, and alternative investments such as interests in private equity and private real estate partnerships. In addition, through FIF, MAF holds participation interests in loans originated through Wespath's Positive Social Purpose Lending Program.

Investment Pool 2:

<u>Investment Fund</u>	<u>Allocation Range</u>	<u>Target Allocation</u>
Wespath U.S. Equity Fund – I Series	23% - 33%	28%
Wespath International Equity Fund – I Series	18% - 28%	23%
Wespath Fixed Income Fund – I Series	30% - 40%	35%
Wespath Inflation Protection Fund – I Series	9% - 19%	14%

This moderate Balanced Fund seeks to maximize long-term investment returns by earning current income and capital appreciation, while reducing short-term risk by investing in a broad mix of investments. This fund is designed for investors with a relatively long-time horizon who seek long-term investment growth and income from exposure to a broadly diversified portfolio of assets. With a target allocation of 51% equities and 49% fixed income.

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Investment Pool 3:

<u>Investment Fund</u>	<u>Allocation Range</u>	<u>Target Allocation</u>
Wespath Short Term Investment Fund – I Series	90% - 100%	100%

The objective of Wespath’s Short Term Investment Fund (STIF) is to preserve capital while earning current income generally greater than that of typical money market funds. STIF invests exclusively in units of the sweep account, which primarily holds short-term fixed income instruments including U.S. government bonds, agency bonds, corporate bonds, securitized products, commercial paper, certificates of deposit and other similar types of investments.

Adherence to Policy Targets and Rebalancing

Because global markets do not move in concert, actual allocations will deviate around the strategic asset allocation targets. On a quarterly basis, or at other times as may be required, actual allocations will be compared to the targets, and Entity Finance/Investment Committee will rebalance the investment pools to ensure alignment with asset allocation parameters. Rebalancing investment funds (i.e., fund of funds, such as the Multiple Asset Fund (MAF)), will be the responsibility of the Investment Manager. The Entity Finance/Investment Committee will be responsible for determining the fund allocations for each investment pool.

The Entity Finance/Investment Committee recognizes that rebalancing is a critical element in controlling the long-term asset allocation of each investment pool. The Committee also recognizes that asset allocation shifts may arise from cash flows and different market fluctuations within the selected investments. Each investment pool will be rebalanced quarterly, if needed, during the months of March, June, September, and December using the rebalancing feature provided by the Investment Manager to minimize deviations from the determined target allocations. The Entity Finance/Investment Committee will be responsible for the set-up of such recurring rebalances.

Performance Measurement Standards

The Entity Finance/Investment Committee shall meet at least annually to review the most recent investment results. The Investment Manager shall provide an overview of the investment funds’ performance including a comparison of the investment funds to reasonable benchmarks and universe comparisons, currently located online at <https://www.wespath.org/fund-performance#fund-performance>. The Entity Finance/Investment Committee will consider performance in relation to the appropriate market index when evaluating portfolio and Investment Manager performance.

Records Retention/Management

The Board of Directors and the Entity Finance/Investment Committee shall keep proper and prudent records of all important documents, meeting minutes and other information relating to the management of the Fund. Most records will be maintained electronically. Hardcopy files will be securely maintained at:

**The XYZ Entity
Address
City, State, Zip**

Review Procedures

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The recommendations and approved changes to the IPS may be incorporated directly into the document as a revision and restatement or noted in the addendum until such time as the IPS is revised and restated. It is not expected that the IPS will change frequently. Short-term changes in the financial markets should not require adjustments to the IPS.

Investment Policy Endorsement

This Investment Policy Statement has been formally reviewed and approved by the Board of Pensions and the Entity Finance/Investment Committee:

Board Chairperson

Date

Entity Finance/Investment Committee Chairperson

Date