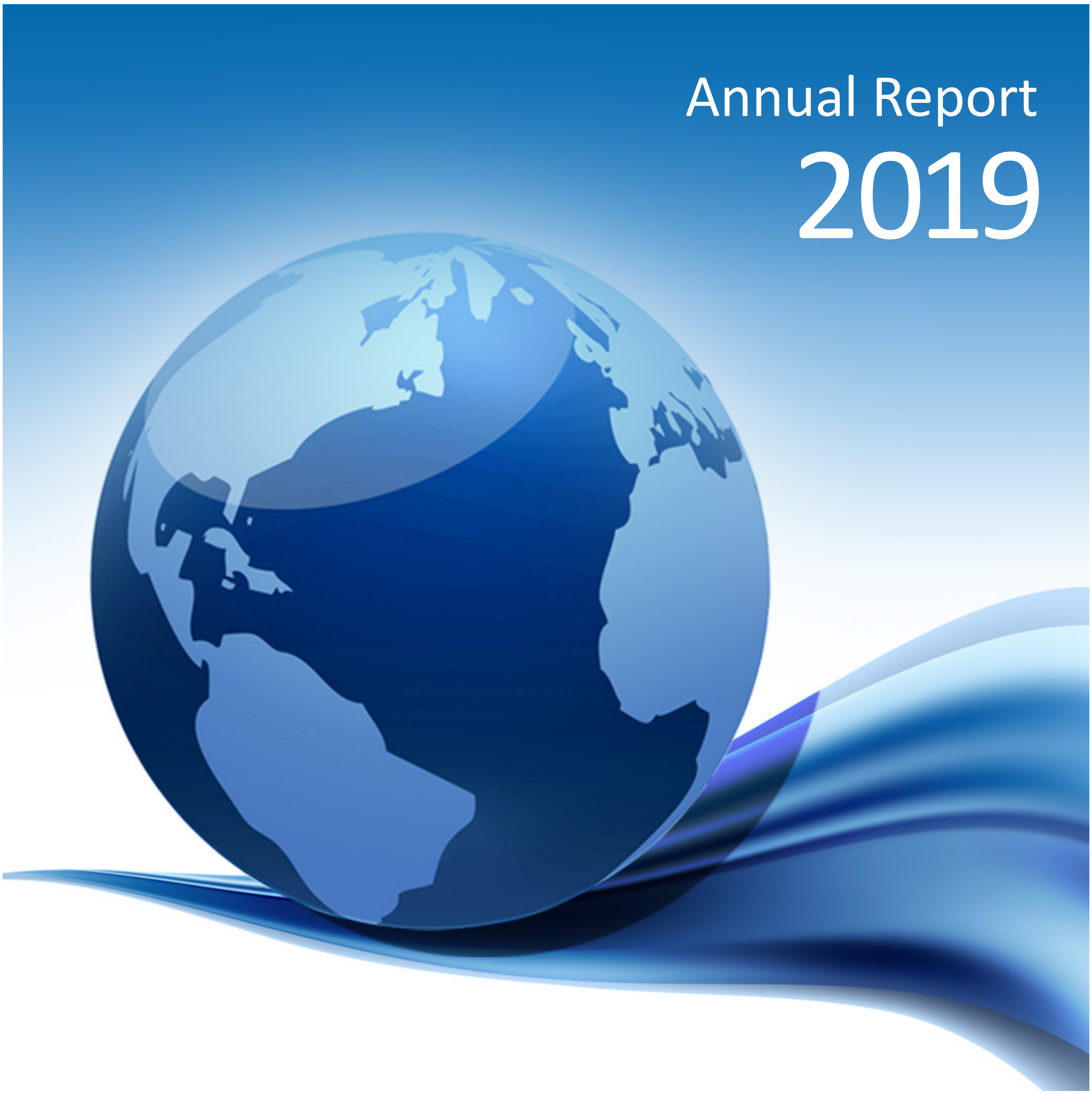
Wespath

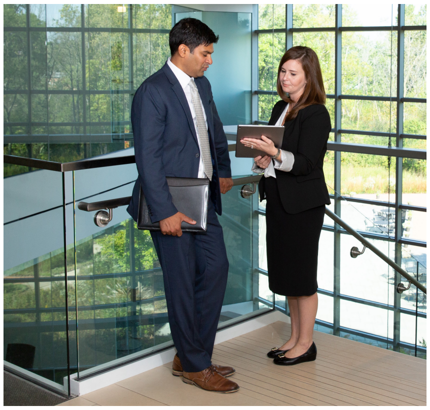
BENEFITS | INVESTMENTS

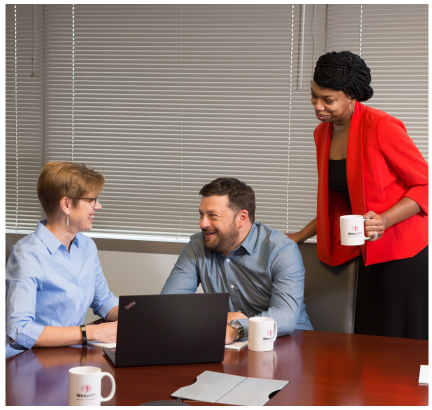
Annual Report 2019



a general agency of The United Methodist Church

This 2019 Annual Report covers the period January 1-December 31, 2019—prior to the novel coronavirus (COVID-19) global pandemic and financial fallout. As such, financial results reported in this Annual Report do not reflect fund performance related to COVID-19 impact and market volatility experienced in early 2020. Such impacts will be reflected in Wespath's 2020 Annual Report. Despite intense market volatility in early 2020, Wespath continues to adhere to its long-term, disciplined investment strategy.





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

Growth in an Environment of Change

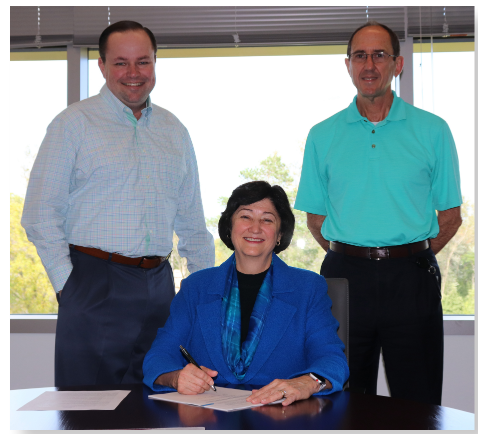
Wespath followed a trajectory of positive growth in 2019—even amid demographic, denominational and economic forces that impacted our work and results. Solid footing in 2019 helped Wespath weather the economic and health tsunami that hit globally in early 2020. As 2020 unfolds, we stay true to our long-term investment strategy and our commitment to the people and organizations that entrust their assets to our care.

Continued Growth

The January 2, 2019, launch of Wespath Institutional Investments LLC (WII) and new *I Series* of globally diversified funds marked a leap forward in Wespath's ability to serve a broader universe of Methodist-related institutional investors.

WII delineates endowment and foundation assets from benefits-related assets. Managing these separately gives Wespath flexibility to fine-tune investment solutions to meet the very different needs of our institutional clients and participants/benefit plan sponsors.

Wespath's role as an asset manager includes two streams: institutional assets (WII) and the benefits-related assets for over 100,000 clergy, lay employees, retirees and their families. Assets under management for the entire Wespath Benefits and Investments enterprise crossed the $25 billion* threshold—up from $21.9 billion a year ago. This was our highest year-over-year growth (on a U.S. dollars basis rather than % basis).



L-R: Wespath leaders Bill Kavanaugh, Barbara Boigegrain and Dave Zellner sign Wespath Institutional Investments LLC incorporation agreement, September 2018.

Making a Difference—Globally, Locally

In September, Wespath was recognized by the Principles for Responsible Investment (PRI) as one of 47 "worldwide leaders"–one of only three U.S.-based organizations to earn this distinction. Wespath was an original signatory to the PRI (formerly U.N. PRI) in 2006, which has since grown to over 2,300 organizations committed to responsible, sustainable investment principles.

Our history of impact investing runs deep. Since 1990, Wespath has committed more than $2 billion in Positive Social Purpose (PSP) Lending Program investments. With its focus on affordable housing and community development in the U.S. and microfinance in developing regions worldwide, the PSP Program strengthens communities while delivering market-rate returns aligned with our fiduciary responsibility.

We also have made a notable environmental impact at our agency home. In 2019, we transitioned to green-energy sourced electricity. We introduced composting, expanded recycling—and have diverted nearly 70% of our building's waste away from landfills.

*$25.6 billion as of December 31, 2019

Continuing to Care for Those Who Serve

Since 1908, this agency has been rooted in our mission of caring for those who serve. Within the context of denominational evolution, we remain committed to our role as a trusted fiduciary for the people and plan sponsors that do God's work around the world.

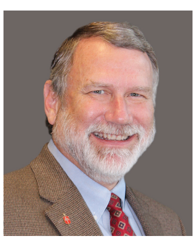
For The United Methodist Church, 2019 will be remembered as a year of intense dialogue, as the Church struggled to define a path for divergent scriptural interpretations. Amid the cacophony, Wespath has stood firmly neutral—a non-anxious, steady and trusted servant. We have spent several years planning for various scenarios, with a commitment to protecting participant benefits, mitigating risks as feasible, and being able to serve denominations that share Methodist roots. As such, Wespath is well-prepared to continue our mission into the future, assuring continuity and familiarity for related new faith expressions that might emerge.

Wespath serves an increasingly global Church. We continue to fortify relationships with our brothers and sisters in faith through the Central Conference Pensions program, which provides financial support for retirees outside the U.S.

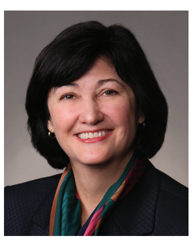
Continuity Through Change

As an organization whose seeds were planted in 1908 and whose vision looks far into the 21st Century, we stand confident in our ability to adapt to changes around us. Where others see obstacles, we see opportunities. We embrace our calling to continue supporting individuals and institutions whose vital ministries are transforming the world.

Yours in service to Christ,



Bishop Robert Schnase
Chair,
Board of Directors



Barbara A. Boigegrain
General Secretary
and Chief Executive Officer

2019 Highlights

Serving Others

- Participants: **Over 100,000**
- Plan sponsors: **Over 4,600**
- Institutional clients: **Over 130**

Central Conference Pensions

- **13** site visits in Africa and the Philippines
- **$10.16 million** pension distributions since inception
- **3,278** retirees and surviving spouses receiving support

Assets under Management

- **$25.6 billion** with new inflows of more than $150 million

External Recognitions

- PRI Rating:
  - – **A+** for Strategy and Governance in sustainable investing
  - – 2019 **Leaders' Group** (global leadership: ESG integration)
- Illinois' Healthiest Employer—**1st place**, mid-size employers
- Best and Brightest Companies to Work For®—**National, Regional**
- Environmental Sustainability Award (Glenview, IL)—**Gold**

Positive Social Purpose Lending Program

(2019 activity):

- **$29.1 million** in investment activity, including **657** new rental housing units
- Over **$2 billion** invested since 1990—in **50** states and on **4** continents

Low-Carbon Investments

(2019 activity): **$300 million** committed to new low-carbon transition-ready strategies

Reducing Wespath's Environmental Footprint

- Introduced **composting**; expanded recycling
- Transitioned electricity to **100% green-energy** certified provider
- **Environmentally-friendly** construction materials

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 administration expenses. The annual cost from the three components, as a ratio to our average portfolio value, was 57.4 basis points in 2019 and 59.6 basis points in 2018.

A Message from
the Chief Investment Officer

An Investment Landscape in Motion

A multitude of factors, including global politics and policies, megatrends and consumer preferences, as well as unanticipated events, like natural disasters and pandemics, all play a role in shaping the ever-changing investment landscape.

As a fiduciary, we are responsible for securing the retirement futures of over 100,000 benefit plan participants and serving the missions of more than 130 institutional investors. The unpredictable nature of markets underscores the importance Wespath places on adhering to a long-term, disciplined investment thesis that we believe will provide and protect for the future.

We continue to follow this strategy in both up markets—like we saw in 2019—and down markets—like we saw in 2018 and are now witnessing in early 2020. Our long-term strategy has successfully stood the test of time. We are confident that our investment approach is prudent and will continue to faithfully serve our stakeholders.

2019 Markets Eclipse the Most Optimistic Projections

Markets eclipsed analysts' expectations in 2019, strongly rebounding from the correction witnessed in 2018. The year ended on a high note, as the longest running economic expansion on record forged ahead.

The S&P 500 returned 31.5% for the year, its strongest performance since 2013. Gains were led by technology giants and household names Apple and Microsoft.

Markets reacted favorably to continued optimism supported by positive economic fundamentals. The U.S. labor market remained strong—as the rate of unemployment reached 50-year lows. Inflation, as measured by the Consumer Price Index (CPI), was subdued in 2019—running just under 2%. Consumer and small business sentiment remained elevated. Stock buybacks also boosted markets, as they offset the observed movements from mutual funds out of equities and into bonds.

International markets were resilient, even as investors were tested by global trade tensions and slower growth in Europe, China and India. The MSCI All Country World Index (ACWI) ex-USA Investable Market Index (IMI) returned 21.6% for 2019.

Also broadly benefitting markets, the U.S. Federal Reserve cut interest rates three times during the year. Global central banks followed, adopting more accommodative stances.

All of the funds offered by Wespath and its subsidiaries produced positive investment results in 2019. Benchmark-relative performance was mixed, as the markets' rally set the bar high for fund outperformance. Notably, Wespath's International Equity Fund–P Series returned 25.23%, outperforming its benchmark, the MSCI ACWI ex USA IMI, by 3.6 percentage points.

> *"The unpredictable nature of markets underscores the importance Wespath places on adhering to a long-term, disciplined investment thesis that we believe will provide and protect for the future."*

Momentum Continues Toward the Sustainable Future

Wespath views sustainable investment as a key element of our fiduciary duty. We work internally and externally to promote financial, environmental and social sustainability—ultimately geared toward achieving positive long-term performance.

November marked the one-year anniversary of the first-ever low-carbon, enhanced-passive "Transition Ready" (TR) strategy, which Wespath launched in collaboration with BlackRock. This sector-neutral strategy uses a proprietary framework to recommend overweighting companies with greater "Transition Readiness characteristics"—for example, those using natural resources more efficiently and investing in carbon-efficient technologies—and underweighting those that are less prepared for the transition to a low-carbon economy. The first two TR strategies implemented were benchmarked to the Russell 1000 Value Index and MSCI World ex-US Index.

One-year performance for the two TR strategies was commendable; both have outperformed their benchmarks. More importantly, we believe these strategies will outperform over the long-term as the world continues its transition.

A Message from
the Chief Investment Officer

We continue to expand the Transition Ready framework—in 2019, we shifted $300 million from a passively managed U.S. Russell Top 200 Index portfolio to a third TR strategy.

We also continue to focus on the risks and opportunities associated with the low-carbon transition through our corporate engagement activities. We believe that our shareholder voice grows stronger when we partner with like-minded investors to support a sustainable global economy.

Wespath in 2019 co-led a team of 25 investors across six countries to engage with a major oil and gas company through the Climate Action 100+, an initiative that seeks commitments from the world's largest greenhouse gas emitters in alignment with the Paris Climate Agreement. Our engagement resulted in the company conducting climate scenario analysis, publishing an enhanced climate assessment report, joining the Oil and Gas Climate Initiative and agreeing to set greenhouse gas emissions reduction goals.

Another engagement—this time with Occidental Petroleum—resulted in the chief executive officer announcing a goal of becoming "carbon neutral." Occidental is the first major U.S. oil company to make this commitment. Wespath is pleased that our voice as a sustainable investor influenced this oil industry leader.

We also urged the companies in which we invest to provide enhanced, decision-useful sustainability-related financial disclosures. Through the Sustainable Accounting Standard Board's (SASB) Investor Advisory Group, we developed a unique partnership with BlackRock. This was SASB's first pairing of an asset owner (Wespath) with an investment manager (BlackRock). Together, we engaged three companies that adopted the SASB reporting standards.

We also engaged companies on broader social issues including those related to opioid accountability, human rights and board diversity.

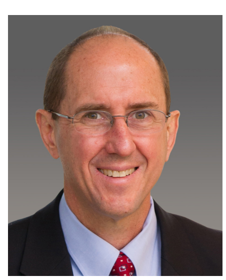
Finally, 2019 saw the release of Wespath's fourth Sustainable Investment Report, which details the sustainable investment work carried out on behalf of our investors. The report reaffirms our organization's vision for a sustainable future.

Positioned for the Future

As we turn to the year ahead, we stay informed and alert regarding global events, emerging trends, policies and preferences, while closely adhering to our long-term perspective. Early 2020 has seen a market-moving, unprecedented global pandemic—we continue to closely monitor its impact on our stakeholders and their communities. We also will maintain focus on the U.S. presidential election, global trade negotiations, Britain's ability to successfully maneuver the aftermath of its exit from the European Union, and whether the global rise of populism/nationalism will subside.

The January 2, 2019, launch of Wespath Institutional Investments LLC and a new line of funds for our institutional clients reaffirmed our commitment to continued growth regardless of any restructure decisions made within the Church. And we grew! In 2019, we raised over $150 million in new institutional assets and welcomed six new institutional clients.

As a prudent fiduciary, we will continue to evolve, looking toward the future. We carefully monitor shorter-term market movements, but continue to position Wespath's funds to reflect our long-term views on future financial growth, ensuring we are best positioned for our investors and the participants across the world who have entrusted their financial well-being to our care.



Dave Zellner
Chief Investment Officer

Summary*

Financial Markets and Investment Results—*P Series*

Net-of-fees; as of 12/31/2019

Multiple Asset Fund (MAF)

Fund: +21.08% Benchmark[1]: +20.78%

Relative Performance (percentage points): ▲ 0.30

- MAF has a target allocation of 35 percent U.S. Equity Fund, 30 percent International Equity Fund, 25 percent Fixed Income Fund, and 10 percent Inflation Protection Fund, all of which gained in value in 2019. Domestic and international markets were supported by strong U.S. employment and positive developments in U.S.-China trade talks, as well as a new trade agreement between the U.S., Canada and Mexico.
- For the year, the International Equity Fund and Fixed Income Fund positively contributed to benchmark-relative performance, while the U.S. Equity Fund and Inflation Protection Fund detracted from relative performance.

Total Assets: **$6,313M**

U.S. Equity Index Fund (USEIF)

Fund: +30.88% Benchmark[2]: +31.02%

Relative Performance (percentage points): ▼ 0.14

- In 2019, the fund benefitted from an accommodative Federal Reserve, a robust U.S. jobs market, strength in the technology sector and progress in U.S.-China trade talks.
- The U.S. Equity Index Fund is a passively managed fund designed to closely track the fund benchmark, less fees and expenses. Wespath's Exclusions Policy positively impacted benchmark-relative performance during the year.

Total Assets: **$60M**

U.S. Equity Fund (USEF)

Fund: +29.55% Benchmark[2]: +31.02%

Relative Performance (percentage points): ▼ 1.47

- In 2019, the fund benefitted from an accommodative Federal Reserve, a robust U.S. jobs market, strength in the technology sector and progress in U.S.-China trade talks.
- The fund's allocation to the alternative strategies of private equity and private real estate, as well as the strategic overweight to small- and mid-sized company stocks and corresponding underweight to large-company stocks, detracted from benchmark-relative performance. However, the fund's investment managers collectively delivered strong benchmark-relative performance.

Total Assets: **$6,600M**

International Equity Fund (IEF)

Fund: +25.23% Benchmark[3]: +21.63%

Relative Performance (percentage points): ▲ 3.60

- In 2019, international stocks benefitted from accommodative central bank policies, low unemployment and strength in the technology sector—as well as progress in negotiating international trade agreements and resolution to Britain's exit from the European Union.
- Active management contributed the most to the fund's benchmark-relative performance during the year as the majority of IEF's active managers outperformed their respective benchmarks. Exposure to private equity and private real estate detracted from relative performance.

Total Assets: **$5,124M**

Detailed information about the fund performance and fund benchmarks can be found on pages 44-45 of this report. Investment performance is presented net-of-fees—that is, with the deduction of external investment management fees, custody fees, and administrative and overhead expenses. Fees are reflected in the performance of the funds and can therefore affect benchmark-relative performance.

Summary*

Financial Markets and Investment Results—*P Series*

Net-of-fees; as of 12/31/2019

Fixed Income Fund (FIF)

Fund: +10.23% Benchmark[4]: +10.19%

Relative Performance (percentage points): ▲ 0.04

- The fund delivered robust performance in 2019 due to an accommodative monetary policy from global central banks, a decrease in U.S. Treasury yields and tightening credit spreads.
- The fund's overweight exposure to below-investment-grade corporate bonds and bonds issued by developing countries (emerging markets) contributed positively to benchmark-relative performance for the year. FIF's investments in high-quality U.S. agency commercial mortgage backed securities and affordable housing loans issued through the Positive Social Purpose Lending Program detracted from relative performance.

Total Assets: **$5,830M**

Social Values Choice Equity Fund (SVCEF)

Fund: +29.23% Benchmark[6]: +28.76%

Relative Performance (percentage points): ▲ 0.47

- SVCEF's mix of stocks from U.S. and international markets benefitted from accommodative central bank policies, low unemployment and strength in the technology sector—as well as progress in negotiating international trade agreements and resolution to Britain's exit from the European Union.
- SVCEF is a passively managed fund designed to closely match the fund benchmark, less fees and expenses. The fund's policy of adjusting the value of international stocks based on the closing value of U.S. stocks contributed positively to benchmark-relative performance for the year.

Total Assets: **$93M**

Inflation Protection Fund (IPF)

Fund: +8.86% Benchmark[5]: +9.17%

Relative Performance (percentage points): ▼ 0.31

- The fund gained during the year due to declining interest rates on U.S. Inflation Protected Securities, as well as strong performance from developing country (emerging market) inflation-linked government bonds and rising commodity prices.
- Strong benchmark-relative performance by the fund's commodity futures and emerging market inflation-linked bonds managers contributed positively to IPF's benchmark-relative performance for the year. The fund's underweight to U.K. inflation-linked bonds also contributed positively to relative performance.

Total Assets: **$2,004M**

Extended Term Fixed Income Fund (ETFIF)

Fund: +14.04% Benchmark[7]: +19.59%

Relative Performance (percentage points): ▼ 5.55

- The fund posted meaningful performance as a declining interest rate environment positively contributed to increased valuation of long-duration securities in 2019.
- The fund's intentional policy of maintaining a lower sensitivity to interest rate movements until interest rates return to higher levels was a large detractor from its benchmark-relative performance for the year. ETFIF's asset managers generally outperformed their benchmarks and contributed positively to relative performance.

Total Assets: **$1,004M**

Detailed information about the fund performance and fund benchmarks can be found on pages 44-45 of this report. Investment performance is presented net-of-fees—that is, with the deduction of external investment management fees, custody fees, and administrative and overhead expenses. Fees are reflected in the performance of the funds and can thereforeaffect benchmark-relative performance.

Summary*

Financial Markets and Investment Results—*P Series*

Net-of-fees; as of 12/31/2019

Social Values Choice Bond Fund (SVCBF)

Fund: +10.39% Benchmark[8]: +10.19%

Relative Performance (percentage points): ▲ 0.20

- The fund delivered robust performance in 2019 due to accommodative monetary policy from global central banks, which resulted in lower interest rates, as well as decreases in U.S. Treasury yields and credit spreads.
- The fund's asset manager delivered strong benchmark-relative performance.

Total Assets: **$99M**

Stable Value Fund (SVF)

Fund: +1.86% Benchmark[10]: +2.28%

Relative Performance (percentage points): ▼ 0.42

- The Stable Value Fund produced a modest positive rate of return in 2019 consistent with the general level of short-term interest rates, as designed.
- The fund's under exposure to very-short-term interest rates compared to the fund benchmark detracted from benchmark-relative results, as three-month Treasury bill rates were generally higher than one-year to three-year U.S. Treasury bills and notes.

Total Assets: **$373M**

U.S. Treasury Inflation Protection Fund (USTPF)

Fund: +8.43% Benchmark[9]: +8.75%

Relative Performance (percentage points): ▼ 0.32

- The fund gained during the year due to declining interest rates on U.S. Inflation Protected Securities.
- The U.S. Treasury Inflation Protection Fund is a passively managed fund designed to closely match the performance of its benchmark, less fees and expenses.

Total Assets: **$703M**

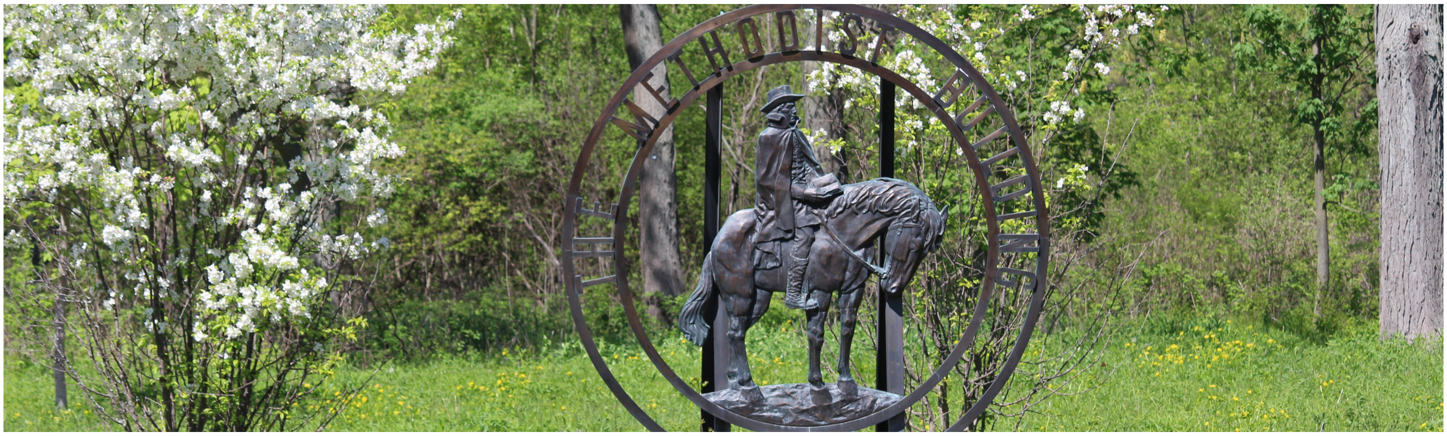
Short Term Investment Fund (STIF)

Fund: +2.54% Benchmark[11]: +2.28%

Relative Performance (percentage points): ▲ 0.26

- Three rate cuts by the Federal Reserve drove down interest rates, which benefitted the fund.
- Tightening credit spreads and bonds with longer maturities, which benefitted from declining rates, positively contributed to the fund's benchmark-relative performance.

Total Assets: **$202M**



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PERFORMANCE—*P SERIES* (net-of-fees; as of 12/31/2019)[12,13]

Fund	1-Year	3-Years	5-Years	10-Years	Inception[14]
Multiple Asset Fund (MAF)	21.08%	10.27%	7.21%	8.34%	7.39%
MAF Benchmark[1]	20.78%	9.73%	7.29%	8.50%	7.07%
U.S. Equity Fund (USEF)	29.55%	13.66%	10.38%	12.64%	7.45%
USEF Benchmark[2]	31.02%	14.57%	11.24%	13.42%	7.76%
U.S. Equity Index Fund (USEIF)	30.88%	14.38%	10.91%	–	10.91%
USEIF Benchmark[2]	31.02%	14.57%	11.24%	–	11.24%
International Equity Fund (IEF)	25.23%	12.13%	6.93%	6.03%	6.63%
IEF Benchmark[3]	21.63%	9.84%	5.71%	5.21%	5.29%
Fixed Income Fund (FIF)	10.23%	5.12%	3.79%	4.65%	5.51%
FIF Benchmark[4]	10.19%	4.62%	3.70%	4.47%	5.12%
Inflation Protection Fund (IPF)	8.86%	3.60%	2.62%	3.36%	3.84%
IPF Benchmark[5]	9.17%	3.84%	4.03%	4.15%	4.57%
Social Values Choice Equity Fund (SVCEF)*	29.23%	13.15%	8.91%	–	8.91%
SVCEF Benchmark[6]	28.76%	13.12%	9.04%	–	9.04%
Extended Term Fixed Income Fund (ETFIF)	14.04%	6.26%	–	–	4.85%
ETFIF Benchmark[7]	19.59%	8.07%	–	–	6.11%
Social Values Choice Bond Fund (SVCBF)	10.39%	–	–	–	4.21%
SVCBF Benchmark[8]	10.19%	–	–	–	4.32%
U.S. Treasury Inflation Protection Fund (USTPF)	8.43%	–	–	–	3.51%
USTPF Benchmark[9]	8.75%	–	–	–	3.75%
Stable Value Fund (SVF)	1.86%	1.71%	2.15%	2.35%	2.99%
SVF Benchmark[10]	2.28%	1.67%	1.92%	2.20%	2.77%
Short Term Investment Fund (STIF)	2.54%	1.68%	1.11%	0.67%	1.43%
STIF Benchmark[11]	2.28%	1.67%	1.07%	0.58%	1.39%

*Formerly the Equity Social Values Plus Fund

Additional information regarding fund performance is available on Wespath's website at the following web addresses:

- For monthly economic commentary and discussion of investment performance results: **https://www.wespath.org/retirement-investments/publications-and-reports/monthly-investment-report**
- *Investment Funds Description—P Series*: **https://www.wespath.org/assets/1/7/3052.pdf**

Summary*

Financial Markets and Investment Results—*I Series*

Net-of-fees; as of 12/31/2019

Multiple Asset Fund—I Series (MAF-I)

Fund: +21.44% Benchmark[15]: +20.78%

Relative Performance (percentage points): ▲ 0.66

- MAF-I has a target allocation of 35 percent USEF-I, 30 percent IEF-I, 25 percent FIF-I, and 10 percent IPF-I, all of which gained in value in 2019. Domestic and international markets were supported by strong U.S. employment and positive developments in U.S.-China trade talks, as well as a new trade agreement between the U.S., Canada and Mexico.
- For the year, IEF-I and FIF-I positively contributed to benchmark-relative performance, while USEF-I and IPF-I detracted from relative performance.

Total Assets: **$1,330M**

U.S. Equity Index Fund—I Series (USEIF-I)

Fund: +30.81% Benchmark[16]: +31.02%

Relative Performance (percentage points): ▼ 0.21

- In 2019, the fund benefitted from an accommodative Federal Reserve, a robust U.S. jobs market, strength in the technology sector and progress in U.S.-China trade talks.
- The U.S. Equity Index Fund-I Series is a passively managed fund designed to closely track the fund benchmark, less fees and expenses. Wespath's Exclusion Policy positively impacted benchmark-relative performance during the year.

Total Assets: **$68M**

U.S. Equity Fund—I Series (USEF-I)

Fund: +30.18% Benchmark[16]: +31.02%

Relative Performance (percentage points): ▼ 0.84

- In 2019, the fund benefitted from an accommodative Federal Reserve, a robust U.S. jobs market, strength in the technology sector and progress in U.S.-China trade talks.
- The fund's allocation to the alternative strategies of private equity and private real estate, as well as the strategic overweight to small- and mid-sized company stocks and corresponding underweight to large-company stocks, detracted from benchmark-relative performance. However, the fund's investment managers collectively delivered strong benchmark-relative performance.

Total Assets: **$840M**

International Equity Fund—I Series (IEF-I)

Fund: +25.91% Benchmark[17]: +21.63%

Relative Performance (percentage points): ▲ 4.28

- In 2019, international stocks benefitted from accommodative central bank policies, low unemployment and strength in the technology sector—as well as progress in negotiating international trade agreements and resolution to Britain's exit from the European Union.
- Active management contributed the most to the fund's benchmark-relative performance during the year, as the majority of IEF-I's active managers outperformed their respective benchmarks. Exposure to private equity and private real estate detracted from relative performance.

Total Assets: **$613M**

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Summary*

Financial Markets and Investment Results—*I Series*

Net-of-fees; as of 12/31/2019

Fixed Income Fund—I Series (FIF-I)

Fund: +10.37% Benchmark[18]: +10.19%

Relative Performance (percentage points): ▲ 0.18

- The fund delivered robust performance in 2019 due to an accommodative monetary policy from global central banks, a decrease in U.S. Treasury yields and tightening credit spreads.
- FIF-I's overweight exposure to below-investment-grade corporate bonds and bonds issued by developing countries (emerging markets) contributed positively to benchmark-relative performance for the year. The fund's investments in high-quality U.S. agency commercial mortgage backed securities and affordable housing loans issued through the Positive Social Purpose Lending Program detracted from relative performance.

Total Assets: **$629M**

U.S. Treasury Inflation Protection Fund—I Series (USTPF-I)

Fund: +8.42% Benchmark[20]: +8.75%

Relative Performance (percentage points): ▼ 0.33

- The fund gained during the year due to declining interest rates on U.S. Inflation Protected Securities.
- The U.S. Treasury Inflation Protection Fund-I Series is a passively managed fund designed to closely match the performance of its benchmark, less fees and expenses.

Total Assets: **$68M**

Inflation Protection Fund—I Series (IPF-I)

Fund: +9.10% Benchmark[19]: +9.17%

Relative Performance (percentage points): ▼ 0.07

- The fund gained during the year due to declining interest rates on U.S. Inflation Protected Securities, as well as strong performance from emerging market inflation-linked government bonds and the impact from rising commodity prices.
- Strong benchmark-relative performance by the fund's commodity futures and emerging market inflation-linked bonds managers contributed positively to IPF-I's benchmark-relative performance for the year. The fund's underweight to U.K. inflation-linked bonds also contributed positively to relative performance.

Total Assets: **$191M**

Short Term Investment Fund—I Series (STIF-I)

Fund: +2.32% Benchmark[21]: +2.28%

Relative Performance (percentage points): ▲ 0.04

- Three rate cuts by the Federal Reserve drove down interest rates, which benefitted the fund.
- Tightening credit spreads and bonds with longer maturities, which benefitted from declining rates, positively contributed to the fund's benchmark-relative performance.

Total Assets: **$20M**

Detailed information about the fund performance and fund benchmarks can be found on pages 44-45 of this report. Investment performance is presented net-of-fees—that is, with the deduction of external investment management fees, custody fees, and administrative and overhead expenses. Fees are reflected in the performance of the funds and can therefore affect benchmark-relative performance.

PERFORMANCE—*I SERIES* (net-of-fees; as of 12/31/2019)[12,13]

Fund	1-Year	3-Years	5-Years	10-Years	Inception[14]
Multiple Asset Fund (MAF-I)	21.44%	–	–	–	21.44%
MAF-I Benchmark[15]	20.78%	–	–	–	20.78%
U.S. Equity Fund (USEF-I)	30.18%	–	–	–	30.18%
USEF-I Benchmark[16]	31.02%	–	–	–	31.02%
U.S. Equity Index Fund (USEIF-I)	30.81%	–	–	–	30.81%
USEIF-I Benchmark[16]	31.02%	–	–	–	31.02%
International Equity Fund (IEF-I)	25.91%	–	–	–	25.91%
IEF-I Benchmark[17]	21.63%	–	–	–	21.63%
Fixed Income Fund (FIF-I)	10.37%	–	–	–	10.37%
FIF-I Benchmark[18]	10.19%	–	–	–	10.19%
Inflation Protection Fund (IPF-I)	9.10%	–	–	–	9.10%
IPF-I Benchmark[19]	9.17%	–	–	–	9.17%
U.S. Treasury Inflation Protection Fund (USTPF-I)	8.42%	–	–	–	8.42%
USTPF-I Benchmark[20]	8.75%	–	–	–	8.75%
Short Term Investment Fund (STIF-I)	2.32%	–	–	–	2.32%
STIF-I Benchmark[21]	2.28%	–	–	–	2.28%

Additional information regarding fund performance is available on Wespath's website at the following web addresses:

- For monthly economic commentary and discussion of investment performance results: **https://www.wespath.com/funds/monthly-investment-report**
- *Investment Funds Description—I Series*: **https://www.wespath.com/assets/1/7/5263.pdf**

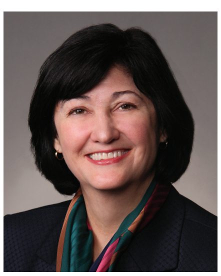
Management's Report
on Financial Statements

We have prepared the accompanying combined financial statements of Wespath Benefits and Investments (Wespath) for the years ended December 31, 2019 and 2018. We are responsible for the content and integrity of the financial statements as well as the other financial information and supplemental schedules 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 and supplemental schedules included in this annual report are 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.

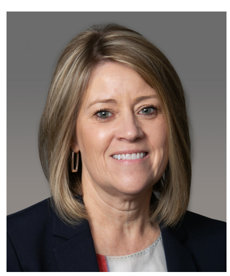
Wespath's financial statements have been audited by Grant Thornton LLP, independent certified public accountants, whose report appears on page 15. Grant Thornton LLP was given unrestricted access to all financial records and related information, including minutes of meetings of the boards of directors 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 controls. In addition, Wespath has an Audit Committee that oversees the internal and external audit processes. (See the Audit Committee section on page 40).



Barbara A. Boigegrain
General Secretary
and Chief Executive Officer



Eileen M. Kane
Chief Financial and
Information Officer

Report of Independent Certified Public Accountants

GrantThornton

GRANT THORNTON LLP
Grant Thornton Tower
171 N. Clark Street, Suite 200
Chicago, IL 60601-3370

D +1 312 856 0200
F +1 312 565 4719

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 and liabilities and net assets as of December 31, 2019 and 2018, and the related combined statements of operations and changes in net assets, changes in plan accumulations, plan sponsor deposits and endowments, and cash flows for the years then ended, and the related 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, 2019 and 2018, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary information
Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The Combining Statement of Assets and Liabilities and Net Assets as of December 31, 2019 and Combining Statement of Operations and Changes in Net Assets for the year ended December 31, 2019 are presented for purposes of additional analysis and are not a required part of the combined financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.

Grant Thornton LLP

Chicago, Illinois
May 27, 2020

Combined Statements of Assets and Liabilities and Net Assets

Assets (in thousands)	**December 31, 2019**	**December 31, 2018**
Investments (Notes 2, 3 and 5)		
Fixed income securities and contracts (Note 6)	$ 10,419,391	$ 8,937,260
Equity securities	10,031,428	7,501,016
Emerging market funds	1,363,412	1,074,217
Limited partnership investments (Note 2)	1,249,424	1,161,564
Cash equivalents	969,447	1,058,769
Securities loaned under securities lending agreements (Notes 2 and 4)	1,532,585	2,186,115
Total investments	25,565,687	21,918,941
Invested collateral from securities lending agreements (Note 4)	832,343	1,138,740
Other assets (Note 2)	607,074	422,668
Cash	23,153	32,906
Total assets	**$ 27,028,257**	**$ 23,513,255**

Liabilities and net assets (in thousands)	**December 31, 2019**	**December 31, 2018**
Plan accumulations, plan sponsor deposits and endowments (Note 2)		
Defined contribution plans	$ 9,305,243	$ 8,221,932
Defined benefit plans	4,656,294	4,030,389
Annuities	4,701,516	4,181,411
Disability, death and health benefit program deposits (Note 8)	2,019,083	1,721,006
Plan sponsor and other deposits	4,108,605	3,435,673
Endowments	59,114	48,618
Total plan accumulations, plan sponsor deposits and endowments	24,849,855	21,639,029
Payable under securities lending agreements (Note 4)	832,343	1,138,740
Other liabilities (Note 2)	1,274,386	678,377
Total liabilities	26,956,584	23,456,146
Net assets (Note 2)	71,673	57,109
Total liabilities and net assets	**$ 27,028,257**	**$ 23,513,255**

See accompanying "Notes to the Combined Financial Statements."

Combined Statements of Operations and Changes in Net Assets

Years Ended December 31 (in thousands)	**2019**	**2018**
Interest, dividend, partnership and trust investment income	$ 669,533	$ 662,431
Securities lending and other income	6,105	8,431
Investment income	675,638	670,862
Net realized gain on investments	668,440	979,050
Net unrealized gain (loss) on investments	2,820,957	(2,632,924)
Net gain (loss) on investments and investment income	4,165,035	(983,012)
Investment management and custodial fees	(84,681)	(87,755)
Net investment earnings (loss)	4,080,354	(1,070,767)
Operating expenses (Note 9)	(62,157)	(61,068)
Net earnings (loss) before allocation	4,018,197	(1,131,835)
Allocated net (earnings) loss to unitized funds (Note 7)	(4,012,330)	1,125,306
Allocated to net assets	8,697	7,920
Increase in net assets	14,564	1,391
Net assets (Note 2):		
Beginning of year	57,109	55,718
End of year	$ 71,673	$ 57,109

See accompanying "Notes to the Combined Financial Statements."

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

Year Ended December 31, 2019 (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	$ 8,221,932	$ 1,534,281	$ 229,855	$ (418,342)	$ (262,483)	$ 9,305,243
Defined benefit plans	4,030,389	791,469	131,524	(296,941)	(147)	4,656,294
Annuities	4,181,411	613,429	–	(360,031)	266,707	4,701,516
Disability, death and health benefit program deposits	1,721,006	338,926	157,142	(202,905)	4,914	2,019,083
Plan sponsor and other deposits	3,435,673	725,276	430,352	(488,421)	5,725	4,108,605
Endowments	48,618	8,949	5,040	(3,691)	198	59,114
Total plan accumulations, plan sponsor deposits and endowments	$ 21,639,029	$ 4,012,330	$ 953,913	$ (1,770,331)	$ 14,914	$ 24,849,855

Year Ended December 31, 2018 (in thousands)	**Balances Beginning of Year**	**Net Loss Allocated to Unitized Funds**	**Contributions and Deposits**	**Distributions and Withdrawals**	**Net Transfers and Other**	**Balances End of Year**
Defined contribution plans	$ 9,102,123	$ (451,821)	$ 225,899	$ (384,079)	$ (270,190)	$ 8,221,932
Defined benefit plans	4,419,837	(243,458)	147,270	(292,730)	(530)	4,030,389
Annuities	4,367,414	(107,960)	–	(349,647)	271,604	4,181,411
Disability, death and health benefit program deposits	1,869,943	(108,582)	153,948	(199,162)	4,859	1,721,006
Plan sponsor and other deposits	3,723,231	(210,399)	424,184	(502,194)	851	3,435,673
Endowments	52,677	(3,086)	88	(144)	(917)	48,618
Total plan accumulations, plan sponsor deposits and endowments	$ 23,535,225	$ (1,125,306)	$ 951,389	$ (1,727,956)	$ 5,677	$ 21,639,029

See accompanying "Notes to the Combined Financial Statements."

Combined Statements of Cash Flows

Years Ended December 31 (in thousands)	**2019**	**2018**
Cash flows from operating activities		
Increase in net assets	$ 14,564	$ 1,391
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,440	1,435
Net unrealized (gain) loss on investments	(2,820,957)	2,632,924
Net realized gain on investments	(668,440)	(979,050)
Undistributed loss (earnings)—limited partnership investments	10,093	(2,993)
Changes in assets and liabilities:		
Decrease (increase) in invested collateral from securities lending agreements	306,397	(137,051)
Increase in other assets	(177,665)	(138,014)
Increase (decrease) in other liabilities	596,266	(168,756)
(Decrease) increase in payable under securities lending agreements	(306,397)	137,051
Allocated to net assets	(8,697)	(7,920)
Net earnings (loss) allocated to unitized fund accounts	4,012,330	(1,125,306)
Contributions and deposits	953,913	951,389
Distributions and withdrawals	(1,770,331)	(1,727,956)
Net transfers and other	17,301	13,597
Net cash provided by (used in) operating activities	159,817	(549,259)
Cash flows from investing activities		
Purchases of investments	(47,635,926)	(37,225,235)
Sales of investments	47,468,484	37,787,420
Capital expenditures	(2,128)	(558)
Net cash (used in) provided by investing activities	(169,570)	561,627
Net (decrease) increase in cash	(9,753)	12,368
Cash at beginning of year	32,906	20,538
Cash at end of year	$ 23,153	$ 32,906

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 three legal entities: the Illinois Corporation and the UMC Benefit Board, Inc. (the Benefit Board), both Illinois not-for-profit corporations, and Wespath Institutional Investments LLC (WII), a tax-exempt Delaware limited liability company. Wespath has established other subordinate legal entities, including corporations, limited liability companies, and trusts, in order to carry out specific business activities most effectively. Assets and liabilities of these additional entities are included in the financial statements presented in this report. Collectively we refer to all legal entities 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 is the exempt investment adviser to and trustee for the *P Series* funds in which the plan assets and the trusteed assets of certain UMC-related institutions are invested. WII is trustee for and exempt investment adviser to the *I Series* funds, in which the trusteed assets of a broader range of institutional investors, such as foundations, hospitals, colleges and universities, children's homes and other organizations that are controlled by, associated with, or related to the UMC, pursuant to securities and tax law. The Benefit Board and WII are separate from but controlled by the Illinois Corporation through ownership or common directorship.

On January 2, 2019, approximately $2 billion of institutional client assets were transferred from the *P Series* funds, managed by the Benefit Board, to the *I Series* funds managed by WII.

Pension and retirement plans administered by Wespath:
As of December 31, 2019, 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 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 UMC-related institutions; and HealthFlex, providing group health coverage for those under 65 and access to retiree medical supplement options for employees and retirees of participating local churches, annual conferences, general agencies and other eligible UMC-related institutions.

Funding of benefit obligations: Plan sponsors are responsible for the funding 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 in accordance with plan documents, trust instruments, and Wespath's investment policies.

As of December 31, 2019, the Benefit Board administered 19 *P Series* 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. These groups can invest in the Short Term Investment Fund (STIF), and the U.S. Equity Index Fund (USEIF), which are not offered to plan participants, as well as the other nine funds listed above.

The Benefit Board 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 Opportunities Fund (SOF).

As of December 31, 2019, WII administered 12 *I Series* investment funds. Eight funds are available for direct investment by institutional investors: Multiple Asset Fund-I Series (MAF-I), Fixed Income Fund-I Series (FIF-I), Inflation Protection Fund-I Series (IPF-I), U.S. Equity Fund-I Series (USEF-I), International Equity Fund-I Series (IEF-I), U.S. Treasury Inflation Protection Fund-I Series (USTPF-I), U.S. Equity Index Fund-I Series (USEIF-I) and Short Term Investment Fund-I Series (STIF-I). WII also manages four funds that provide indirect exposure to specialized investment strategies for institutional investors: U.S. Private Real Estate Fund-I Series (USPREF-I), U.S. Private Equity Fund-I Series (USPEF-I), International Private Equity Fund-I Series (IPEF-I) and International Private Real Estate Fund-I Series (IPREF-I).

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 all accounts within Wespath's control. These financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP).

*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

Investments: All investment transactions are governed by the investment policy and guidelines of Wespath. In general, investments are stated at fair value. Changes in fair value of investments are recorded in the Statements of Operations as "Net unrealized gain (loss) on investments." Investment purchases and sales are recorded as of the trade date. Net gains and losses on the sale of investments are included in "Net realized gain on investments" in the Statements of Operations. 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.

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 third-party pricing vendors, 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, charter schools and microfinance loans primarily to low-income entrepreneurs in the developing world. 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, 2019 and 2018, Wespath had outstanding positive social purpose investments of $775 million and $801 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, other observable pricing information by independent third-party pricing services.

At December 31, 2019 and 2018, Wespath had outstanding commitments to provide $35 million and $34 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 investments in the SVF, 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, joint venture and real assets are carried at Wespath's share of the partnership's net asset value (NAV) or its equivalent based primarily on the most recent unaudited 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 based on the fair market value of the underlying securities.

The following table summarizes the fair value and unfunded commitments of limited partnerships, limited liability companies (joint venture) and emerging market funds as of December 31, 2019:

Investments Valued at NAV as of December 31, 2019

(in thousands)	Fair Value	Unfunded Commitments	Longest Redemption Notice Period
Open-end funds			
Real estate	$ 100,908	$ 10,247	90 days
Emerging market	1,363,412	–	120 days
Closed-end funds			
Real estate	451,571	430,390	
Real assets	118,718	6,105	
Private equity	558,498	326,179	
Joint Venture	19,729	28,042	
Total	**$ 2,612,836**	**$ 800,963**	

The following table summarizes the fair value and unfunded commitments of limited partnerships, limited liability companies (joint venture) and emerging market funds as of December 31, 2018:

Investments Valued at NAV as of December 31, 2018

(in thousands)	Fair Value	Unfunded Commitments	Longest Redemption Notice Period
Open-end funds	$	$	
Real estate	95,117	11,978	90 days
Emerging market	1,074,217	–	120 days
Closed-end funds			
Real estate	442,603	256,573	
Real assets	122,568	9,847	
Private equity	490,145	404,931	
Joint Venture	11,131	38,400	
Total	**$ 2,235,781**	**$ 721,729**	

Open-end real estate funds primarily invest in U.S. commercial real estate. These have an indefinite life, and investments may be redeemed with up to 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 primarily in equities of companies domiciled 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 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.

In 2018, Wespath, through its Special Opportunities Fund, entered into a limited liability company joint venture with Metro Storage to acquire and/or develop self-storage units. These investments cannot be sold until February 2024, at the earliest.

The total investment in the joint venture as of December 31, 2019 and 2018 was $19.7 million and $11.1 million, respectively.

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 $8,373 million and $7,140 million in 2019 and 2018, 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, 2019:

(in thousands)	Market Value of Securities on Loan	Collateral Held
Fixed Income Securities	$ 640,354	$ 654,521
Domestic Equity Securities	760,908	777,968
International Equity Securities	131,323	140,311
Total	**$ 1,532,585**	**$ 1,572,800**

The following table summarizes the fair value of securities on loan and the collateral held as of December 31, 2018:

(in thousands)	Market Value of Securities on Loan	Collateral Held
Fixed Income Securities	$ 906,439	$ 926,652
Domestic Equity Securities	1,052,079	1,076,798
International Equity Securities	227,597	237,745
Total	**$ 2,186,115**	**$ 2,241,195**

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 $10K 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 $1.4 million for 2019 and $1.4 million for 2018 is included in "Operating expenses" in the Statements of Operations. Receivables due from the purchasers of investments sold of $448 million and $266 million at December 31, 2019 and 2018, 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)	2019	2018
Land	$ 15,685	$ 15,685
Land improvements	3,779	3,753
Building	31,400	29,965
Computer and office equipment	20,759	20,177
	71,623	**69,580**
Less accumulated depreciation		
Land improvements	2,310	2,057
Building	6,919	6,157
Computer and office equipment	19,639	19,300
Property and equipment – net	**$ 42,755**	**$ 42,066**

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. This does not include actuarial or market losses which may be amortized over a term extending beyond that date. Plan sponsors of defined benefit plans contributed $132 million and $147 million to the plans in 2019 and 2018, respectively.

Annuities: Annuities are primarily lifetime monthly benefit payments for retired individuals that have been established under certain plans. Actuarially determined benefits are funded from the individual accounts of 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 $1.1 billion and $555 million at December 31, 2019 and 2018, respectively.

Net assets: Combined Net Assets at December 31, 2019 and 2018 represent Wespath's designated operating reserve of $42.2 million and $26.7 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. Wespath transferred $8.7 million and $7.9 million in 2019 and 2018, respectively, to its designated operating reserve.

Notes to the Combined Financial Statements

Note 3: Fair Value Measurements

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

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

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

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

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

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

Fixed income securities, such as domestic government or corporate bonds, are stated at fair value determined primarily by third-party pricing vendors. 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 (GICs) 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 2019 or 2018.

Notes to the Combined Financial Statements

The following table summarizes financial assets at fair value, by levels, as of December 31, 2019:

Asset Class (in thousands)	**Level 1**	**Level 2**	**Level 3**	**Investments**
Investments at fair value (non NAV)				
Domestic common stock[A]	$ 6,635,943	$ –	$ –	$ 6,635,943
International common stock[B]	4,251,814	–	3	4,251,817
Preferred stock[C]	27,186	333	–	27,519
Domestic government fixed income[D]	2,572,402	–	–	2,572,402
International government fixed income[E]	–	1,504,668	–	1,504,668
Domestic government and other agencies[F]	–	857,984	–	857,984
Municipal fixed income[G]	–	52,783	–	52,783
Corporate fixed income[H]	–	3,520,949	272,717	3,793,666
Asset-backed securities[I]	–	902,744	–	902,744
Collateralized loan obligations[J]	–	650,743	–	650,743
Risk management instruments[K]	23,518	440,703	–	464,221
Cash equivalents[L]	12,615	11,721	–	24,336
Total investments at fair value (non NAV)	**$ 13,523,478**	**$ 7,942,628**	**$ 272,720**	**$ 21,738,826**
Investments at fair value (NAV)				
Emerging market funds[M]				1,363,412
Private equity/real estate partnerships[N]				1,130,706
Real asset partnerships[O]				118,718
Total investments at fair value				**$ 24,351,662**
Cash equivalents at cost[P]				856,951
Wrap contracts at contract value[Q]				357,074
Total investments				**$ 25,565,687**

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 primarily 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 interest rates, and with 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 interest rates.

G Municipal fixed income is composed of various state and local municipality investments.

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

I Asset-backed securities are composed of both variable and fixed rate investments collateralized by a specific pool of underlying assets such as auto loans, credit card receivables, whole loans, etc.

J Collateralized loan obligations reflect the Positive Social Purpose private loan portfolio.

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 securities.

M Emerging market funds represent equity ownership of comingled funds that primarily invest in international publicly traded 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 or limited liability companies that hold commercial real estate debt and equity interests in real estate.

O Real asset partnerships include investments 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, 2019:

(in thousands)	Corporate Fixed Income	Asset-Backed Securities	International Common Stock	Total
Balance as of December 31, 2018	$ 274,434	$ 2	$ 3	$ 274,439
Purchases	125,790	–	–	125,790
Sales	(133,448)	–	(16)	(133,464)
Transfer out	–	–	–	–
Transfer in	–	–	–	–
Realized gains – net	1,581	–	–	1,581
Unrealized gains/(losses) – net	4,360	(2)	16	4,374
Balance as of December 31, 2019	**$ 272,717**	**$ 0**	**$ 3**	**$ 272,720**

Notes to the Combined Financial Statements

The following table summarizes financial assets at fair value, by levels, as of December 31, 2018:

Asset Class (in thousands)	**Level 1**	**Level 2**	**Level 3**	**Investments**
Investments at fair value (non NAV)				
Domestic common stock[A]	$ 5,275,129	$ –	$ –	$ 5,275,129
International common stock[B]	3,503,734	–	3	3,503,737
Preferred stock[C]	13,015	239	–	13,254
Domestic government fixed income[D]	2,184,866	–	–	2,184,866
International government fixed income[E]	–	1,389,519	–	1,389,519
Domestic government and other agencies[F]	–	849,824	–	849,824
Municipal fixed income[G]	–	46,128	–	46,128
Corporate fixed income[H]	–	3,263,791	274,434	3,538,225
Asset-backed securities[I]	–	713,087	2	713,089
Collateralized loan obligations[J]	–	655,000	–	655,000
Risk management instruments[K]	(7,195)	165,537	–	158,342
Cash equivalents[L]	1,301	49,176	–	50,477
Total investments at fair value (non NAV)	**$ 10,970,850**	**$ 7,132,301**	**$ 274,439**	**$ 18,377,590**
Investments at fair value (NAV)				
Emerging market funds[M]				1,074,217
Private equity/real estate partnerships[N]				1,038,996
Real asset partnerships[O]				122,568
Total investments at fair value				**$ 20,613,371**
Cash equivalents at cost[P]				922,848
Wrap contracts at contract value[Q]				382,722
Total investments				**$ 21,918,941**

The following table summarizes the change in fair value associated with Level 3 financial assets for the year ended December 31, 2018:

(in thousands)	**Corporate Fixed Income**	**Asset-Backed Securities**	**International Common Stock**	**Total**
Balance as of December 31, 2017	$ 266,930	$ 727	$ 3	$ 267,660
Purchases	166,697	3	–	166,700
Sales	(146,284)	(729)	–	(147,013)
Transfer out	–	–	–	–
Transfer in	–	–	–	–
Realized gains/(losses) – net	(1,831)	(1)	–	(1,832)
Unrealized gains/(losses) – net	(11,078)	2	–	(11,076)
Balance as of December 31, 2018	**$ 274,434**	**$ 2**	**$ 3**	**$ 274,439**

For Level 3 financial assests held at December 31, 2019 and 2018, the net changes in unrealized losses for the years then ended were $3.9 million and $14.2 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 $1,533 million and $2,186 million at December 31, 2019 and 2018, 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 $832 million and $1,139 million at December 31, 2019 and 2018, respectively. These amounts are offset by a liability recorded as "Payable under securities lending agreements." At December 31, 2019 and 2018, Wespath had received non-cash collateral of $741 million and $1,102 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, 2019:

Loan Type (in thousands)	**Overnight and Continuous**	**Up to 30 Days**	**30-90 Days**	**Greater than 90 Days**	**Total**
Fixed Income Securities	$ 288,811	$ –	$ –	$ –	$ 288,811
Domestic Equity Securities	434,914	–	–	–	434,914
International Equity Securities	108,365	253	–	–	108,618
Total	**$ 832,090**	**$ 253**	**$ –**	**$ –**	**$ 832,343**

The following table outlines the cash collateral received on securities loaned at December 31, 2018:

Loan Type (in thousands)	**Overnight and Continuous**	**Up to 30 Days**	**30-90 Days**	**Greater than 90 Days**	**Total**
Fixed Income Securities	$ 427,004	$ 6,006	$ –	$ –	$ 433,010
Domestic Equity Securities	529,002	–	–	–	529,002
International Equity Securities	168,857	7,481	–	390	176,728
Total	**$ 1,124,863**	**$ 13,487**	**$ –**	**$ 390**	**$ 1,138,740**

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, or facilitating asset allocation shifts when warranted. 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. 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)	2019	2018	Location on Balance Sheet
Forward Commitments			
Federal National Mortgage Association*	$ 430,542	$ 165,761	Fixed income securities
Federal National Mortgage Association*	(38,194)	–	Other liabilities
Contracts to sell foreign currency**	770,963	774,053	Other assets
Contracts to buy foreign currency**	(300,169)	(204,705)	Other liabilities
Contracts to buy equity futures			
S&P 500 Index**	(115,189)	(108,600)	Equity securities
Russell 2000 Index**	(12,196)	(9,241)	Equity securities
Other index futures**	(150,174)	(157,626)	Equity securities
Contracts to buy other futures			
Fixed income securities**	(319,599)	(52,568)	Equity securities
Cash and equivalents**	(19,256)	(342,935)	Equity securities
Commodities**	(220,520)	(183,950)	Equity securities
Other			
Net credit default swap contracts – long position*	3,180	(2,256)	Fixed income securities
Interest rate swap contracts – long position*	6,259	(3,435)	Fixed income securities
Inflation rate swap contracts – long position*	51	15	Fixed income securities
Zero coupon swap contracts – long position*	38	30	Fixed income securities
Purchased options*	617	5,423	Fixed income securities
Written options*	(790)	(5,752)	Other liabilities

* At fair value in balance sheet account indicated
** At notional value (related fair value is in balance sheet account indicated)

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

Derivative Investments (in thousands)	2019 Net Gains (Losses) on Investments		2018 Net Gains (Losses) on Investments	
	Realized	**Unrealized**	**Realized**	**Unrealized**
Forward commitments	$ 8,211	$ (1,055)	$ 527	$ 1,250
Foreign exchange contracts	28,764	(9,721)	24,503	7,300
Futures contracts	66,246	25,515	(33,382)	(28,495)
Credit default swap contracts	437	1,771	(252)	(2,429)
Interest rate swap contracts	(21,041)	8,710	2,535	(3,427)
Inflation rate swap contracts	–	36	–	(9)
Zero coupon swap contracts	(300)	(110)	758	101
Total return swap contracts	–	–	2	–
Options contracts	2,349	293	1,068	471
Total	**$ 84,666**	**$ 25,439**	**$ (4,241)**	**$ (25,238)**

Notes to the Combined Financial Statements

Note 6: Stable Value Fund

The Stable Value Fund invests in fixed income securites and GICs. GAAP requires that fair value be based upon the standard discounted cash flow methodology for traditional and variable GICs. Fair value is based on fair value of underlying portfolios for constant duration synthetic GICs.

The stable value fund GICs consist of constant duration and fixed maturity synthetic GICs, which are benefit-responsive. These are known as security-backed contracts.

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 and fixed maturity synthetic GICs was $357 million and $383 million at December 31, 2019 and 2018, 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 which include funding of the operating reserve as discussed in Note 2. 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.

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

(in thousands)	2019	2018
Premiums		
Medical	$ 144,462	$ 142,412
Other premiums	9,209	7,569
Total premiums	153,671	149,981
Claims		
Medical (net of rebates)	(127,247)	(120,366)
Other expenses	(10,272)	(11,306)
Total claims	(137,519)	(131,672)
Administration		
Wespath	(2,518)	(2,803)
Third-party	(9,412)	(9,286)
Total administration	(11,930)	(12,089)
Net experience	4,222	6,220
Investment earnings (losses)	14,607	(2,588)
Increase in accumulated reserves	18,829	3,632
Accumulated reserves		
Beginning of year	139,515	135,883
End of year	$ 158,344	$ 139,515

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

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)	2019	2018
Salaries	$ 29,209	$ 26,754
Current and retired employee benefits	9,703	8,525
Redirected employee benefit expenses	(1,251)	(3,393)
Professional services	9,369	9,084
Occupancy and other office expenses	3,628	3,798
Computers and other equipment	1,626	1,556
Meetings and travel	1,718	1,653
Reserve funding	2,387	7,920
Other expenses	5,768	5,171
Total operating expenses	**$ 62,157**	**$ 61,068**

All operating expenses are considered to be programmatic and are allocated to the unitized fund accounts or benefit plans. In 2019 and 2018 respectively, Wespath paid $1.3 million and $3.4 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 the IRC. The tax years ending 2016, 2017, 2018 and 2019 are still open to audit for both federal and state purposes. There were no material interest or penalties related to income taxes that have been accrued or recognized as of and for the years ended December 31, 2019 and 2018.

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 $23.5 million and $24.2 million as of December 31, 2019 and 2018, respectively, 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.

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 3.01%) that will be adjusted annually.

On January 2, 2019, the Illinois Corporation loaned WII $3.5 million for start-up costs, at a rate of 5.875% per year, maturing on January 1, 2029.

These three loans are intra-company loans that eliminate upon combination of the financial statements.

The annual principal payments on these loans are as follows:

Years ending December 31 (in thousands)		
2020	$	4,652
2021		4,809
2022		4,972
2023		3,795
2024		1,197
Thereafter		21,303
	$	**40,728**

NOTE 12:
SUBSEQUENT EVENTS

In preparing these financial statements, Wespath has evaluated events and transactions for potential recognition or disclosure through May 27, 2020, the date the financial statements were available to be issued.

On March 10, 2020, Wespath signed an agreement with the General Board of Global Ministries of The United Methodist Church, Inc. (GBGM) to assume the sponsorship of an IRC section 401(a) defined benefit plan, called the Collins Pension Plan for Missionaries, and a self-funded post-retirement health plan, called the Collins Health Benefits Trust. Both plans are "church plans" within the meaning of Section 3 (33) of the Employee Retirement Income Security Act of 1974 and Section 414(e) of the Internal Revenue Code of 1986.

Under the agreement, Wespath assumes from GBGM the sponsorship obligations of the two plans, and in return GBGM transfers all assets associated with the plans as of the effective date of the closing.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a pandemic. As a result of the COVID-19 pandemic, there have been disruptions occurring in economies globally subsequent to December 31, 2019. While Wespath is actively monitoring the situation, any impacts of the COVID-19 pandemic, including the impact on liquidity and the fair value of investments, cannot yet be quantified and have not been included in these financial statements.

Combining Statement of Assets and Liabilities and Net Assets

Year Ended December 31, 2019 **Assets** (in thousands)	WII and I-Series Funds	The Benefit Board and P-Series Funds	Other	Eliminations	Combined
Investments					
Fixed income securities and contracts	$ 774,099	$ 9,645,292	$ –	$ –	$ 10,419,391
Equity securities	1,152,236	8,879,192	–	–	10,031,428
Emerging market funds	138,896	1,224,516	–	–	1,363,412
Limited partnership investments	46,404	1,203,020	–	–	1,249,424
Cash equivalents	115,058	854,389	–	–	969,447
Securities loaned under securities lending agreements	193,480	1,339,105	–	–	1,532,585
Total investments	2,420,173	23,145,514	–	–	25,565,687
Invested collateral from securities lending agreements	101,261	731,082	–	–	832,343
Other assets	77,215	514,415	248,166	(232,722)	607,074
Cash	2,280	20,289	584	–	23,153
Total assets	**$ 2,600,929**	**$ 24,411,300**	**$ 248,750**	**$ (232,722)**	**$ 27,028,257**

Liabilities and net assets (in thousands)	WII and I-Series Funds	The Benefit Board and P-Series Funds	Other	Eliminations	Combined
Plan accumulations, plan sponsor deposits and endowments					
Defined contribution plans	$ –	$ 9,187,978	$ 117,265	$ –	$ 9,305,243
Defined benefit plans	–	4,647,388	8,906	–	4,656,294
Annuities	–	4,697,325	4,191	–	4,701,516
Disability, death and health benefit program deposits	–	2,015,432	3,651	–	2,019,083
Plan sponsor and other deposits	2,344,361	1,735,628	28,616	–	4,108,605
Endowments	–	31,488	27,626	–	59,114
Total plan accumulations, plan sponsor deposits and endowments	2,344,361	22,315,239	190,255	–	24,849,855
Payable under securities lending agreements	101,261	731,082	–	–	832,343
Other liabilities	154,619	1,308,474	44,015	(232,722)	1,274,386
Total liabilities	2,600,241	24,354,795	234,270	(232,722)	26,956,584
Net assets	688	56,505	14,480	–	71,673
Total liabilities and net assets	**$ 2,600,929**	**$ 24,411,300**	**$ 248,750**	**$ (232,722)**	**$ 27,028,257**

Combining Statement of Operations and Changes in Net Assets

December 31, 2019 (in thousands)	WII and I-Series Funds	The Benefit Board and P-Series Funds	Other	Eliminations	Combined
Interest, dividend, partnership and trust investment income (loss)	$ 58,909	$ 610,624	$ –	$ –	$ 669,533
Securities lending and other income	622	5,344	60,878	(60,739)	6,105
Investment income	59,531	615,968	60,878	(60,739)	675,638
Net realized gain on investments	65,759	602,681	–	–	668,440
Net unrealized gain (loss) on investments	292,134	2,528,823	–	–	2,820,957
Net gain on investments and investment income	417,424	3,747,472	60,878	(60,739)	4,165,035
Investment management and custodial fees	(6,953)	(77,622)	(106)	–	(84,681)
Net investment earnings	410,471	3,669,850	60,772	(60,739)	4,080,354
Operating expenses	(5,577)	(55,152)	(62,167)	60,739	(62,157)
Net earnings (loss) before allocation	404,894	3,614,698	(1,395)	–	4,018,197
Allocated net (earnings) loss to unitized funds	(404,822)	(3,615,688)	8,180	–	(4,012,330)
Allocated to (from) net assets	616	14,587	(6,506)	–	8,697
Increase (decrease) in net assets	688	13,597	279	–	14,564
Net assets:					
Beginning of year	–	42,908	14,201	–	57,109
End of year	$ 688	$ 56,505	$ 14,480	$ –	$ 71,673

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 reasonable under IRS guidelines considering 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 over $25 billion in assets under management, is the largest participating organization in the church survey.

Total Cash Compensation (in thousands) **2019**	
Chief Executive Officer	
For Profit*	$ 1,739.8
Composite**	$ 1,489.0
Wespath	$ 1,168.4
Chief Operating Officer	
For Profit*	$ 666.6
Composite**	$ 619.7
Wespath	$ 589.6
Chief Investment Officer	
For Profit*	$ 607.8
Composite**	$ 596.4
Wespath	$ 524.8
Chief Financial and Information Officer	
For Profit*	$ 594.9
Composite**	$ 522.3
Wespath	$ 429.1
Chief Legal Officer	
For Profit*	$ 567.8
Composite**	$ 515.5
Wespath	$ 421.6

* Median (50th percentile) of total cash compensation at for-profit organizations

** Median (50th percentile) of total weighted cash compensation including base salary from for-profit organizations (75%) 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
Chicago, IL
USEF-P, IEF-P – *private equity*

AMERRA Capital Management
New York, New York
IEF-P – *private equity*

Baillie Gifford
Edinburgh, SCT
IEF-I, IEF-P – *international equity*

BlackRock
San Francisco, CA; New York, NY
FIF-I, FIF-P – *corporate and agency fixed income*
ETFIF-P – *long duration fixed income*
USEF-I, USEF-P – *domestic equity*
USEIF-I, USEIF-P – *domestic equity*
IPF-I, IPF-P – *inflation-protected fixed income*
IEF-I, IEF-P – *international equity*

Blackstone Group
New York, NY
IEF-I, IEF-P – *private real estate*
FIF-I, FIF-P – *private real estate debt*

Brown Capital Management
Baltimore, MD
USEF-I, USEF-P – *domestic equity*

The Bank of New York Mellon
Pittsburgh, PA
USEF-I, USEF-P, USEIF-I, USEIF-P, SVCEF-P, ETFIF-P, IEF-I, IEF-P, FIF-I, FIF-P, IPF-I, IPF-P, SVF-P, STIF-I, STIF-P, SVCBF-P, USTPF-I, USTPF-P – *securities lending*

Cabot Properties
Boston, MA
USEF-P – *private real estate*

Capital Group
Los Angeles, CA
FIF-I, FIF-P – *emerging market debt*
IEF-I, IEF-P – *developed and emerging markets international equity*

CBRE Global Advisors
Los Angeles, CA
USEF-P, USEF-I – *private real estate*

Cerberus Capital Management
New York, NY
USEF-P – *private real estate*

Credit Suisse Asset Management
New York, NY
IPF-I, IPF-P – *senior secured loans*

Disciplined Growth Investors
Minneapolis, MN
USEF-I, USEF-P – *domestic equity*

Dodge & Cox
San Francisco, CA
SVF-P – *stable value fixed income*
ETFIF-P – *fixed income*

Equity International Management
Chicago, IL
IEF-P – *private real estate*

Genesis Investment Management
London, UK
IEF-I, IEF-P – *emerging markets equity*

Gresham Investment Management
New York, NY
IPF-I, IPF-P – *commodities*

Hancock Timber Resource Group
Boston, MA
IPF-P – *timber*

HarbourVest
Boston, MA
IEF-I, IEF-P – *private equity*

Hotchkis and Wiley Capital Management
Los Angeles, CA
USEF-I, USEF-P – *domestic equity*

Hutensky Capital
Hartford, CT
USEF-P – *private real estate*

Impax Asset Management
London, UK
USEF-I, USEF-P – *domestic equity*
IEF-I, IEF-P – *international equity*

JP Morgan Investment Management
New York, NY
USEF-I, USEF-P – *private equity*

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

INVESTMENT MANAGERS (continued)

Kabouter Management
Chicago, IL
IEF-I, IEF-P – *international equity*

Lone Star Funds
Dallas, TX
FIF-P – *private real estate, distressed debt and equity*

LSV Asset Management
Chicago, IL
USEF-I, USEF-P – *domestic equity*

Mellon Investments Corporation
Pittsburgh, PA; San Francisco, CA
Sweep Account – *short term fixed income*
SVF-P – *stable value fixed income*

Mondrian Investment
London, UK
IEF-I, IEF-P – *international equity*

Neuberger Berman Investment Advisers
Chicago, IL
FIF-P, SVF-P – *fixed income*
USTPF-I, USTPF-P – *inflation-protected fixed income*
IPF-I, IPF-P – *short duration fixed income*
ETFIF-P – *long duration fixed income*

Northern Trust Quantitative Advisers
Chicago, IL
USEF-I, USEF-P – *domestic equity*
SVCEF-P – *domestic and international sustainable equity*

Jaguar Listed Property
New York, NY
IEF-I, IEF-P – *international real estate*

Oaktree Capital Management
Los Angeles, CA
FIF-I, FIF-P – *high yield fixed income*
IEF-I, IEF-P – *emerging markets equity*

Pacific Investment Management (PIMCO)
Newport Beach, CA
FIF-I, FIF-P, SVCBF-P – *fixed income*
IPF-I, IPF-P – *emerging market inflation-protected fixed income*

Parametric Clifton
Minneapolis, MN
USEF-I, USEF-P – *U.S. equity index financial futures*
IEF-I, IEF-P – *international equity index financial futures*
MAF-I, MAF-P – *equity and fixed income financial futures*
ETFIF-P – *fixed income financial futures*

Pearlmark Real Estate
Chicago, IL
USEF-P – *private real estate*

PGIM Fixed Income
Newark, NJ
SVF-P – *stable value fixed income*
ETFIF-P – *fixed income*

PGIM Investments
Madison, NJ
USEF-I, USEF-P – *private real estate*

Prism Capital
Chicago, IL
USEF-P – *private equity*

The Rohatyn Group
New York, NY
IPF-P – *international infrastructure*

Schroders Investment Management
New York, NY
FIF-P – *fixed income*

Sprucegrove Investment Management
Toronto, ON, CA
IEF-I, IEF-P – *international equity*

Stafford Capital
Austin, TX
USEF-P – *private equity*

TA Associates Realty
Boston, MA
USEF-P – *private real estate*

Townsend Group
Cleveland, OH
USEF-I, USEF-P – *private real estate*

Investment Managers (continued)

Tricon Capital Group
Toronto, ON, CA
USEF-P – *private real estate*

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

Wellington Management
Boston, MA
FIF-I, FIF-P – *fixed income*
USEF-I, USEF-P – *domestic equity*
IEF-I, IEF-P – *international equity*

Zevenbergen Capital Management
Seattle, WA
USEF-I, USEF-P – *domestic equity*

Positive Social Purpose (PSP) Lending Program Intermediaries

Bellwether Enterprise (*I Series* and *P Series*)
Cleveland, OH
Columbia, MD

Cinnaire Corporation (*I Series* and *P Series*)
Lansing, MI

The Community Development Trust (*I Series* and *P Series*)
New York, NY

The Community Preservation Corporation (*I Series* and *P Series*)
New York, NY

Community Reinvestment Fund (*I Series* and *P Series*)
Minneapolis, MN

California Community Reinvestment Corporation (*P Series*)
Los Angeles, CA

Capital Impact Partners (*P Series*)
Arlington, VA

Community Investment Corporation (*P Series*)
Chicago, IL

Greystone Servicing Corporation (*P Series*)
Atlanta, GA

Low Income Investment Fund (*P Series*)
New York, NY

PSP Lending Program International Microfinance Intermediary

Shared Interest (*P Series*)
New York, NY

PSP Lending Program Renewable Energy Intermediary

Developing World Markets (*P Series*)
Stamford, CT

Custodial Bank

The Bank of New York Mellon Corporation
Pittsburgh, PA

Commercial Bank

The Northern Trust Company
Chicago, IL

Independent Certified Public Accounting Firm

Grant Thornton
Chicago, IL

Internal Auditors

Protiviti
Chicago, IL

Actuarial Consultant

Willis Towers Watson
New York, NY

Summary

Fund Benchmarks and Details

1 The **Multiple Asset Fund (MAF)** performance benchmark is 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% Inflation Protection Fund (IPF) Benchmark, effective January 1, 2017. The IPF 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 MAF was 40% Russell 3000 Index, 25% MSCI ACWI ex-USA IMI, 25% Bloomberg Barclays U.S. Universal Index ex-MBS, and 10% IPF 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 MAF was 47% Russell 3000 Index, 15% MSCI EAFE Index, 3% MSCI Emerging Markets Index and 35% Lehman Brothers U.S. Universal Index. Descriptions of each component of this blended benchmark are found elsewhere in this section.

2 The **U.S. Equity Fund (USEF)** and **U.S. Equity Index Fund (USEIF)** performance benchmark is the Russell 3000 Index. The index measures the investment performance of the 3,000 largest (based on total market value) U.S. companies, representing approximately 98% of the publicly traded companies available for investment in the U.S. equity market.

3 The **International Equity Fund (IEF)** performance benchmark is the MSCI ACWI ex-USA IMI, effective January 1, 2008. The index measures the performance of equities of companies domiciled in developed and emerging markets, excluding the U.S. From January 1, 2006 through December 31, 2007, the benchmark for IEF was the MSCI ACWI ex-USA Index. Prior to January 1, 2006, the benchmark was the MSCI EAFE Index.

4 The **Fixed Income Fund (FIF)** performance benchmark is the Bloomberg Barclays U.S. Universal Index (excluding mortgage backed securities), effective August 24, 2016. The index consists of the U.S. Aggregate Bond Index, the U.S. High-Yield Corporate Index, the 144A Index, the Eurodollar Index, the Emerging Markets Index and the non-ERISA portion of the CMBS Index. Non-dollar denominated issues are excluded from the index. The benchmark was the Barclays U.S. Universal Index (excluding mortgage-backed securities), formerly the Lehman U.S. Universal Index (excluding mortgage-backed securities), from January 1, 2006 to August 23, 2016. From January 1, 2003, through December 31, 2005 the benchmark was the Lehman U.S. Aggregate Bond Index. Prior to January 1, 2003, the benchmark had been the Lehman Intermediate Aggregate Bond Index.

5 The **Inflation Protection Fund (IPF)** performance benchmark is 80% Barclays World Government Inflation Linked Bond Index (Hedged), 10% Barclays Emerging Market Tradeable Inflation Linked Bond Index (Unhedged) and 10% Bloomberg Commodity Index, effective January 1, 2016. The Barclays World Government Inflation Linked Bond Index (Hedged) measures the investment performance of a portfolio of developed market investment grade, government inflation-linked debt. The Barclays Emerging Market Tradeable Inflation Linked Bond Index measures the investment performance of a portfolio of local currency emerging markets inflation-linked government debt. The Bloomberg Commodity Index measures the investment performance of a broadly diversified portfolio of futures contracts on physical commodities. From January 1, 2006 to December 31, 2015, the IPF benchmark was the Barclays Capital U.S. Government Inflation Linked Bond (Series B) Index. From April 1, 2005 to December 31, 2005, the benchmark was a blended index based on the following weightings: Barclays Capital U.S. Government Inflation-Linked Bond Index (50%) and Barclays Capital Global Inflation-Linked Bond Index (50%). Prior to April 1, 2005, the benchmark was the Barclays Capital U.S. Government Inflation-Linked Bond Index.

6 The **Social Values Choice Equity Fund (SVCEF)**, formerly the Equity Social Values Plus Fund, performance benchmark is the MSCI World Environmental, Social and Governance (ESG) ex-Fossil Fuels Index, effective April 1, 2017. The index includes companies with highly rated sustainable policies and practices and excludes companies with exposure to fossil fuel reserves used for energy purposes. Prior to April 1, 2017, the benchmark was the MSCI World Custom Environmental, Social, and Governance (ESG) Special Weighted Index.

7 The **Extended Term Fixed Income Fund (ETFIF)** performance benchmark is the Bloomberg Barclays U.S. Long Government/Credit Bond Index. The index measures the investment performance of a portfolio of investment grade, fixed rate U.S. Treasuries, government related and corporate securities that are U.S. dollar denominated and have a maturity of 10 years or more.

8 The **Social Values Choice Bond Fund (SVCBF)** performance benchmark is the Bloomberg Barclays U.S. Universal ex-MBS Index. The index consists of the following Barclays indices: the U.S. Aggregate Bond Index, the U.S. High-Yield Corporate Index, the 144A Index, the Eurodollar Index, the Emerging Markets Index and the non-ERISA portion of the CMBS Index. Non-dollar denominated issues are excluded from the index.

9 The **U.S. Treasury Inflation Protection Fund (USTPF)** performance benchmark is the Bloomberg Barclays U.S. Inflation Linked Bond Index. The index measures the investment performance of U.S. Treasury Inflation Protected Securities.

10 The **Stable Value Fund (SVF)** performance benchmark is the Bank of America Merrill Lynch 3-Month Treasury Bill Index, effective January 1, 2016. The index measures the investment performance of the 3-month sector of the U.S. Treasury Bill market. From November 18, 2002 (the fund's inception) to December 31, 2015, the SVF 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 SVF. 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).

11 The **Short Term Investment Fund (STIF)** performance benchmark is the BofA Merrill Lynch 3-Month Treasury Bill Index. The index measures the investment performance of the 3-month sector of the U.S. Treasury Bill market. The performance is 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.

12 The performance shown is for the stated time period only.

13 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. Investment performance is presented net-of-fees—that is, with the deduction of external investment management fees, custody fees, and administrative and overhead expenses.

The investments of the funds may vary substantially from those in the applicable benchmark. The benchmarks are based on widely-available market indices, which are unmanaged and are not subject to fees and expenses typically associated with investment funds. Investments cannot be made directly in an index. Please refer to the *Investment Funds Description – P Series, the Summary Fund Description – P Series and the Statement of Additional Information* for more information about the *P Series* funds. Please refer to the *Investment Funds Description – I Series, the Summary Fund Description – I Series and the Statement of Additional Information* for more information about the *I Series* funds. This is not an offer to purchase securities. Wespath investment funds are neither insured nor guaranteed by the government.

14 The inception dates for the *P Series* funds are as follows: Social Values Choice Bond Fund and U.S. Treasury Inflation Protection Fund—June 30, 2017; Extended Term Fixed Income Fund—May 29, 2015; Social Values Choice Equity Fund and U.S. Equity Index Fund—December 31, 2014; Inflation Protection Fund—January 5, 2004; Stable Value Fund—November 18, 2002; Multiple Asset Fund and Short Term Investment Fund—April 30, 2002; for all other *P Series* funds, the inception date is December 31, 1997. The inception date for all *I Series* funds is January 1, 2019.

15 The **Multiple Asset Fund-I Series (MAF-I)** performance benchmark is a blended benchmark comprised of 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-I performance benchmark. The IPF-I performance benchmark consists of a blended benchmark comprised 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. Descriptions of each component of this blended benchmark are found elsewhere in this section.

16 The **U.S. Equity Fund-I Series (USEF-I)** and **U.S. Equity Index Fund-I Series (USEIF-I)** performance benchmark is the Russell 3000 Index. The index measures the investment performance of the 3,000 largest (based on total market value) U.S. companies, representing approximately 98% of the publicly traded companies available for investment in the U.S. equity market.

17 The **International Equity Fund-I Series (IEF-I)** performance benchmark is the MSCI All Country World Index (ACWI) ex USA Investable Market Index (IMI). The index measures the performance of equities of companies domiciled in developed and emerging markets, excluding the U.S.

18 The **Fixed Income Fund-I Series (FIF-I)** performance benchmark is the Bloomberg Barclays U.S. Universal Index (excluding mortgage backed securities). The index consists of the U.S. Aggregate Bond Index, the U.S. High-Yield Corporate Index, the 144A Index, the Eurodollar Index, the Emerging Markets Index and the non-ERISA portion of the CMBS Index. Non-dollar denominated issues are excluded from the index.

19 The **Inflation Protection Fund-I Series (IPF-I)** performance benchmark is a blended benchmark comprised of 80% Barclays World Government Inflation Linked Bond Index (Hedged), 10% Barclays Emerging Market Tradeable Inflation Linked Bond Index (Unhedged) and 10% Bloomberg Commodity Index. The Barclays World Government Inflation Linked Bond Index (Hedged) measures the investment performance of a portfolio of developed market investment grade government inflation-linked debt. The Barclays Emerging Market Tradeable Inflation Linked Bond Index measures the investment performance of a portfolio of local currency Emerging Markets inflation-linked government debt. The Bloomberg Commodity Index measures the investment performance of a broadly diversified portfolio of futures contracts on physical commodities.

20 The **U.S. Treasury Inflation Protection Fund-I Series (USTPF-I)** performance benchmark is the Bloomberg Barclays U.S. Inflation Linked Bond Index. The index measures the investment performance of U.S. Treasury Inflation Protected Securities.

21 The **Short Term Investment Fund-I Series (STIF-I)** performance benchmark is the BofA Merrill Lynch 3-Month Treasury Bill Index. The index measures the investment performance of the 3-month sector of the U.S. Treasury Bill market.

Some of the funds listed in the Summary section (investment results, pages 7-13) invest in both individual securities and in units of the other funds shown. As a result, the total asset amounts in the Summary section do not sum to the total investments in the financial statements.

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BENEFITS | INVESTMENTS
Caring For Those Who Serve
1901 Chestnut Ave.
Glenview, IL 60025-1604
847-869-4550
wespath.org