Wespath
BENEFITS | INVESTMENTS

2017 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

Advocacy During Changing Times

2017 was a year of ongoing advocacy as we continue to live into our mission, honoring the traditions of the Church and our namesake, John Wesley.

In 2017 we advocated for the financial well-being of the 100,000 participants we humbly serve, and on behalf of the 124 institutional investors who entrust us with their assets. As the world's largest reporting denominational investor, and as one of the top 100 pension funds in the United States, we remain focused on our fiduciary responsibility for over $24 billion in assets.

The year also reminded us that the **world around us is changing** at an ever more rapid pace. We are in an increasingly global economy with shifting demographics and disruptions due to technology advances. Organized religion in the United States is experiencing membership decline. The UMC is facing a similar challenge with decreasing U.S. membership.

Engagement and Feedback

We will continue to evolve our strategy through ongoing engagement and feedback, to carry us through this quadrennium and beyond. Thanks to conversations with our participants, Young Leaders Advisory Board, conference benefit officers, treasurers, our board of directors and our dedicated staff, we continue to find ways to support the Church leaders of tomorrow with education, benefits and training today. In 2017, we continued a partnership with Lilly Endowment Inc., to further develop the financial well-being of future leaders, with more work to come in 2018.

> 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**

Our Strategy

These evolving times and challenges require a **forward-looking strategy**. Therefore, our outlook is long-term, carrying us 10 to 20 years ahead and more. While we remain focused on the needs of our participants today and tomorrow, we also have a duty to protect the benefits of future generations of those who serve the Church.

As a prudent fiduciary we continue to build upon and adhere to our Investment Beliefs. Our most recent addition is a belief that we must prepare for the transition to a low-carbon economy. We are identifying and prioritizing where climate change-related risks and opportunities are likely to occur. In a ground-breaking corporate proxy voting season, Wespath actively supported shareholder resolutions asking the world's largest oil and gas companies for greater transparency on how they are preparing for a low-carbon future. This unprecedented **advocacy is driving change**.

With 2018 moving full speed ahead, we will continue to uphold our mission and live into the responsibility we have to care for those who serve today, tomorrow and for generations to come.

We remain yours in service to Christ,

Bishop Robert Schnase
Chairperson,
Board of Directors

Barbara A. Boigegrain
General Secretary
and Chief Executive Officer

2017 Highlights

At Wespath, we are always looking for opportunities to improve—to become better at serving participants, plan sponsors, institutional investors and The United Methodist Church. Our strategy sets us on this course, with our board of directors, employees and Church leadership playing a critical part.

In 2017 Wespath was recognized externally for our employee culture and the work we do on behalf of participants to advocate for their healthy lifestyles.

Advocating for Legislative Changes

Working through the Church Alliance, a coalition of chief executive officers of 38 denominational benefit programs, Wespath led efforts to protect the interests of church plan participants during the tax reform debate in Congress. The Church Alliance worked with the broader retirement plan community and, as a result, prevented major changes to the retirement plans that serve United Methodist clergy and lay employees. We succeeded in removing a proposed repeal of certain helpful rules for long-serving church employees and missionaries from the final version of the tax bill. Additionally, we closely followed the constitutional challenges to the clergy housing allowance in the courts, continuing our advocacy.

In 2017 Wespath was awarded as one of the *Best Employers for Healthy Lifestyles®* and as *Chicago's Best and Brightest Companies to Work For.®*

Best Employers FOR HEALTHY LIFESTYLES® GOLD National Business Group on Health® 2017

CHICAGO'S BEST AND BRIGHTEST® COMPANIES TO WORK FOR WINNER 2017

These awards represent both our employee culture and the work we do on behalf of participants advocating for their healthy lifestyles.

2017 Highlights

Advocating for Participants

At Wespath, we believe it is important to have an integrated view of participants' physical, emotional, financial, social and spiritual well-being. Therefore, we are building resources to improve the health and well-being of UMC clergy, lay workers and their families.

Concentrating on Retirement and Financial Planning

Through a partnership with EY Financial Planning Services, we promoted utilization of personalized financial planning resources. This one-on-one support from EY directly supports clergy and laity, allowing them to focus on the needs of their congregations. Additionally, face-to-face counseling is provided through events such as revitup! and Clergy Benefits Academy. In addition to classes on benefits, financial management, taxes and leadership development, we provide networking opportunities for our participants to share best practices and discuss the challenges they face.

Focusing on Future Leaders

In partnership with the General Board of Higher Education and Ministry (GBHEM) and the National Association of United Methodist Foundations (NAUMF), Wespath focused on future leaders of the Church during the first Clergy Financial Literacy Summit. These events were supported in part by a Lilly Endowment grant to ultimately address Economic Challenges Facing Pastoral Leaders.

In 2017 our team conducted or participated in **115** workshops, seminars, clergy continuing education events, webcasts and other events—reaching more than **5,000** participants

Wespath promoted EY Financial Planning Services to support participants in closing projected income gaps

In 2017 EY fielded **20,993** calls, compared with 17,508 calls in 2016

In addition, the number of new registrants for the EY website increased from 943 in 2016 to **1,456** in 2017—a **54%** increase

Balancing Benefit Plans

In 2017, Wespath worked closely with the 30 HealthFlex plan sponsors in supporting approximately 17,000 covered lives. In addition to award-winning well-being programs, HealthFlex offered coverage for medical, prescription drug, behavioral health, dental and vision benefits. Plan designs and an "Exchange" model encourage participant accountability and consumerism. HealthFlex Exchange allows participants more choice for medical, dental and vision plans, a defined plan sponsor contribution to be paid toward health benefits, and tools and resources to help participants make informed choices.

Supporting Central Conference Pensions

Providing retirement support to many of the Central Conferences has been the mission of Central Conference Pensions (CCP) since its inception in 2000. In 2017 we continued our work to educate conference leaders so they will ultimately become self-funded, self-governed and have pension programs that are self-sustaining. 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.

Cost of Operations

Wespath does not receive general Church funds to support the cost of its operations. Our operations (excluding certain direct plan expenses) are funded solely by passing through to our funds the investment management, bank custody and plan administration expenses. The annual cost from the three components, as a ratio to our average portfolio value, was 59.9 basis points (0.599%) in 2017.

Retirement Plans include 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).

2017's HealthFlex Plan Sponsor Scorecard satisfaction **averaged 9.38/10** with **50%** of plan sponsors **rating HealthFlex 10/10**

9.38

In 2017 CCP provided support to **2,956** retired pastors and surviving spouses

A Message from
the Chief Investment Officer

Positioned for the Future

2017 was a strong performance year for both the global financial markets and the funds we manage on behalf of our participants and institutional investors. I am pleased to report that the collective returns for Wespath's funds in 2017 were the second strongest since 2001 and the best since 2009, when investors began to recover from the Great Recession.

Across the globe, equity and bond markets posted positive returns for the year. The U.S. stock markets closed at record levels driven in part by a strengthening economy, low unemployment, improving business conditions, increased corporate profits and the expected benefits from the tax reform plan enacted at the end of 2017. Emerging markets proved to be the strongest-performing segment of the equity markets last year, fueled by synchronized improvements in worldwide growth.

We recognize that the record-breaking returns and low volatility experienced in 2017 are unlikely to recur. Last year's largest decline for the broad U.S. stock market, for example, at 2.6%, was the smallest decline in history for any given year. Stocks tend to experience an average decline of about 11% from their highest peak to their lowest point during any year.

Rest assured that when meaningful declines inevitably occur, Wespath will remain steady in our disciplined approach to investing.

We are long-term investors. Our participants will depend on Wespath for years into the future, and our institutional clients seek to serve their missions in perpetuity. Accordingly, we seek to look beyond one, three or even five years of returns, and aim to position the investments we manage on your behalf to be viable for many years to come.

Investment Beliefs Underpin Our Process

Our core Investment Beliefs, a set of 10 principles underpinning our investment decisions, help position us—and you—for long-term success. Our most important belief, our *Investor Focus*, dictates that our investment decisions and activities must support the financial well-being of our participants and the missions of our institutional investors.

We hold an *Optimistic Worldview* that economic integration across the globe will continue to increase and, for the foreseeable future, the world will experience modest sustainable growth led by the emerging economies of Asia, Latin America, Africa and Eastern Europe. Our funds have been positioned to benefit from broad investor acceptance that the developing world will lead global economic growth.

Our belief that a *Long-Term Perspective* provides stronger risk-adjusted returns for our participants and clients also calls for us to work with other like-minded investors to help mitigate systemic financial risks. Relatedly, our belief in the power of investment strategies focusing on *Sustainability* to add financial value while upholding the values of the UMC dictates that we engage the global corporations in which we invest to adopt more sustainable policies and practices.

> *"Our most important belief, our Investor Focus, dictates that our investment decisions and activities must support the financial well-being of our participants and the missions of our institutional investors."*

Engaging for Financial, Environmental and Social Impact

Shareholder engagement is the heart of our sustainable investment activities. As a steward of $24.1 billion in assets, we are in the privileged position to bring the UMC voice to the table in our conversations with global policymakers and corporations, as we urge them to create policies and practices that promote positive financial, environmental and social impacts.

In 2017, much of our engagement work focused on how companies are preparing for a *Low-Carbon Transition*. Our newest investment belief states that a global transition to a low-carbon economy is underway, driven by the world's assessment of environmental risks. We believe public policies, emerging technologies and physical impacts associated with concerns about climate change are creating winners and losers across companies, industries and countries, impacting investment returns.

The View – Stone Mountain, GA. Photo Credit: Community Development Trust

In 2017, our PSP Lending Program:

Invested **$87M** in affordable housing…

…across **19** states…

…supporting **3,167** affordable housing units

As both fiduciaries and long-term investors, we must seek to understand how the companies in which we invest are positioned for a future more reliant on cleaner sources of energy.

2017 in particular represented a sea change in the way in which investors engage companies on the low-carbon transition, and we were pleased to play a role in moving the financial industry toward more unified engagement on this vital issue.

In May, the majority of shareholders at two global companies—Occidental Petroleum and ExxonMobil—made history by strongly supporting resolutions asking the companies for greater transparency on how they are preparing for a low-carbon future. Wespath filed the resolution with Occidental, which passed with 67% support, and supported Exxon's, which passed with 62% support.

Exxon has since released its climate-related report in line with shareholder requests, while Occidental has committed to providing a report in 2018. This is the result of engagement in action!

> *"As both fiduciaries and long-term investors, we must seek to understand how the companies in which we invest are positioned for a future more reliant on cleaner sources of energy."*

Our Positive Social Purpose (PSP) Lending Program also had a successful 2017. The PSP program supports affordable housing and community development for disadvantaged communities in the United States, and microfinance opportunities worldwide, while delivering competitive returns to investors. Last year, Wespath invested nearly $87 million to create or preserve over 3,100 affordable housing units across 19 states.

Remain Steady in 2018

As we continue through 2018, Wespath will remain focused on attaining long-term growth for the participants and institutional clients we serve. The financial markets may waiver, but we will remain steady in our approach to investing and in our commitment to working with like-minded investors to promote positive financial, environmental and social impacts.

Dave Zellner
Chief Investment Officer

Summary
2017 Financial Markets and Investment Results

Net-of-fees; as of 12/31/2017

Multiple Asset Fund

Fund: +17.98% Benchmark[1]: +16.95%

Relative Performance (percentage points): ▲ 1.03

- The International Equity Fund, Fixed Income Fund and Inflation Protection Fund positively contributed to benchmark-relative performance.
- The U.S. Equity Fund detracted slightly.

Total Assets: **$6,940M**

U.S. Equity Fund

Fund: +19.92% Benchmark[2]: +21.13%

Relative Performance (percentage points): ▼ 1.21

- Overweights in small- and mid-cap stocks, and investments in private equity and private real estate, detracted from benchmark-relative performance.
- Investments in the information technology and healthcare sectors helped performance.

Total Assets: **$6,954M**

International Equity Fund

Fund: +30.56% Benchmark[3]: +27.81%

Relative Performance (percentage points): ▲ 2.75

- Overweighting emerging markets and underweighting developed markets boosted performance.
- Chinese technology stocks contributed to returns.

Total Assets: **$5,597M**

Net-of-fees; as of 12/31/2017

Fixed Income Fund

Fund: +6.57% Benchmark[4]: +4.59%

Relative Performance (percentage points): ▲ 1.98

- Overweight allocations to non-dollar denominated developed and emerging market debt contributed to performance.
- Overweight allocations to investment-grade and below-investment-grade corporate bonds also contributed.

Total Assets: **$5,984M**

Social Values Choice Equity Fund

Fund: +21.53% Benchmark[6]: +21.60%

Relative Performance (percentage points): ▼ 0.07

- This is a passively-managed fund designed to closely match the fund benchmark, less fees and expenses.

(Formerly the Equity Social Values Plus Fund) Total Assets: **$75M**

Inflation Protection Fund

Fund: +4.42% Benchmark[5]: +4.12%

Relative Performance (percentage points): ▲ 0.30

- Investments in below-investment-grade floating-rate strategies positively contributed to benchmark-relative results.
- The fund's commodities manager outperformed the Bloomberg Commodities Index, contributing to positive benchmark-relative results.

Total Assets: **$1,917M**

U.S. Equity Index Fund

Fund: +20.34% Benchmark[7]: +21.13%

Relative Performance (percentage points): ▼ 0.79

- This is a passively-managed fund designed to closely match the fund benchmark, less fees and expense. Wespath's ethical exclusions (securities of companies excluded from investment because of long-standing UMC religious beliefs about certain social concerns) detracted from benchmark-relative performance.

Total Assets: **$201M**

Past performance is not indicative of future performance. Detailed information about the fund benchmarks can be found on page 40 of this report.

Summary
2017 Financial Markets and Investment Results

Net-of-fees; as of 12/31/2017

Extended Term Fixed Income Fund

Fund: +7.62% Benchmark[8]: +10.71%

Relative Performance (percentage points): ▼ 3.09

- The fund's intentional policy of maintaining a lower sensitivity to interest rate movements detracted in 2017.

Total Assets: **$1,083M**

Stable Value Fund

Fund: +1.50% Benchmark[11]: +0.86%

Relative Performance (percentage points): ▲ 0.64

- Fund performance benefited from exposure to corporate debt, which outperformed government debt during the year.
- The three underlying managers each outperformed their respective benchmarks, which also contributed to positive benchmark-relative performance.

Total Assets: **$405M**

Social Values Choice Bond Fund

Fund: +1.41% Benchmark[9]: +1.52%

Relative Performance (percentage points): ▼ 0.11

- Since inception on June 30, 2017, the overweight to investment-grade and below-investment-grade credit, and non-dollar denominated emerging market debt, contributed to benchmark-relative results.
- The underweight allocation to U.S. dollar-denominated emerging market debt detracted.

Total Assets: **$79M**

Short Term Investment Fund[12]

Fund: +0.90% Benchmark: +0.86%

Relative Performance (percentage points): ▲ 0.04

- The highly liquid strategy benefited from exposure to sectors that provide a yield advantage over the 3-month Treasury bill index.

Total Assets: **$209M**

U.S. Treasury Inflation Protection Fund

Fund : +2.31% Benchmark[10]: +2.33%

Relative Performance (percentage points): ▼ 0.02

- Since inception on June 30, 2017, the fund has only slightly trailed its benchmark. This is a passively-managed fund designed to closely match the fund benchmark less fees and expenses.

Total Assets: **$657M**

Summary

2017 Financial Markets and Investment Results

PERFORMANCE (net-of-fees; as of 12/31/2017)[13,14]

Fund	1-Year	3-Years	5-Years	10-Years	Inception[15]
Multiple Asset Fund (MAF)	17.98%	7.62%	8.72%	6.18%	7.49%
MAF Benchmark[1]	16.95%	7.97%	9.07%	6.07%	7.17%
U.S. Equity Fund (USEF)	19.92%	10.20%	14.76%	8.08%	7.13%
USEF Benchmark[2]	21.13%	11.12%	15.58%	8.60%	7.40%
International Equity Fund (IEF)	30.56%	8.99%	7.25%	2.93%	6.91%
IEF Benchmark[3]	27.81%	8.38%	7.22%	2.20%	5.65%
Fixed Income Fund (FIF)	6.57%	3.37%	2.72%	5.49%	5.62%
FIF Benchmark[4]	4.59%	3.08%	2.64%	4.44%	5.17%
Inflation Protection Fund (IPF)	4.42%	2.23%	0.48%	3.24%	3.94%
IPF Benchmark[5]	4.12%	4.25%	1.43%	4.25%	4.70%
Social Values Choice Equity Fund (SVCEF)*	21.53%	8.73%	–	–	8.73%
SVCEF Benchmark[6]	21.60%	9.00%	–	–	9.00%
U.S. Equity Index Fund (USEIF)	20.34%	10.52%	–	–	10.52%
USEIF Benchmark[7]	21.13%	11.12%	–	–	11.12%
Extended Term Fixed Income Fund (ETFIF)	7.62%	–	–	–	4.28%
ETFIF Benchmark[8]	10.71%	–	–	–	5.61%
Social Values Choice Bond Fund (SVCBF)	–	–	–	–	1.41%
SVCBF Benchmark[9]	–	–	–	–	1.52%
U.S. Treasury Inflation Protection Fund (USTPF)	–	–	–	–	2.31%
USTPF Benchmark[10]	–	–	–	–	2.33%
Stable Value Fund (SVF)	1.50%	2.37%	2.20%	2.80%	3.15%
SVF Benchmark[11]	0.86%	1.81%	1.87%	2.52%	2.86%
Short Term Investment Fund (STIF)[12]	0.90%	0.47%	0.34%	0.47%	1.34%
STIF Benchmark	0.86%	0.41%	0.27%	0.39%	1.30%

* Formerly the Equity Social Values Plus Fund

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**

Past performance is not indicative of future performance. Detailed information about the fund benchmarks can be found on page 40 of this report.

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, 2017 and 2016. 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 13. 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.

Wespath Management 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 36.)

Barbara A. Boigegrain
General Secretary
and Chief Executive Officer

Eileen M. Kane
Chief Financial and
Information Officer

Report of Independent Certified Public Accountants

Grant Thornton

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, 2017 and 2016, and the related combined statements of operations and changes in net assets, changes in plan accumulations, plan sponsor deposits and endowments and net assets, and cash flows for the years then ended, and the related notes to the combined 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, 2017 and 2016, 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
May 9, 2018

Grant Thornton LLP
U.S. member firm of Grant Thornton International Ltd

Combined Statements of Assets and Liabilities and Net Assets

Assets (in thousands)	**December 31, 2017**	**December 31, 2016**
Investments (Notes 2, 3 and 5)		
Equity securities	$ 9,317,249	$ 7,203,700
Fixed income securities and contracts (Note 6)	9,166,975	8,239,304
Emerging market funds	1,285,430	946,081
Cash equivalents	1,246,582	1,783,577
Limited partnership investments (Note 2)	1,159,232	1,135,778
Securities loaned under securities lending agreements (Notes 2 and 4)	1,956,539	2,015,919
Total investments	24,132,007	21,324,359
Invested collateral from securities lending agreements (Note 4)	1,001,689	1,317,599
Other assets (Note 2)	285,531	344,774
Cash	20,538	108,755
Total assets	**$ 25,439,765**	**$ 23,095,487**

Liabilities and net assets (in thousands)	**December 31, 2017**	**December 31, 2016**
Plan accumulations, plan sponsor deposits and endowments (Note 2)		
Defined contribution plans	$ 9,102,123	$ 8,237,060
Defined benefit plans	4,419,837	3,933,742
Annuities	4,367,414	3,974,679
Disability, death and health benefit program deposits (Note 8)	1,869,943	1,605,926
Plan sponsor and other deposits	3,723,231	3,146,504
Endowments	52,677	45,182
Total plan accumulations, plan sponsor deposits and endowments	23,535,225	20,943,093
Payable under securities lending agreements (Note 4)	1,001,689	1,317,599
Other liabilities (Note 2)	847,133	799,758
Total liabilities	25,384,047	23,060,450
Net assets (Note 2)	55,718	35,037
Total liabilities and net assets	**$ 25,439,765**	**$ 23,095,487**

See accompanying "Notes to the Combined Financial Statements."

Combined Statements of Operations and Changes in Net Assets

Years Ended December 31 (in thousands)	**2017**	**2016**
Interest, dividend, partnership and trust investment income	$ 605,121	$ 557,350
Securities lending and other income	7,427	11,159
Investment income	612,548	568,509
Net realized gain on investments	752,361	838,031
Net unrealized gain on investments	1,961,672	224,598
Net gain on investments and investment income	3,326,581	1,631,138
Investment management and custodial fees	(77,481)	(74,455)
Net investment earnings	3,249,100	1,556,683
Operating expenses	(58,768)	(57,572)
Net earnings before allocation	3,190,332	1,499,111
Allocated net earnings to unitized funds (Note 7)	(3,178,957)	(1,490,381)
Allocated to (from) net assets	9,306	(38,000)
Increase (decrease) in net assets	20,681	(29,270)
Net assets:		
Beginning of year	35,037	64,307
End of year	$ 55,718	$ 35,037

See accompanying "Notes to the Combined Financial Statements."

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

Year Ended December 31, 2017 (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	$ 8,237,060	$ 1,237,127	$ 227,546	$ (344,953)	$ (254,657)	$ 9,102,123
Defined benefit plans	3,933,742	655,046	128,990	(302,065)	4,124	4,419,837
Annuities	3,974,679	468,978	–	(339,640)	263,397	4,367,414
Disability, death and health benefit program deposits	1,605,926	271,571	169,140	(181,528)	4,834	1,869,943
Plan sponsor and other deposits	3,146,504	538,188	473,729	(423,870)	(11,320)	3,723,231
Endowments	45,182	8,047	121	(374)	(299)	52,677
Total plan accumulations, plan sponsor deposits and endowments	$ 20,943,093	$ 3,178,957	$ 999,526	$ (1,592,430)	$ 6,079	$ 23,535,225

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

See accompanying "Notes to the Combined Financial Statements."

Combined Statements of Cash Flows

Years Ended December 31 (in thousands)	**2017**	**2016**
Cash flows from operating activities		
Increase (decrease) in net assets	$ 20,681	$ (29,270)
Adjustments to reconcile increase (decrease) in net assets to net cash (used in) provided by operating activities:		
Depreciation	1,674	1,986
Net unrealized gain on investments	(1,961,672)	(224,598)
Net realized gain on investments	(752,361)	(838,031)
Undistributed earnings – limited partnership investments	(22,711)	(2,016)
Changes in assets and liabilities:		
Decrease in invested collateral from securities lending agreements	315,910	365,590
Decrease (increase) in other assets	58,105	(170,057)
Increase in other liabilities	47,375	517,784
Decrease in payable under securities lending agreements	(315,910)	(365,590)
Net earnings allocated to unitized funds	3,178,957	1,490,381
Allocated (to) from net assets	(9,306)	38,000
Contributions and deposits	999,526	1,003,539
Distributions and withdrawals	(1,592,430)	(1,601,848)
Net transfers and other	15,385	(10,988)
Net cash (used in) provided by operating activities	(16,777)	174,882
Cash flows from investing activities		
Purchases of investments	(29,948,788)	(38,493,324)
Sales of investments	29,877,884	38,404,085
Capital expenditures	(536)	(363)
Net cash used in investing activities	(71,440)	(89,602)
Net (decrease) increase in cash	(88,217)	85,280
Cash at beginning of year	108,755	23,475
Cash at end of year	$ 20,538	$ 108,755

See accompanying "Notes to the Combined Financial Statements."

Notes to the Combined Financial Statements

Note 1: Nature of Operations

Wespath Benefits and Investments (Wespath) is the doing-business-as name of the General Board of Pension and Health Benefits of The United Methodist Church, Incorporated in Illinois (the Illinois Corporation). 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 conducts business primarily through two Illinois not-for-profit corporations: the Illinois Corporation and the UMC Benefit Board, Inc. (the Benefit Board); collectively we refer to the two corporations as Wespath in these notes. The Illinois Corporation is an 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 exempt investment adviser to the funds in which the plan assets and the trusteed assets of UMC-related institutions are invested.

Pension and retirement plans administered by Wespath: As of December 31, 2017, 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 UMC-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, 2017, Wespath administered 19 active investment funds. Ten 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), Social Values Choice Equity Fund (SVCEF)*, Social Values Choice Bond Fund (SVCBF), U.S. Treasury Inflation Protection Fund (USTPF) 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 nine 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).

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, 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 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 methodology used in determining the fair value of investments is described in Note 3 ("Fair Value Measurements").

* Formerly the Equity Social Values Plus Fund (ESVPF). The name changed to the Social Values Choice Equity Fund (SVCEF) on April 7, 2018.

Notes to the Combined Financial Statements

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, 2017 and 2016, Wespath had outstanding positive social purpose investments of $811 million and $782 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, 2017 and 2016, Wespath had outstanding commitments to provide $85 million and $158 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, 2017:

Investments Valued at NAV as of December 31, 2017

(in thousands)	Fair Value	Unfunded Commitments	Redemption Notice Period
Open-end funds			
Real estate	$ 92,196	$ –	90 days
Emerging market	1,285,430	–	120 days
Closed-end funds			
Real estate	490,959	260,808	
Real assets	121,270	15,121	
Private equity	454,807	339,757	
Total	**$ 2,444,662**	**$ 615,686**	

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**	

Open-end real estate funds primarily invest in U.S. commercial real estate. These have an indefinite life, and investments may be redeemed with 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 with up to 120 days' notice.

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 $8,307 million and $6,365 million in 2017 and 2016, 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.

Notes to the Combined Financial Statements

The following table summarizes the fair value of securities on loan and the collateral held as of December 31, 2017:

(in thousands)	Market Value of Securities on Loan	Collateral Held
Fixed Income Securities	$ 872,790	$ 894,148
Domestic Equity Securities	900,521	922,118
International Equity Securities	183,228	203,730
Total	**$ 1,956,539**	**$ 2,019,996**

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**

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 $10,000 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 $1,674 million for 2017 and $1,986 million for 2016 is included in operating expenses in the Statements of Operations. Receivables due from the purchasers of investments sold of $130 million and $199 million at December 31, 2017 and 2016, 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)	2017	2016
Land	$ 15,685	$ 15,685
Land improvements	3,726	3,726
Building	29,869	29,869
Computer and office equipment	21,105	20,806
	70,385	**70,086**
Less accumulated depreciation		
Land improvements	1,809	1,563
Building	5,409	4,663
Computer and office equipment	20,223	19,777
Property and equipment – net	**$ 42,945**	**$ 44,083**

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 $129 million and $138 million to the plans in 2017 and 2016, respectively.

Annuities: Annuities are primarily lifetime monthly benefit payments for retired individuals that have been established under certain 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 institutional investors; and from plan sponsors to fund pension, disability, death, health benefit and other programs. 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 $662 million and $681 million at December 31, 2017 and 2016, respectively.

Net assets: Combined Net Assets at December 31, 2017 and 2016, represent Wespath's designated operating reserve of $20.5 million and $2.5 million, respectively, plus accumulated unrestricted net assets that have been determined based on increases or decreases in the value of assets not specifically allocated to plans or a specific investor. In 2017, Wespath transferred $9.3 million to its designated operating reserve. In 2016, Wespath transferred $38 million from its designated operating reserve 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).

Net earnings before allocation: Net earnings before allocation consist of the combination of the excess of net investment earnings over operating expenses.

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 2017 or 2016.

Notes to the Combined Financial Statements

The following table summarizes financial assets at fair value, by levels, as of December 31, 2017:

Asset Class (in thousands)	**Level 1**	**Level 2**	**Level 3**	**Investments**
Investments at fair value (non NAV)				
Domestic common stock[A]	$ 6,055,560	$ –	$ –	$ 6,055,560
International common stock[B]	4,310,647	–	3	4,310,650
Preferred stock[C]	18,882	391	–	19,273
Domestic government fixed income[D]	2,576,779	–	–	2,576,779
International government fixed income[E]	–	1,467,911	–	1,467,911
Domestic government and other agencies[F]	–	343,895	–	343,895
Municipal fixed income[G]	–	64,647	–	64,647
Corporate fixed income[H]	–	3,638,216	266,930	3,905,146
Asset-backed securities[I]	–	618,922	727	619,649
Collateralized loan obligations[J]	–	651,342	–	651,342
Risk management instruments[K]	35,557	84,358	–	119,915
Cash equivalents[L]	8,358	33,136	–	41,494
Total investments at fair value (non NAV)	**$ 13,005,783**	**$ 6,902,818**	**$ 267,660**	**$ 20,176,261**
Investments at fair value (NAV)				
Emerging market funds[M]				1,285,430
Private equity and real estate partnerships[N]				1,037,962
Real assets partnerships[O]				121,270
Total investments at fair value				**$ 22,620,923**
Cash equivalents at cost[P]				1,124,149
Wrap contracts at contract value[Q]				386,935
Total investments				**$ 24,132,007**

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 composed 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 0.851% to 13.38%.

G Municipal fixed income is composed of various state and local municipality investments with coupon rates from 0% 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 composed 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 11.419%.

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, 2017:

(in thousands)	Corporate Fixed Income	Asset–Backed Securities	Domestic Common Stocks	International Common Stocks	Cash Equivalents	Total
Balance as of December 31, 2016	$ 267,024	$ 2,224	$ 51,579	$ 20	$ 326	$ 321,173
Purchases	171,739	37	13,954	64	24,326	210,120
Sales	(169,878)	(1,577)	(68,488)	–	(24,652)	(264,595)
Transfer out	–	–	–	(81)	–	(81)
Transfer in	–	–	–	–	–	–
Realized gains/(losses) – net	(1,669)	90	(483)	–	–	(2,062)
Unrealized gains/(losses) – net	(286)	(47)	3,438	–	–	3,105
Balance as of December 31, 2017	**$ 266,930**	**$ 727**	**$ –**	**$ 3**	**$ –**	**$ 267,660**

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**

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 Stocks	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**

For the years ended December 31, 2017 and 2016, the net change in unrealized gains/(losses) associated with Level 3 financial assets held at year-end are $836 thousand and $3.6 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 102% 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 $1,957 million and $2,016 million at December 31, 2017 and 2016, 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 $1,002 million and $1,318 million at December 31, 2017 and 2016, respectively. These amounts are offset by a liability recorded as "Payable under securities lending agreements." At December 31, 2017 and 2016, Wespath had received non-cash collateral of $1,018 million and $753 million, respectively, in the form of U.S. government securities inclusive of U.S. government agencies and mortgages.

The following table outlines the cash collateral received on securities loaned at December 31, 2017:

Loan Type (in thousands)	**Overnight and Continuous**	**Up to 30 Days**	**30-90 Days**	**Greater than 90 Days**	**Total**
Fixed Income Securities	$ 176,633	$ 19,196	$ –	$ –	$ 195,829
Domestic Equity Securities	616,057	–	–	–	616,057
International Equity Securities	176,875	11,155	–	1,773	189,803
Total	**$ 969,565**	**$ 30,351**	**$ –**	**$ 1,773**	**$ 1,001,689**

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**

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 that 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.

Notes to the Combined Financial Statements

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)	2017	2016	Location on Balance Sheet
Forward Commitments			
Federal National Mortgage Association*	$ 80,325	$ 188,136	Fixed income securities
Federal National Mortgage Association*	(51,749)	(26,958)	Other liabilities
Contracts to sell foreign currency*	641,954	752,283	Other assets
Contracts to (buy) foreign currency*	(155,980)	(747,912)	Other liabilities
Contracts to (buy) equity futures			
S&P 500 Index**	(124,434)	(128,917)	Equity securities
Russell 2000 Index**	(12,446)	(16,418)	Equity securities
Other index futures**	(140,217)	(536,836)	Equity securities
Contracts to (buy) sell other futures			
Fixed income securities**	343,436	(109,861)	Equity securities
Cash and equivalents**	(58,961)	(18,226)	Equity securities
Commodities**	(196,009)	(161,131)	Equity securities
Other			
Net credit default swap contracts – long position*	2,329	(106)	Fixed income securities
Net credit default swap contracts – short position*	–	(807)	Other liabilities
Interest rate swap contracts – long position*	(1,909)	3,705	Fixed income securities
Interest rate swap contracts – short position*	–	(580)	Other liabilities
Inflation rate swap contracts*	24	333	Fixed income securities
Zero coupon swap contracts – long position*	7	1	Fixed income securities
Zero coupon swap contracts – short position*	–	2	Other liabilities
Purchased options*	3,662	6,320	Fixed income securities
Written options*	(4,355)	(7,058)	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	2017 Net Gains (Losses) on Investments		2016 Net Gains (Losses) on Investments	
(in thousands)	Realized	Unrealized	Realized	Unrealized
Forward commitments	$ 231	$ 811	$ (3,111)	$ (337)
Foreign exchange contracts	(1,299)	(7,778)	26,809	–
Futures contracts	99,599	11,174	52,039	4,572
Credit default swap contracts	2,959	817	(1,272)	2,602
Interest rate swap contracts	5,832	(5,668)	(12,003)	9,788
Inflation rate swap contracts	370	(273)	103	180
Zero coupon swap contracts	12	(74)	71	10
Options contracts	(997)	452	(372)	(1,351)
Total	**$ 106,707**	**$ (539)**	**$ 62,264**	**$ 15,464**

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 constant duration synthetic GICs.

The stable value funds consist of constant duration synthetic GICs, which are benefit-responsive.

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 $387 million and $418 million at December 31, 2017 and 2016, 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.

It is unlikely that an event as described above would occur limiting the ability of Wespath to transact at contract value with the contract issuers and also limiting the ability of Wespath to transact at contract value with the participants.

Note 7: Allocated Net Earnings to Unitized Funds

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)	2017	2016
Premiums		
Medical	$ 126,301	$ 114,388
Other premiums	6,279	6,104
Total premiums	132,580	120,492
Claims		
Medical (net of rebates)	(113,270)	(104,624)
Other expenses	(5,096)	(5,868)
Total claims	(118,366)	(110,492)
Administration		
Wespath	(2,913)	(2,791)
Third-party	(8,162)	(11,003)
Total administration	(11,075)	(13,794)
Net experience	3,139	(3,794)
Investment earnings	10,267	5,054
Performance dividend*	–	(10,000)
Increase (decrease) in accumulated reserves	13,406	(8,740)
Accumulated reserves		
Beginning of year	122,477	131,217
End of year	$ 135,883	$ 122,477

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. There was no performance dividend declared for 2017.

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)	2017	2016
Salaries	$ 25,942	$ 27,299
Current and retired employee benefits	8,736	7,900
Redirected employee benefit expenses	(6,679)	(5,969)
Professional services	8,587	8,207
Occupancy and other office expenses	3,972	4,603
Computers and other equipment	1,491	1,580
Meetings and travel	1,500	1,792
Reserve funding	10,139	9,469
Other expenses	5,080	2,691
Total operating expenses	**$ 58,768**	**$ 57,572**

All operating expenses are considered to be programmatic and are allocated to the unitized fund accounts or benefit plans. In 2017 and 2016 respectively, Wespath paid $6.7 and $6.0 million in eligible current and retired employee benefits through funding by the General Agency Benefit Trust (GABT) and its associated employee benefit reserve per the terms of the trust. GABT accumulated reserves are included in the Balance Sheets as part of “Plan sponsor and other deposits.”

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 Financial Accounting Standards Board (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 2014, 2015, 2016 and 2017 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, 2017 and 2016.

Note 11:
Related Party Transactions

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 holds a mortgage note payable, secured by the Glenview property. The mortgage note payable has a principal balance of $24.9 million as of December 31, 2017 and bears an interest rate of 4% (the market rate at the time of a refinancing in July 2016). Wespath makes monthly payments of $137 thousand, which includes interest, through March 2041.

The annual principal payments are as follows:

Years ending December 31 (in thousands)		
2018	$	663
2019		690
2020		718
2021		747
2022		777
Thereafter		21,305
	$	**24,900**

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 1.1%) 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 May 9, 2018, the date the financial statements were available to be issued. In February 2018, Wespath, through its Special Opportunities Fund, entered into a joint venture with Metro Storage. Through this joint venture, Wespath plans to invest up to $50 million, over the coming years, to acquire and/or develop self-storage units.

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 benefits organizations. Wespath, with more than $24 billion in assets under management, is the largest participating organization in the church survey.

Total Cash Compensation (in thousands) **2017**	
Chief Executive Officer	
Financial Services*	$ 2,155.9
Composite**	$ 1,535.0
Wespath	$ 885.1
Chief Operating Officer	
Financial Services	$ 673.3
Composite	$ 556.6
Wespath	$ 558.6
Chief Investment Officer	
Financial Services	$ 783.8
Composite	$ 555.2
Wespath	$ 473.4
Chief Financial and Information Officer	
Financial Services	$ 672.9
Composite	$ 520.0
Wespath	$ 318.7
Chief Legal Officer	
Financial Services	$ 482.3
Composite	$ 416.5
Wespath	$ 426.8

* 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%)

Audit Committee

Wespath's Audit Committee generally is composed of six 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 that Wespath has not hired the firm for other significant amounts of work. The Audit Committee discusses 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*

AMERRA Capital Management, LLC
New York, New York
IEF – *private 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 and agency fixed income*
ETFIF – *long duration 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, SVCEF*, ETFIF,
IEF, FIF, IPF, SVF, STIF, SVCBF, USTPF,
MAF, AIF – *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*

CenterSquare 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*

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

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

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

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

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*

* Formerly the Equity Social Values Plus Fund (ESVPF). The name changed to the Social Values Choice Equity Fund (SVCEF) on April 7, 2018.

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 Investment Management
New York, New York
USEF – *private equity*
IPF – *international infrastructure*
SOF – *international infrastructure*

Kabouter Management
Chicago, Illinois
IEF – *international equity*

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*

Mondrian Investment Partners
London, United Kingdom
IEF – *international equity*

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

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

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

Nuveen Alternative Advisors, LLC
Charlotte, NC
SOF – *Agribusiness*

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, SVCBF – *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*

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*

* Formerly the Equity Social Values Plus Fund (ESVPF). The name changed to the Social Values Choice Equity Fund (SVCEF) on April 7, 2018.

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*

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

Greystone Servicing Corporation, Inc.
Atlanta, Georgia

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

InGuardians
Washington, District of Columbia

ACTUARIAL CONSULTANTS

Mercer Health & Benefits LLC
Chicago, Illinois

Willis Towers Watson
New York, New York

Summary

Fund Benchmarks and Details

1 On January 1, 2017, the benchmark for the Multiple Asset Fund became 35% Russell 3000 Index, 30% MSCI All Country World Index (ACWI) ex-USA Investable Market Index (IMI), 25% Bloomberg Barclays U.S. Universal Index ex-Mortgage Backed Securities (MBS) and 10% IPF Custom Benchmark. The IPF Custom Benchmark consists of 80% Bloomberg Barclays World Government Inflation Linked Bond Index (Hedged), 10% Bloomberg Barclays Emerging Market Tradeable Inflation Linked Bond Index (Unhedged) and 10% Bloomberg Commodity Index. From January 1, 2016 to December 31, 2016, the benchmark for the MAF was 40% Russell 3000 Index, 25% MSCI ACWI ex-USA IMI, 25% Bloomberg Barclays U.S. Universal Index ex-MBS, and 10% IPF Custom Benchmark. From January 1, 2014 to December 31, 2015, the benchmark for MAF was 40% Russell 3000 Index, 25% MSCI ACWI ex-USA IMI, 25% Bloomberg Barclays U.S. Universal Index ex-MBS, and 10% Bloomberg Barclays U.S. Government Inflation Linked Bond Index. From January 1, 2006 to December 31, 2013, the benchmark for MAF was 45% Russell 3000 Index, 20% MSCI ACWI ex-USA IMI, 25% Bloomberg Barclays U.S. Universal Index MBS and 10% Bloomberg Barclays U.S. Government Inflation-Linked Bond Index. Prior to January 1, 2006, the benchmark for the MAF was 47% Russell 3000 Index, 15% MSCI EAFE Index, 3% MSCI Emerging Markets Index and 35% Lehman Brothers U.S. Universal Index.

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

3 On January 1, 2008, the benchmark for the International Equity Fund became the MSCI ACWI ex-USA IMI. From January 1, 2006 through December 31, 2007, the benchmark was the MSCI ACWI ex-USA Index. Prior to January 1, 2006, the benchmark was the MSCI EAFE Index.

4 On January 1, 2006, the benchmark for the Fixed Income Fund became the Bloomberg Barclays U.S. Universal ex-MBS Index. Prior to January 1, 2006, the benchmark was the Bloomberg Barclays U.S. Universal Index.

5 On January 1, 2016, the benchmark for the Inflation Protection Fund became 80% Bloomberg Barclays World Government Inflation Linked Bond Index (Hedged), 10% Bloomberg Barclays Emerging Market Tradeable Inflation Linked Bond Index (Unhedged) and 10% Bloomberg Commodity Index. From January 1, 2006 to December 31, 2015, the benchmark was the Bloomberg Barclays U.S. Government Inflation Linked Bond (Series B) Index. From April 1, 2005 to December 31, 2005, the benchmark was 50% Bloomberg Barclays U.S. Government Inflation-Linked Bond Index and 50% Bloomberg Barclays Global Inflation-Linked Bond Index. Prior to April 1, 2005, the benchmark was the Bloomberg Barclays U.S. Government Inflation-Linked Bond Index.

6 The Social Values Choice Equity Fund (SVCEF) was previously named the Equity Social Values Plus Fund. The name changed on April 7, 2018. On April 1, 2017, the benchmark for SVCEF became the MSCI World Environmental Social and Governance (ESG) ex Fossil Fuels Index. Prior to April 1, 2017, the benchmark for SVCEF was the MSCI World ESG Special Weighted Index. The MSCI World ESG Special Weighted Index was comprised of 60% MSCI USA ESG Index and 40% MSCI World ESG (ex US) Index.

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

8 The performance benchmark for the Extended Term Fixed Income Fund is the Bloomberg Barclays U.S. Long Government/Credit Bond Index.

9 The performance benchmark for the Social Values Choice Bond Fund is the Bloomberg Barclays U.S. Universal Ex MBS Index.

10 The performance benchmark for the U.S. Treasury Inflation Protection Fund is the Bloomberg Barclays U.S. Inflation Linked Bond Index.

11 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. The BofA ML Wrapped 1-5 Year Corp. Govt Index is a custom index that started on December 1, 2002 to coincide with the inception of the Stable Value Fund. This index does not reflect actual performance; performance has been adjusted to represent the assumed rate of return that would have been achieved if the BofA ML 1-5 Year Corp. Govt Index had been wrapped for book value returns. This index has been established and calculated by Standish Mellon Asset Management, is not sponsored or licensed by BofA Merrill Lynch, and is not available for direct investment. The index assumes a 12 basis point annual book value wrap fee from inception to June 30, 2004; 10 basis points from then until December 31, 2008; 15 basis points from then until December 31, 2011; and 20 basis points thereafter. These wrap fee assumptions are Standish's view of the industry's average during these points in time. The Crediting Rate formula applied is: $CR = (((1+YTM) * ((MV/BV)^{(1/D)}))-1$, where CR is equal to the book value crediting reset rate, YTM is the market yield to maturity of the underlying asset(s), MV is the market value of the underlying asset(s), BV is the book value of the synthetic wrap contract and D is the duration of the underlying asset(s).

12 The performance presented for the Short Term Investment Fund (STIF) provides the actual returns generated by STIF from the date of its inception, and it includes the performance of Wespath's investments managed with the same strategy prior to the introduction of STIF. At any given time, Wespath invests between $400 and $700 million in a short term investment strategy. This amount includes all direct investments in the strategy (primarily residual cash) and the assets of the Short Term Investment Fund. The performance benchmark for STIF is the BofA Merrill Lynch 3-Month Treasury Bill Index.

13 The posted rate of return is for the periods ending on the specified date.

14 Historical returns are not indicative of future performance. The prices of Wespath investment funds will rise and fall with the value of the investments held in the funds. The units an investor owns may be worth more or less than their purchase price when redeemed. Investment results shown here are after all investment, administrative and custodial expenses.

15 The inception dates are as follows: Social Values Choice Bond Fund (SVCBF)—6/30/2017; U.S. Treasury Inflation Protection Fund (USTPF)—6/30/2017; Extended Term Fixed Income Fund (ETFIF)—5/29/2015; Social Values Choice Equity Fund (SVCEF)—12/31/2014, U.S. Equity Index Fund (USEIF)—12/31/2014; Stable Value Fund (SVF) —11/30/2002. Multiple Asset Fund (MAF)—4/30/2002, Short Term Investment Fund (STIF)—4/30/2002 and Inflation Protection Fund (IPF)—01/05/2004; for all others the inception date is 12/31/1997.

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