Wespath
BENEFITS | INVESTMENTS

2022 Annual Report

a general agency of The United Methodist Church

2022
Annual Report

Table of Contents

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

4 A Message from the Chief Investment Officer

7 2022 Highlights

8 Summary—Financial Markets and Investment Results – P Series

12 Summary—Financial Markets and Investment Results – I Series

15 Management's Report on Financial Statements

16 Report of Independent Certified Public Accountants

18 Combined Statements of Assets and Liabilities and Net Assets

19 Combined Statements of Operations and Changes in Net Assets

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

21 Combined Statements of Cash Flows

22 Notes to the Combined Financial Statements

38 Supplemental Schedules

40 Other Information

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

44 Summary—Fund Benchmarks and Details

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

Transforming Into the Future

2022 was shaped by ongoing transition and transformation—for both Wespath and The United Methodist Church (UMC, i.e., the Church). The year began with transition in Wespath's leadership, as Andy Hendren became general secretary and CEO. Accelerated division across the UMC found Wespath at a liminal point, charting our path forward while surrounded by uncertainty and change. Under the guidance of our Board of Directors (Board), we are steering our course for the next six years with a bold new Strategic Plan—grounded in Wespath's legacy of stability, stewardship and service, yet bolstered through innovation and energized by opportunity.

Strategic Vision

Our Strategic Plan envisions Wespath as more resilient, more innovative and even more customer-centric than it is today. Our mission-guided vision challenges us to care for more of those who serve with relevant and competitive products and services, grounded in UMC values—and to do so more efficiently by harnessing the capabilities of advanced technologies. This plan involves an organizational mind-shift that prompts us to continue evolving to meet our customers' needs.

Designing for the Future

Supporting long-term sustainability of benefit plans and investor assets is fundamental to Wespath's fiduciary responsibilities. We have seen UMC membership in the U.S. trending downward for decades. With an eye to a smaller UMC in the U.S., we had submitted legislation to the 2020 General Conference for a new clergy retirement plan called Compass. Pending General Conference approval, Compass is a defined contribution (account balance) plan that balances two crucial objectives: providing retirement benefits that are adequate and equitable for clergy and sustainable for future generations, while being affordable for local churches and annual conferences over the long term. The need for a more sustainable, more affordable clergy plan is more important than ever as local church disaffiliations accelerate the downward trend of UMC membership in the U.S.

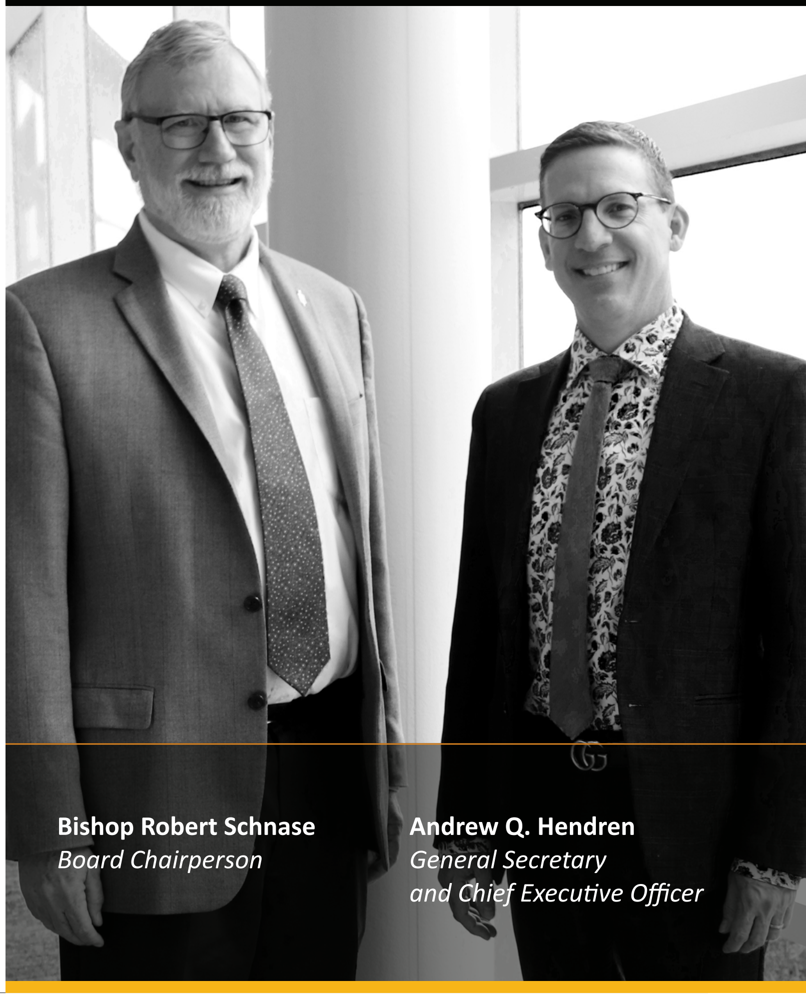
Of course, the 2020 General Conference was sidelined by COVID-19. After prolonged postponement, a UMC General Conference is in sight for 2024. We are refreshing our Compass proposal, as well as other legislation submitted back in 2019, to better reflect the reshaped denomination and the changed societal and economic landscape that lies ahead.

Reaching New Heights Through Innovation

Since 1908, this agency has put our stakeholders' financial security first and foremost. We are a mature organization continually exploring fresh ideas for the benefit of those we serve, as evidenced by several advances put into place in 2022.

> "A true test of leadership is the ability to stay focused on one's mission and persevere through challenges."

CEO Blog, January 30, 2023:
https://www.wespath.org/News/CEO-Blog-0003#!/page:1



Bishop Robert Schnase
Board Chairperson

Andrew Q. Hendren
General Secretary and Chief Executive Officer

The LifeStage Retirement Income (LSRI) program was enhanced with unique optional features that help optimize retirement income and protect retirees from outliving their retirement savings. These features include a "Social Security Bridge" that allows retirees to delay taking their Social Security benefits (earning a higher Social Security payment at a later age); and a Deferred Annuity option that begins at age 80 (protecting against the risk of outliving one's account by providing income for life from a third-party provider). In October, LSRI earned the Excellence and Innovation Award from *Pensions & Investments*,* which recognizes organizations that take "new approaches to solving old problems in workplace retirement plans." The Social Security Bridge and Deferred Annuity features are also woven into the proposed Compass retirement plan for clergy (pending General Conference approval).

We partnered with Gammon Theological Seminary to expand financial wellness resources for pastors of color who have been negatively impacted by the COVID pandemic. Supported through funding from the Lilly Endowment, this effort is part of the ongoing work of the connectional Clergy Financial Well-Being Initiative and reflects Wespath's commitment to the Church's values of racial equity and inclusion.

Wespath also takes a holistic view to bolster participants' well-being, beyond financial considerations. Clergy who are "well" physically, emotionally, socially, spiritually and financially can more fully focus on their ministry and more effectively lead their congregations and support the communities they serve. Our new First Aid for Mental Health program, launched in the Spring of 2022, sought to break through social pressures and provide space to acknowledge "it's OK to not be OK." The program's webinars drew unprecedented numbers of clergy and lay employees.

Significant progress was made on our multi-year journey to transform the day-to-day benefits administration experience for our participants as well as for the Wespath employees who support them. Several improvements helped our Customer Service team members better serve customers by enabling them to handle participant calls more quickly and provide customer information more effectively.

Transforming our benefits administration is a key part of Wespath's Strategic Plan and will touch all aspects of our operations—our people, processes and technology. Over the next few years, we seek to modernize Wespath's operations and raise the bar ever higher on our commitment to meet customers' needs and improve their experiences.

Power of Connections

The power and impact of our UMC connections were more visible than ever as Wespath leaders met with Church leaders from around the world. Following two years of relationships preserved through technology, 2022 brought more opportunities for in-person gatherings. We were grateful for and inspired by the fellowship that blossoms when we are together in the same physical space.

Easing of COVID travel restrictions allowed for Wespath trips to Germany to meet with benefits officers from five conferences in Europe and the Philippines, and several trips to meet with benefits officers and Church leaders in Africa. Wespath attended episcopal elections in the U.S. jurisdictions and the Philippines, as the Church chose its most diverse class of new bishops ever. Additionally, Andy traveled to the Holy Land with leaders from the UMC, British Methodist Church and World Methodist Council—witnessing firsthand the positive influence of the worldwide Methodist voice in this challenged region.

Reaching Across the Methodist Landscape

Wespath's mission is to care for those who serve. To meet that charge, we believe we must ensure that plans and operations are sustainable in the long run. Providing services to a more diverse customer base adds to our scale, which further strengthens the long-term sustainability of the assets Wespath is entrusted to manage on our customers' behalf. We also believe John Wesley's principles of grace and goodness and the UMC's belief in ecumenism and Methodist unity call us to be humble servants to all in Methodist ministry.

In 2022 Wespath welcomed several new groups to our benefits services. We began providing retirement services to the 200-year-old African Methodist Episcopal (AME) Church, which reflects our values of inclusion and represents another small step in the racial reconciliation journey of our two churches. We also began new separate benefit plans for the newly formed Global Methodist Church, many of whose participants remain accountholders in our UMC plans based on their earlier ministry. We also added several new independent Methodist churches and other Methodist-related organizations that selected Wespath for benefits administration and/or investment services.

Importantly, our relationship with the UMC remains unchanged: we are a United Methodist ministry—owned and governed by the UMC, and providing products and services that reflect United Methodist principles and values to a broader Methodist family.

Transcending Differences, Moving Forward

Through the year's transitions, opportunities and turbulence, we stayed true to Wespath's mission of caring for those who serve. We saw how bridges built on shared Methodist principles can transcend the details that set us apart. We look forward to the opportunities ahead, and embrace the challenges that spur Wespath to aim higher and continually improve. We remain driven by John Wesley's call to do all the good we can in all the ways we can for all the people we can as we build a more sustainable future for the clergy, lay workers and ministries that Wespath serves.

Bishop Robert Schnase
Board Chairperson

Andrew Q. Hendren
General Secretary
and Chief Executive Officer

*https://www.pionline.com/excellence-innovation-awards

A Message from the Chief Investment Officer

"Wespath continues to invest for the long-term, consistent with our Investment Beliefs, remaining focused on the financial welfare of our participants and missions of our institutional investors."

2022 was a challenging year for the world economy. Global stocks and bonds experienced meaningful declines, driven in large part by the economic storyline of the year: inflation. Exacerbated by the continued effects of COVID-19, various supply chain disruptions, a war in Europe and subsequent energy price shocks, high inflation caused significant market volatility and uncertainty throughout 2022.

As we emerge from this difficult year, Wespath continues its focus on the long-term. Through both strong market cycles and those fraught with volatility, our disciplined approach—guided by our Investment Beliefs—helps us support the financial goals of our participants and the missions of our institutional investors. This remains our steadfast commitment.

Inflation and central bank policy dominated market sentiment, while employment remained strong

It's hard to believe that just two years ago inflation was at 1.4% for the year. 2021 and 2022 then saw the costs of goods and services climb rapidly, with inflation peaking at 9.1% on a year-over-year basis in June 2022.

We all felt the effects of inflation—not only because of its impact to our investments, but also in prices at the grocery store, housing-related costs, and general purchases of goods and services. For example, the cost of breakfast cereal was up 16.1% year over year in December 2022, and dairy products were up 15.3%. These data points and many others from the Department of Labor's Bureau of Labor Statistics make up the Consumer Price Index (CPI), a measure of how much consumers are paying for goods and services.

High inflation occurs when there is excessive demand for a limited supply of consumer goods and services. This can happen when an economy is overly stimulated and consumer demand spikes. It can also occur because of supply issues. The effect of Russia's invasion of Ukraine on the availability of energy resources, as well as supply chain issues stemming from COVID lockdowns in China, are two meaningful recent examples.

The biggest negative effect of inflation is that it reduces one's purchasing power, meaning you are unable to buy as many goods and services as before. This generally has negative implications for the economy. Hence, controlling inflation is one of the primary functions of a central bank like the U.S. Federal Reserve (Fed). Inflation soared above the Fed's goal of 2% annual inflation, leading the Fed to aggressively raise the interest rate that commercial banks pay for overnight loans. This led to higher interest rates, making it more expensive to borrow money from a lending institution. Higher borrowing costs ultimately result in a decrease in consumer demand, which tends to reduce rates of inflation. The Fed ratcheted up interest rates not once, not twice, but seven times in 2022.

David H. Zellner
Chief Investment Officer

Adjusting to this higher interest rate environment will take time, given the economy had grown accustomed to ultra-low borrowing rates over the past several years. Consumers have started to feel the impact of higher rates when considering large purchases that require borrowing money. A 30-year fixed-rate mortgage averaged 6.43% at the end of December 2022, which was more than double the average from a year earlier, according to Freddie Mac. Likewise, the average rates for new car loans and credit cards also jumped. These moves can have cascading consequences on the economy. For example, higher mortgage rates can lead to lower home sales, which means fewer people purchasing furniture and other goods for their new homes, putting further pressure on consumer demand.

We did see some signs that the Fed's action was having its intended effect, as the annual rate of inflation fell in each of the last six months of 2022, and was down to 6.5% in December.

It also wasn't all bad news for the economy in 2022. The job market, for example, was a notable bright spot, as the U.S. economy added a significant number of jobs throughout the year. The unemployment rate dropped to 3.5% by December, which matched a 50-year low. That said, while a strong labor market is a positive, Fed Chair Jerome Powell has voiced concerns that employers might be forced to raise wages to retain and attract employees, which could further exacerbate inflation.

International markets offered little relief

As mentioned, certain international events did have a noticeable impact on the inflation picture here in the U.S. These storylines also introduced their own volatility throughout non-U.S. economies.

Russia's invasion of Ukraine was no doubt the prevailing international economic story of 2022, and for good reason. The violence has had a devastating human impact, and we continue to hope for a peaceful resolution soon. The war has also created uncertainty beyond its frontlines. For example, a big concern was—and continues to be—the availability and price of energy resources like oil and natural gas, particularly in Europe. Thankfully the continent has experienced a fairly mild winter, averting the worst-case energy crisis scenarios many feared.

From a longer-term perspective, the war presents uncertainty about geopolitical power dynamics, which may have implications for global trade and economic cooperation. The same can be said about China. Toward the end of 2022, the Chinese government dramatically halted its "Zero-COVID" policy and reopened its economy. This should be a boon to economic growth and supply chain activity, though it could be inflationary as well. China also ratcheted up geopolitical tensions with Taiwan, another potentially worrying geopolitical shift.

What it means for retirement savings and investment portfolios

In 2022, all three major U.S. stock market indexes—the Dow Jones Industrial Average, S&P 500 and the tech-heavy Nasdaq—endured their worst year since 2008. The Dow dipped 8.8% for the year, the S&P 500 fell 19.4% and the Nasdaq plunged 33.1%. Wespath's U.S. equity funds endured similar struggles, as their benchmark, the Russell 3000 Index, dropped 19.2% for the year. Global markets also struggled, with the MSCI All Country World Index (ACWI) ex USA Investable Market Index down 16.6% for the year.

One would expect that negative equity performance meant a better year for bond returns, which typically have an inverse relationship with stocks. That means stocks and bonds rarely decline at the same time. That's why you may have heard investment professionals reference a balanced portfolio comprised of 60% stocks and 40% bonds. In normal times, bonds temper stock losses and reduce risk. However, both stocks and bonds sank this past year, with the Bloomberg U.S. Universal Index (ex-mortgage backed securities) losing 13.3%.

As a result of negative performance in the equity and fixed income investment markets, Wespath's flagship balanced funds—the Multiple Asset Fund – P Series and Multiple Asset Fund – I Series, which are primarily invested in stocks and bonds—each declined approximately 17% for the year. More detailed investment fund performance information is available in the Summary: Financial Markets and Investment Results sections of this report on pages 8–11 for the P Series funds, and pages 12–14 for the I Series funds.

Wespath's achievements in impact investing and sustainability

As our participants and institutional investors know, we at Wespath seek to account for and address systemic risks that could interfere with the sustainable long-term economic growth and prevent markets from providing the returns expected by our participants. We believe in mitigating these risks with a three-part approach known as "invest, engage, avoid."

We seek to invest in companies and strategies that demonstrate strong returns, preparedness for the future, and meaningful social and environmental impacts. We also invest in local communities. In 2022, Wespath's Positive Social Purpose (PSP) Lending Program recorded over $19 million in investment activity supporting the creation of 361 affordable housing units. Furthermore, we prioritized engaging with our external asset managers in support of our vision for a more sustainable economy. We conducted over 20 unique conversations with asset managers throughout the year, covering a variety of sustainability engagement topics, including workforce diversity, climate change and public policy. Finally, we avoid certain investments due to ethical reasons or because they pose excessive sustainability-related financial risk.

Optimism for the future

One of our foundational Investment Beliefs is to manage the assets entrusted to us with a "Diversified, Long-Term Perspective." As a steward of our stakeholders' assets, it is paramount that we look beyond the short-term, to the future. While we cannot predict whether 2023 will bring an end to the down market, we continue to have conviction in our approach and remain confident that markets will eventually rebound.

While inflation and the markets were huge sources of investor stress last year, I will also remember 2022 for new and groundbreaking technology and a potential "Netscape Moment." For millions of people, Netscape's Navigator web browser was their entry point to the Internet. Netscape had its "moment" in August 1995 when it enjoyed a highly successful first day of trading on the Nasdaq, and that debut served as the harbinger for a new industry. Netscape developed a product that changed the world. A similar monumental moment might have occurred November 30, 2022, when OpenAI unveiled ChatGPT, an online chatbot that answers people's questions in a conversational manner and with helpful detail.

As I write this letter, many people may be justifiably concerned that ChatGPT and other artificial intelligence systems lack sufficient safeguards. I share these concerns, but remain excited about this new technology and believe it will help people be more productive and learn new things. In many ways, ChatGPT epitomizes an old investing adage: Where there is risk there is also opportunity.

For over a century, Wespath has stewarded the financial resources that have helped secure the retirement futures of clergy and lay employees, as well as the missions of over 150 institutional investors. Inflation and other factors made 2022 a challenging year, but as always, we will continue to look for the opportunities during these turbulent times, all while adhering to our belief in a diversified, long-term investment approach.

David H. Zellner
Chief Investment Officer

2022 Highlights

All data as of December 31, 2022 unless otherwise noted

Serving Others

Participants: **Over 100,000**

- **Nearly 114,000** phone calls/emails to Customer Service teams
- **Over 20,000** benefits education interactions with participants (online and in-person) including training to welcome the African Methodist Episcopal Church (AME Church) as a new Wespath customer group, new First Aid for Mental Health sessions, in-person Clergy Benefits Academy event, individual benefits consultations and more

Institutional clients: **Over 150**

Impact Investing

- **Over $19 million** in investment activity in 2022* supporting the creation of 361 affordable housing units.
- **$51 million+** invested through private equity strategy in positive impact investments focused on healthcare and the low-carbon transition
- **$2.67 billion** invested in low-carbon solutions**
- **$1.32 billion** invested with women and/or minority-owned asset managers**
- **45+ engagements** with companies and asset managers on issues related to climate, human rights and diversity

*Investment activity includes new forward commitments and purchases that were booked as forward commitments in previous years.

**Total assets invested as of December 31, 2022.

Cost of Operations

Wespath does not receive General Church funds to support the cost of its operations. Operations (excluding certain direct plan expenses) are funded solely by passing through our funds' management fees, custody fees, and administrative and overhead expenses. The annual cost from the three components, as a percentage of the investment, was **0.531%** in 2022 and **0.585%** in 2021.

Central Conference Pensions

$1.3 million in pension payments in 2022

- **$14.92 million** paid out in pension distributions and emergency grants since inception (2006-2022)
- **3,502** retirees and surviving spouses receiving support

Assets Under Management

$24.2 billion

- **$239 million** institutional investor net inflows

Diversity, Equity and Inclusion

Wespath Staff

280 employees

- **36%** people of color / **64%** white
- **38%** employed at Wespath for **10+** years
- **57%** female / **43%** male

Board of Directors

32 members (Wespath Benefits and Investments)

- **Over 40%** represented by women and/or people of color

Caring for Communities

Wespath employees actively support local communities through monetary contributions, in-kind **donations** of school supplies and children's holiday gifts, and **green activities** such as environmental clean-up and proactive recycling and composting. During 2022, employees provided support for **Kids Above All** (children in need), **UMCOR*** (global equity of COVID-19 vaccines and humanitarian relief in Ukraine), **The Trevor Project** (suicide prevention for LGBTQ+ teens and young adults), and more.

*UMCOR: United Methodist Committee on Relief

Summary*

Financial Markets and Investment Results – P Series

Net-of-fees; as of December 31, 2022

Multiple Asset Fund – P Series (MAF-P)

Fund: −16.63% Benchmark[1]: −16.00%

Relative Performance (percentage points): ▼ 0.63

- MAF-P has a target allocation of 35% U.S. Equity Fund – P Series (USEF-P), 30% International Equity Fund – P Series (IEF-P), 25% Fixed Income Fund – P Series (FIF-P) and 10% Inflation Protection Fund – P Series (IPF-P). The fund's allocations to both equities and fixed income declined as geopolitical instability, elevated inflation and monetary tightening resulted in negative returns across global markets.
- IPF-P and FIF-P contributed positively to benchmark-relative performance, while IEF-P and USEF-P detracted.

Total Assets: **$6,355M**

U.S. Equity Index Fund – P Series (USEIF-P)

Fund: −19.67% Benchmark[2]: −19.21%

Relative Performance (percentage points): ▼ 0.46

- USEIF-P declined for the first time in four years. The U.S. equity market experienced volatility as the Federal Reserve tightened its monetary policy with the hopes of slowing growth and reining in inflation.
- USEIF-P is a passively managed fund designed to closely match the fund benchmark, less fees and expenses. Excluding certain stocks in accordance with Wespath's Exclusions Policy, particularly stocks in the defense industry, detracted from benchmark-relative performance for the year.

Total Assets: **$109M**

U.S. Equity Fund – P Series (USEF-P)

Fund: −19.49% Benchmark[2]: −19.21%

Relative Performance (percentage points): ▼ 0.28

- USEF-P declined for the first time in four years. The U.S. equity market experienced volatility as the Federal Reserve tightened its monetary policy with the hopes of slowing growth and reining in inflation.
- The fund underperformed its benchmark mainly due to investments in growth-oriented companies. Excluding certain stocks in accordance with Wespath's Exclusions Policy, particularly stocks in the defense industry, also detracted. The fund's underweight to large-cap companies and its investments in private equity and private real estate contributed positively to benchmark-relative performance.

Total Assets: **$5,943M**

International Equity Fund – P Series (IEF-P)

Fund: −21.06% *Benchmark[3]:* −16.58%

Relative Performance (percentage points): ▼ 4.48

- IEF-P produced a negative return for the first time in four years. Persistent inflation, the war in Europe and various supply chain challenges led to a global decline in equity valuations.
- The fund underperformed its benchmark mainly due to poor-performing investments held by growth-oriented active managers. Excluding certain stocks in accordance with Wespath's Exclusions Policy, particularly stocks in the defense industry, also detracted.

Total Assets: **$4,695M**

* Detailed information about the 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 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.

Net-of-fees; as of December 31, 2022

Fixed Income Fund – P Series (FIF-P)

Fund: −12.65% Benchmark[4]: −13.34%

Relative Performance (percentage points): ▲ 0.69

- FIF-P declined as monetary tightening from central banks around the world led to increased interest rates and a dramatic decrease in bond prices.
- The fund's allocations to U.S. agency commercial mortgage-backed securities, Wespath's Positive Social Purpose Lending Program and high-yield-rated corporate bonds positively contributed to relative performance. Strong sector and security selection decisions from the fund's asset managers also contributed positively.

Total Assets: **$5,608M**

Social Values Choice Equity Fund – P Series (SVCEF-P)

Fund: −20.19% Benchmark[6]: −20.13%

Relative Performance (percentage points): ▼ 0.06

- SVCEF-P invests in a mix of domestic and international equities, both of which declined in 2022. The fund has a larger exposure to U.S. equities, which declined significantly for the year amid increased inflation and tightening monetary policy. International equities also decreased during the year.
- SVCEF-P is a passively managed fund designed to closely match the fund benchmark, less fees and expenses.

Total Assets: **$125M**

Inflation Protection Fund – P Series (IPF-P)

Fund: −5.46% Benchmark[5]: −12.20%

Relative Performance (percentage points): ▲ 6.74

- Despite strong performance from its allocation to commodities futures, IPF-P's investments in interest rate-sensitive securities resulted in a negative return for the year.
- Strong selection decisions from the fund's asset managers, allocations to senior secured loans and commodities, and the fund's underweight to U.K. inflation-linked bonds contributed positively to benchmark-relative performance. Allocations to global and U.S. inflation-linked bonds detracted from relative performance.

Total Assets: **$1,661M**

Extended Term Fixed Income Fund – P Series (ETFIF-P)

Fund: −20.59% Benchmark[7]: −27.09%

Relative Performance (percentage points): ▲ 6.50

- ETFIF-P produced a negative return in 2022 as bond yields moved higher across the duration maturity spectrum. Longer duration bond funds like ETFIF-P generally decline more than shorter duration bond funds in a rising rate environment.
- The fund's intentional policy of maintaining a lower sensitivity to interest rate movements until interest rates return to higher levels was the largest driver of benchmark-relative performance for the year.

Total Assets: **$1,304M**

* Detailed information about the 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 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.

Net-of-fees; as of December 31, 2022

Social Values Choice Bond Fund – P Series (SVCBF-P)

Fund: −13.41% Benchmark[8]: −13.34%

Relative Performance (percentage points): ▼ 0.07

- SVCBF-P posted negative returns as rising interest rates caused bond prices to fall throughout the year.
- The fund's duration positioning moderately added to benchmark-relative performance for the year. Fees and expenses detracted from relative performance.

Total Assets: **$111M**

Stable Value Fund – P Series (SVF-P)

Fund: +1.40% Benchmark[10]: +1.47%

Relative Performance (percentage points): ▼ 0.07

- SVF-P weathered a rising rate environment with no loss of principal to the investor due to its use of wrap contracts.
- The fund's relative overweight in duration detracted from benchmark-relative performance for the year.

Total Assets: **$378M**

U.S. Treasury Inflation Protection Fund – P Series (USTPF-P)

Fund: −12.74% Benchmark[9]: −12.60%

Relative Performance (percentage points): ▼ 0.14

- As the Federal Reserve continued to raise rates, the interest rate sensitivity of inflation-linked securities led to a dramatic, double-digit decrease in such assets. USTPF-P declined accordingly.
- USTPF-P is a passively managed fund designed to closely match the performance of the fund benchmark, less fees and expenses.

Total Assets: **$678M**

Short Term Investment Fund – P Series (STIF-P)

Fund: +1.24% Benchmark[11]: +1.47%

Relative Performance (percentage points): ▼ 0.23

- STIF-P holds cash, cash equivalents and short-term securities with the objective of preserving capital while earning current income higher than that of money market funds. The Federal Reserve's policy of increasing interest rates throughout the year led to a positive return for the fund.
- STIF-P modestly underperformed its benchmark due to management fees and fund expenses.

Total Assets: **$235M**

* Detailed information about the 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 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 – P Series*

Net-of-fees; as of December 31, 2022

Fund	1-Year	Annualized Returns			
		3-Years	5-Years	10-Years	Inception[12]
Multiple Asset Fund – P Series (MAF-P)	-16.63%	2.34%	4.02%	6.35%	6.64%
MAF-P Benchmark[1]	-16.00%	2.29%	3.87%	6.44%	6.37%
U.S. Equity Fund – P Series (USEF-P)	-19.49%	6.90%	8.39%	11.53%	7.38%
USEF-P Benchmark[2]	-19.21%	7.07%	8.79%	12.13%	7.68%
U.S. Equity Index Fund – P Series (USEIF-P)	-19.67%	7.06%	8.82%	-	9.45%
USEIF-P Benchmark[2]	-19.21%	7.07%	8.79%	-	9.66%
International Equity Fund – P Series (IEF-P)	-21.06%	-0.46%	1.26%	4.22%	5.76%
IEF-P Benchmark[3]	-16.58%	0.20%	0.85%	3.98%	4.67%
Fixed Income Fund – P Series (FIF-P)	-12.65%	-2.17%	0.41%	1.56%	4.56%
FIF-P Benchmark[4]	-13.34%	-2.34%	0.39%	1.51%	4.20%
Inflation Protection Fund – P Series (IPF-P)	-5.46%	2.02%	2.49%	1.48%	3.55%
IPF-P Benchmark[5]	-12.20%	0.28%	1.64%	1.53%	3.88%
Social Values Choice Equity Fund – P Series (SVCEF-P)**	-20.19%	5.17%	6.76%	-	7.49%
SVCEF-P Benchmark[6]	-20.13%	5.21%	6.75%	-	7.59%
Extended Term Fixed Income Fund – P Series (ETFIF-P)	-20.59%	-4.54%	-0.61%	-	1.04%
ETFIF-P Benchmark[7]	-27.09%	-6.20%	-1.21%	-	1.06%
Social Values Choice Bond Fund – P Series (SVCBF-P)	-13.41%	-2.12%	0.50%	-	0.71%
SVCBF-P Benchmark[8]	-13.34%	-2.34%	0.39%	-	0.63%
U.S. Treasury Inflation Protection Fund – P Series (USTPF-P)	-12.74%	0.84%	1.79%	-	2.04%
USTPF-P Benchmark[9]	-12.60%	1.10%	2.06%	-	2.30%
Stable Value Fund – P Series (SVF-P)	1.40%	1.53%	1.65%	1.93%	2.77%
SVF-P Benchmark[10]	1.47%	0.73%	1.27%	1.57%	2.46%
Short Term Investment Fund – P Series (STIF-P)	1.24%	0.55%	1.16%	0.75%	1.30%
STIF-P Benchmark[11]	1.47%	0.73%	1.27%	0.77%	1.29%

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: **www.wespath.org/retirement-investments/publications-and-reports/monthly-investment-report**
- *Investment Funds Description – P Series*: **www.wespath.org/assets/1/7/3052.pdf**

* The performance shown is for the stated time period only. Historical returns are not indicative of future performance. The prices of 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 performance is presented net-of-fees—that is, with the deduction of 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* for more information about the P Series funds. This is not an offer to purchase securities.

Detailed information about the fund benchmarks can be found on pages 44–45 of this report.

** Formerly the Equity Social Values Plus Fund

Summary*

Financial Markets and Investment Results – I Series

Net-of-fees; as of December 31, 2022

Multiple Asset Fund – I Series (MAF-I)

Fund: −17.09% Benchmark[13]: −16.00%

Relative Performance (percentage points): ▼ 1.09

- MAF-I has a target allocation of 35% U.S. Equity Fund – I Series (USEF-I), 30% International Equity Fund – I Series (IEF-I), 25% Fixed Income Fund – I Series (FIF-I), and 10% Inflation Protection Fund – I Series (IPF-I). The fund's allocations to both equities and fixed income declined as geopolitical instability, elevated inflation and monetary tightening resulted in negative returns across global markets.
- IPF-I and FIF-I contributed positively to benchmark-relative performance, while IEF-I and USEF-I detracted.

Total Assets: **$1,363M**

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

Fund: −19.71% Benchmark[14]: −19.21%

Relative Performance (percentage points): ▼ 0.50

- USEIF-I declined for the first time since its inception. The U.S. equity market experienced volatility as the Federal Reserve tightened its monetary policy with the hopes of slowing growth and reining in inflation.
- USEIF-I is a passively managed fund designed to closely match the fund benchmark, less fees and expenses. Excluding certain stocks in accordance with WII's Exclusions Policy, particularly stocks in the defense industry, detracted from benchmark-relative performance for the year.

Total Assets: **$86M**

U.S. Equity Fund – I Series (USEF-I)

Fund: −19.95% Benchmark[14]: −19.21%

Relative Performance (percentage points): ▼ 0.74

- USEF-I declined for the first time since its inception. The U.S. equity market experienced volatility as the Federal Reserve tightened its monetary policy with the hopes of slowing growth and reining in inflation.
- The fund underperformed its benchmark mainly due to investments in growth-oriented companies. Excluding certain stocks in accordance with Wespath Institutional Investments' (WII) Exclusions Policy, particularly stocks in the defense industry, also detracted. The fund's underweight to large-cap companies and its investments in private equity and private real estate contributed positively to benchmark-relative performance.

Total Assets: **$892M**

International Equity Fund – I Series (IEF-I)

Fund: −21.69% Benchmark[15]: −16.58%

Relative Performance (percentage points): ▼ 5.11

- IEF-I produced a negative return for the first time since its inception. Persistent inflation, the war in Europe and various supply chain challenges led to a global decline in equity valuations.
- The fund underperformed its benchmark mainly due to poor-performing investments held by growth-oriented active managers. Excluding certain stocks in accordance with WII's Exclusions Policy, particularly stocks in the defense industry, also detracted.

Total Assets: **$678M**

* Detailed information about the 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 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.

Net-of-fees; as of December 31, 2022

Fixed Income Fund – I Series (FIF-I)

Fund: −12.77% Benchmark[16]: −13.34%

Relative Performance (percentage points): ▲ 0.57

- FIF-I declined as monetary tightening from central banks around the world led to increased interest rates and a dramatic decrease in bond prices.
- The fund's allocations to U.S. agency commercial mortgage-backed securities, WII's Positive Social Purpose Lending Program and high-yield-rated corporate bonds contributed positively to relative performance. Strong sector and security selection decisions from the fund's asset managers also contributed positively.

Total Assets: **$682M**

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

Fund: −12.76% Benchmark[18]: −12.60%

Relative Performance (percentage points): ▼ 0.16

- As the Federal Reserve continued to raise rates, the interest rate sensitivity of inflation-linked securities led to a dramatic, double-digit decrease in such assets. USTPF-I declined accordingly.
- USTPF-I is a passively managed fund designed to closely match the performance of the fund's benchmark, less fees and expenses.

Total Assets: **$92M**

Inflation Protection Fund – I Series (IPF-I)

Fund: −6.07% Benchmark[17]: −12.20%

Relative Performance (percentage points): ▲ 6.13

- Despite strong performance from its allocation to commodities futures, IPF-I's investments in interest rate-sensitive securities resulted in a negative return for the year.
- Strong selection decisions from the fund's asset managers, allocations to senior secured loans and commodities, and the fund's underweight to U.K. inflation-linked bonds contributed positively to benchmark-relative performance. Allocations to global and U.S. inflation-linked bonds detracted from relative performance.

Total Assets: **$242M**

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

Fund: +1.19% Benchmark[19]: +1.47%

Relative Performance (percentage points): ▼ 0.28

- STIF-I holds cash, cash equivalents and short-term securities with the objective of preserving capital while earning current income higher than that of money market funds. The Federal Reserve's policy of increasing interest rates throughout the year led to a positive return for the fund.
- STIF-I modestly underperformed its benchmark due to management fees and fund expenses.

Total Assets: **$23M**

* Detailed information about the 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 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 December 31, 2022

		Annualized Returns			
Fund	**1-Year**	**3-Years**	**5-Years**	**10-Years**	**Inception[12]**
Multiple Asset Fund – I Series (MAF-I)	-17.09%	2.29%	-	-	6.78%
MAF-I Benchmark[13]	-16.00%	2.29%	-	-	6.63%
U.S. Equity Fund – I Series (USEF-I)	-19.95%	6.60%	-	-	12.07%
USEF-I Benchmark[14]	-19.21%	7.07%	-	-	12.61%
U.S. Equity Index Fund – I Series (USEIF-I)	-19.71%	6.92%	-	-	12.46%
USEIF-I Benchmark[14]	-19.21%	7.07%	-	-	12.61%
International Equity Fund – I Series (IEF-I)	-21.69%	-0.46%	-	-	5.57%
IEF-I Benchmark[15]	-16.58%	0.20%	-	-	5.17%
Fixed Income Fund – I Series (FIF-I)	-12.77%	-2.27%	-	-	0.75%
FIF-I Benchmark[16]	-13.34%	-2.34%	-	-	0.65%
Inflation Protection Fund – I Series (IPF-I)	-6.07%	1.94%	-	-	3.69%
IPF-I Benchmark[17]	-12.20%	0.28%	-	-	2.43%
U.S. Treasury Inflation Protection Fund – I Series (USTPF-I)	-12.76%	0.76%	-	-	2.62%
USTPF-I Benchmark[18]	-12.60%	1.10%	-	-	2.96%
Short Term Investment Fund – I Series (STIF-I)	1.19%	0.48%	-	-	0.94%
STIF-I Benchmark[19]	1.47%	0.73%	-	-	1.11%

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

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

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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 – I Series* for more information about the I Series funds. This is not an offer to purchase securities.

Detailed information about the fund benchmarks can be found on pages 44–45 of this report.

Management’s Report on Financial Statements

We have prepared the accompanying combined financial statements of Wespath Benefits and Investments (Wespath) for the years ended December 31, 2022 and 2021. 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 the financial statements fairly present 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 pages 16–17. 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 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 obtains an understanding of internal controls relevant to the audit 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 programs. See the Audit Committee section on page 40 for more details.

“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.”

Andrew Q. Hendren
General Secretary and Chief Executive Officer

Eileen M. Kane
Chief Financial and Strategy Officer

Report of Independent Certified Public Accountants

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Audit Committee of the Board of Directors
Wespath Benefits and Investments

Opinion
We have audited the combined financial statements of Wespath Benefits and Investments (the "Company"), which comprise the combined statements of assets and liabilities and net assets as of December 31, 2022 and 2021, 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 financial statements.

In our opinion, the accompanying combined financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years the ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion
We conducted our audits of the combined financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements
Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material

Report of Independent Certified Public Accountants

GrantThornton

misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary information
Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining statements of assets and liabilities and net assets as of December 31, 2022 and the combining statement of operations and changes in net assets for the year ended December 31, 2022 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 related 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 audits 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 10, 2023

Combined Statements of Assets and Liabilities and Net Assets

Assets (in thousands)	**December 31, 2022**	**December 31, 2021**
Investments (Notes 2, 3 and 5)		
Fixed income securities and contracts (Note 6)	$ 9,619,882	$ 11,376,479
Equity securities	9,585,824	12,100,953
Limited partnership investments	1,625,319	1,621,120
Emerging market funds	1,275,317	1,562,372
Short-term securities	1,202,795	1,556,697
Securities loaned under securities lending agreements (Note 4)	886,316	1,610,181
Total investments	24,195,453	29,827,802
Invested collateral from securities lending agreements (Note 4)	476,850	991,316
Other assets (Note 2)	413,226	265,658
Cash	20,271	58,724
Total assets	**$ 25,105,800**	**$ 31,143,500**

Liabilities and net assets (in thousands)	**December 31, 2022**	**December 31, 2021**
Plan accumulations, plan sponsor deposits and endowments (Note 2)		
Defined contribution plans	$ 8,504,361	$ 10,663,503
Defined benefit plans	4,400,318	5,472,823
Annuities	4,487,491	5,384,872
Disability, death and health benefit program deposits (Note 8)	2,107,803	2,557,239
Plan sponsor and other deposits	4,435,657	5,227,721
Endowments	64,858	78,688
Total plan accumulations, plan sponsor deposits and endowments	24,000,488	29,384,846
Payable under securities lending agreements (Note 4)	476,850	991,316
Other liabilities (Note 2)	485,962	649,581
Total liabilities	24,963,300	31,025,743
Net assets (Note 2)	142,500	117,757
Total liabilities and net assets	**$ 25,105,800**	**$ 31,143,500**

See accompanying "Notes to the Combined Financial Statements" on page 22.

Combined Statements of Operations and Changes in Net Assets

Years Ended December 31 (in thousands)	2022	2021
Interest, dividend, partnership and trust investment income	$ 764,845	$ 660,120
Securities lending and other income	11,085	6,676
Investment income	775,930	666,796
Net realized (loss) gain on investments	(318,564)	1,823,938
Net unrealized loss on investments	(4,917,873)	(219,526)
Net (loss) gain on investments and investment income	(4,460,507)	2,271,208
Investment management and custodial fees	(81,356)	(92,450)
Net investment (loss) earnings	(4,541,863)	2,178,758
Operating expenses (Note 9)	(71,865)	(84,544)
Net (loss) earnings before allocation	(4,613,728)	2,094,214
Allocated net loss (earnings) to unitized funds (Note 7)	4,597,776	(2,089,766)
Allocated to net assets	40,695	24,459
Net increase in net assets	24,743	28,907
Net assets (Note 2):		
Beginning of year	117,757	88,850
End of year	$ 142,500	$ 117,757

See accompanying "Notes to the Combined Financial Statements" on page 22.

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

Year Ended December 31, 2022 (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	$ 10,663,503	$ (1,727,368)	$ 178,217	$ (459,742)	$ (150,249)	$ 8,504,361
Defined benefit plans	5,472,823	(867,516)	2	(296,244)	91,253	4,400,318
Annuities	5,384,872	(703,509)	-	(380,536)	186,664	4,487,491
Disability, death and health benefit program deposits	2,557,239	(418,704)	177,534	(239,377)	31,111	2,107,803
Plan sponsor and other deposits	5,227,721	(867,681)	544,376	(295,781)	(172,978)	4,435,657
Endowments	78,688	(12,998)	56	(366)	(522)	64,858
Total plan accumulations, plan sponsor deposits and endowments	$ 29,384,846	$ (4,597,776)	$ 900,185	$ (1,672,046)	$ (14,721)	$ 24,000,488

Year Ended December 31, 2021 (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	$ 10,379,745	$ 766,742	$ 178,225	$ (450,619)	$ (210,590)	$ 10,663,503
Defined benefit plans	5,203,719	390,670	8,013	(285,160)	155,581	5,472,823
Annuities	5,163,618	308,179	25,000	(383,844)	271,919	5,384,872
Disability, death and health benefit program deposits	2,382,579	193,576	171,675	(233,108)	42,517	2,557,239
Plan sponsor and other deposits	4,885,956	424,212	498,231	(320,526)	(260,152)	5,227,721
Endowments	73,671	6,387	44	(431)	(983)	78,688
Total plan accumulations, plan sponsor deposits and endowments	$ 28,089,288	$ 2,089,766	$ 881,188	$ (1,673,688)	$ (1,708)	$ 29,384,846

See accompanying "Notes to the Combined Financial Statements" on page 22.

Combined Statements of Cash Flows

Years Ended December 31 (in thousands)	2022	2021
Cash flows from operating activities		
Net increase in net assets	$ 24,743	$ 28,907
Adjustments to reconcile net increase in net assets to net cash used in operating activities:		
Depreciation	1,502	1,523
Net unrealized loss on investments	4,917,873	219,526
Net realized loss (gain) on investments	318,564	(1,823,938)
Undistributed (earnings) loss—limited partnership investments	(17,075)	21,953
Changes in assets and liabilities:		
Decrease in invested collateral from securities lending agreements	514,466	92,186
(Increase) decrease in other assets	(148,467)	127,692
(Decrease) increase in other liabilities	(163,619)	21,888
Decrease in payable under securities lending agreements	(514,466)	(92,186)
Allocated to net assets	(40,695)	(24,459)
Net (loss) earnings allocated to unitized fund accounts	(4,597,776)	2,089,766
Contributions and deposits	900,185	881,188
Distributions and withdrawals	(1,672,046)	(1,673,688)
Net transfers and other	25,974	22,751
Net cash used in operating activities	(450,837)	(106,891)
Cash flows from investing activities		
Purchases of investments	(41,273,196)	(54,809,535)
Sales of investments	41,686,183	54,933,887
Capital expenditures	(603)	(387)
Net cash provided by investing activities	412,384	123,965
Net (decrease) increase in cash	(38,453)	17,074
Cash at beginning of year	58,724	41,650
Cash at end of year	$ 20,271	$ 58,724

See accompanying “Notes to the Combined Financial Statements” on page 22.

Notes to the Combined Financial Statements

Note 1: Nature of Operations

Wespath Benefits and Investments 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.

We conduct 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. We have 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 advisor to and trustee for the P Series funds in which the plan assets and the trusteed assets of UMC and other Methodist institutions are invested. WII is trustee for and exempt investment advisor to the I Series funds, in which the trusteed assets of a broader range of UMC and other Methodist institutional investors, such as foundations, hospitals, colleges and universities, children's homes, and other organizations are invested. The Benefit Board and WII are separate from but controlled by the Illinois Corporation through ownership or common directorship.

Pension and retirement plans administered by Wespath

As of December 31, 2022, the three primary 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 Personal Investment Plan (PIP) (formerly named the United Methodist Personal Investment Plan), providing retirement benefits and savings opportunities for clergy and lay employees of UMC and other Methodist organizations. The Horizon 401(k) Plan, an IRC section 401(a) plan, is a retirement savings plan for employee and employer contributions available to employees of eligible UMC-related institutions.

In March 2021, Wespath entered an agreement with The United Methodist Publishing House (UMPH) to assume sponsorship of an IRC section 401(a) defined benefit plan, called The United Methodist Publishing House Pension Plan, and related obligations in consideration for all assets associated with the plan. The transfer was completed on October 4, 2021.

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 PIP 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.

All plans maintained by Wespath are "church plans" within the meaning of Section 3 (33) of the Employee Retirement Income Security Act of 1974 (ERISA) and Section 414(e) of the Internal Revenue Code of 1986.

Disability, death, and health benefit plans and programs administered by Wespath

The 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 and other Methodist 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 and other Methodist 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 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, 2022, the Benefit Board administered 20 P Series investment funds. Ten funds are available for direct investment by PIP, CRSP and RPGA defined contribution participants: Multiple Asset Fund – P Series (MAF-P), Fixed Income Fund – P Series (FIF-P), Inflation Protection Fund – P Series (IPF-P), U.S. Equity Fund – P Series (USEF-P), International Equity Fund – P Series (IEF-P), Extended Term Fixed Income Fund – P Series (ETFIF-P), Social Values Choice Equity Fund – P Series (SVCEF-P), Social Values Choice Bond Fund – P Series (SVCBF-P), U.S. Treasury Inflation Protection Fund – P Series (USTPF-P) and Stable Value Fund – P Series (SVF-P). SVF-P is not available for investment by institutional investors or for plan reserves. These groups can invest in the Short Term Investment Fund – P Series (STIF-P), and the U.S. Equity Index Fund – P Series (USEIF-P), which are not offered to plan participants, as well as the other nine funds listed above.

The Benefit Board also manages eight funds that provide indirect exposure to specialized investment strategies for participants, plan reserves and institutional investors: Positive Social Purpose Lending Fund – P Series (PSPLF-P), 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 – P Series (AIF-P), Special Opportunities Fund – P Series (SOF-P) and Liability Matching Fixed Income Fund – P Series (LMFIF-P).

As of December 31, 2022, 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 investment accounts managed, and plans administered, by Wespath. These financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP).

Investments

All investment transactions are governed by the Investment Policies 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 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 (loss) 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.

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.

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 (PSP) Lending Program.

The PSP 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, and microfinance loans primarily to low-income entrepreneurs in the developing world. The program invests primarily in privately placed mortgage-backed securities and mortgage loans that meet certain criteria, such as specified minimum loan-to-value and debt coverage ratios. At December 31, 2022 and 2021, Wespath had outstanding PSP Lending Program investments of $511 million and $654 million, respectively. Mortgage contracts and other loans are stated on the financial statements at fair value based on the net present value of the estimated future cash flows discounted at market equivalent rates.

At December 31, 2022 and 2021, Wespath had outstanding commitments to provide $44 million and $31 million, respectively, in additional funding related to the PSP Lending Program. Funds earmarked to cover these commitments are included in “Short-term securities” and the mark to market is included under the caption “Fixed income securities and contracts.”

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

Limited partnership investments

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.

Limited partnerships, limited liability companies and emerging market funds

Investments Valued at NAV as of December 31, 2022

(in thousands)	Fair Value	Unfunded Commitments	Longest Redemption Notice Period
Open-end funds			
Real estate	$ 123,464	$ -	90 days
Emerging market	1,275,317	-	120 days
Closed-end funds			
Real estate	555,488	475,430	
Real assets	124,044	5,679	
Private equity	790,816	367,464	
Credit	8,433	-	
Joint Venture	23,074	17,491	
Total	**$ 2,900,636**	**$ 866,064**	

Investments Valued at NAV as of December 31, 2021

(in thousands)	Fair Value	Unfunded Commitments	Longest Redemption Notice Period
Open-end funds			
Real estate	$ 114,918	$ 5,858	90 days
Emerging market	1,562,372	-	120 days
Closed-end funds			
Real estate	504,655	438,180	
Real assets	121,221	5,679	
Private equity	835,624	421,728	
Credit	29,572	79,699	
Joint Venture	15,130	27,901	
Total	**$ 3,183,492**	**$ 979,045**	

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

Emerging market funds are open-ended commingled funds invested primarily in equities of companies domiciled in emerging markets. These funds 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. Closed-end credit fund primarily invests in publicly traded fixed income instruments such as corporate and structured credit. 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.

Through its Special Opportunities Fund – P Series, Wespath 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, 2022 and 2021 was $23.1 million and $15.1 million, respectively.

Short-term securities

Short-term securities are stated at fair value or at cost, which approximates fair value. Short-term securities include securities that mature within one year or less at date of purchase and cash collateral related to margin requirements on futures contracts.

Securities loaned under securities lending agreements

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

The following table summarizes the fair value of securities on loan and the collateral held as of December 31, 2022:

(in thousands)	Market Value of Securities on Loan	Collateral Held
Fixed income securities	$ 518,768	$ 533,619
Domestic equity securities	193,831	199,579
International equity securities	173,717	191,098
Total	**$ 886,316**	**$ 924,296**

The following table summarizes the fair value of securities on loan and the collateral held as of December 31, 2021:

(in thousands)	Market Value of Securities on Loan	Collateral Held
Fixed income securities	$ 934,537	$ 958,264
Domestic equity securities	529,631	544,009
International equity securities	146,013	152,730
Total	**$ 1,610,181**	**$ 1,655,003**

Other assets

Other assets primarily consist of fixed assets and investment receivables. Fixed assets, which include property, furniture and equipment, are assets with cost in excess of $10,000 that have a useful life greater than one year. Fixed assets are stated at cost less depreciation. Depreciation of fixed assets is provided on a straight-line basis over the assets' estimated service life, typically five to seven years for furniture, fixtures, and equipment; 15 years for land improvements; and 40 years for the building. Depreciation expenses totaling $1.5 million for 2022 and 2021 is included in "Operating expenses" in the Statements of Operations. Receivables due from the purchasers of investments sold of $203 million and $84 million at December 31, 2022 and 2021, 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)	2022	2021
Land	$ 15,685	$ 15,685
Land improvements	3,779	3,779
Building	31,493	31,493
Computer and office equipment	21,636	21,285
Capital work in progress	371	119
	72,964	**72,361**
Less accumulated depreciation		
Land improvements	3,056	2,820
Building	9,306	8,514
Computer and office equipment	20,951	20,476
Property and equipment – net	**$ 39,651**	**$ 40,551**

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 401(k) 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 fund actuarial and market losses using a five-year amortization period. Any additional unfunded liability resulting from benefit improvements is required to be funded prior to the effective date of the improvement. Plan sponsors of defined benefit plans contributed $103 million and $125 million to the plans in 2022 and 2021, respectively. Of the amounts contributed, $103 million and $117 million were transfers from plan sponsors and other deposits in 2022 and 2021, respectively.

Annuities

Annuities are primarily lifetime monthly benefit payments for retired individuals that have been established under certain plans, including annuities required by the applicable plans or optional annuity forms of payment elected by a participant. 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 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 $324 million and $339 million at December 31, 2022 and 2021, respectively.

Net assets

Combined net assets at December 31, 2022 and 2021 represent Wespath's designated operating reserves—to be utilized in the event of a significant, prolonged market downturn—of $113.0 million and $88.3 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 to its designated operating reserves $40.7 million and $24.5 million, of which $6.9 million and $24.1 million was funded through operating expenses, in 2022 and 2021, respectively (Note 9). Included in the $40.7 million for 2022 was a recovery of $34.0 million that had been previously earmarked, on a temporary basis, to support an investment strategy for non-MPP annuities.

Reclassification

Certain prior-year amounts have been reclassified to conform to the current-year financial statement presentation.

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 approaches, 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 asset 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.

Purchases of Level 3 assets totaled $78.2 million for 2022 and $347 million for 2021. No significant transfers of Level 3 assets occurred in 2022 or 2021.

The following table summarizes financial assets at fair value, by levels, as of December 31, 2022:

Asset Class (in thousands)	Level 1	Level 2	Level 3	Total Investments
Investments at fair value (non NAV)				
Domestic common stock[A]	$ 6,169,381	$ -	$ -	$ 6,169,381
International common stock[B]	3,748,898	-	-	3,748,898
Preferred stock[C]	32,599	187	-	32,786
Domestic government fixed income[D]	2,664,636	-	-	2,664,636
International government fixed income[E]	-	1,298,511	-	1,298,511
Domestic government and other agencies[F]	-	866,354	-	866,354
Municipal fixed income[G]	-	44,457	-	44,457
Corporate fixed income[H]	-	3,254,220	275,578	3,529,798
Asset-backed securities[I]	-	802,920	-	802,920
Collateralized loan obligations[J]	-	459,457	-	459,457
Risk management instruments[K]	(1,639)	109,033	7,769	115,163
Short-term securities[L]	70,231	182,835	-	253,066
Total investments at fair value (non NAV)	**$ 12,684,106**	**$ 7,017,974**	**$ 283,347**	**$ 19,985,427**
Investments at fair value (NAV)				
Emerging market funds[M]				1,275,317
Private equity/real estate partnerships[N]				1,501,275
Real asset partnerships[O]				124,044
Total investments at fair value				**$ 22,886,063**
Short-term securities at cost[P]				945,604
Wrap contracts at contract value[Q]				363,786
Total investments				**$ 24,195,453**

A Domestic common stock reflects investments in common stock of companies primarily domiciled in the U.S.

B International common stock reflects investments in common stock of companies primarily domiciled outside of the U.S.

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. These instruments are included in Short-term securities, Equity securities, and Fixed income securities and contracts on the Balance Sheets.

L Short-term securities include investments in commercial paper, U.S. Treasury bills and money market securities.

M Emerging market funds represent equity ownership of commingled 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 primarily represent 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 Short-term securities 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 – P Series. These investments are reported at contract value (Note 6).

The following table summarizes financial assets at fair value, by levels, as of December 31, 2021:

Asset Class (in thousands)	**Level 1**	**Level 2**	**Level 3**	**Total Investments**
Investments at fair value (non NAV)				
Domestic common stock[A]	$ 8,053,238	$ -	$ -	$ 8,053,238
International common stock[B]	4,671,258	-	-	4,671,258
Preferred stock[C]	39,874	287	-	40,161
Domestic government fixed income[D]	2,866,738	-	-	2,866,738
International government fixed income[E]	-	1,735,267	-	1,735,267
Domestic government and other agencies[F]	-	945,225	-	945,225
Municipal fixed income[G]	-	55,972	-	55,972
Corporate fixed income[H]	-	4,236,683	338,220	4,574,903
Asset-backed securities[I]	-	961,196	-	961,196
Collateralized loan obligations[J]	-	574,114	-	574,114
Risk management instruments[K]	18,484	235,419	7,095	260,998
Short-term securities[L]	209,202	45,169	-	254,371
Total investments at fair value (non NAV)	**$ 15,858,794**	**$ 8,789,332**	**$ 345,315**	**$ 24,993,441**
Investments at fair value (NAV)				
Emerging market funds[M]				1,562,372
Private equity/real estate partnerships[N]				1,499,899
Real asset partnerships[O]				121,221
Total investments at fair value				**$ 28,176,933**
Short-term securities at cost[P]				1,291,694
Wrap contracts at contract value[Q]				359,175
Total investments				**$ 29,827,802**

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 $886 million and $1,610 million at December 31, 2022 and 2021, 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 $477 million and $991 million at December 31, 2022 and 2021, respectively. These amounts are offset by a liability recorded as "Payable under securities lending agreements." At December 31, 2022 and 2021, Wespath had received non-cash collateral of $447 million and $664 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, 2022:

Loan Type (in thousands)	**Overnight and Continuous**	**Up to 30 Days**	**30–90 Days**	**Greater than 90 Days**	**Total**
Fixed income securities	$ 193,680	$ 37,715	$ -	$ -	$ 231,395
Domestic equity securities	89,570	-	-	-	89,570
International equity securities	118,763	37,122	-	-	155,885
Total	**$ 402,013**	**$ 74,837**	**$ -**	**$ -**	**$ 476,850**

The following table outlines the cash collateral received on securities loaned at December 31, 2021:

Loan Type (in thousands)	**Overnight and Continuous**	**Up to 30 Days**	**30–90 Days**	**Greater than 90 Days**	**Total**
Fixed income securities	$ 454,009	$ 30,317	$ -	$ -	$ 484,326
Domestic equity securities	405,417	-	-	-	405,417
International equity securities	99,571	1,980	22	-	101,573
Total	**$ 958,997**	**$ 32,297**	**$ 22**	**$ -**	**$ 991,316**

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 currently 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 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.

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)	2022	2021	Location on Balance Sheet
Forward Commitments			
Federal National Mortgage Association*	$ 89,093	$ 63,700	Fixed income securities
Federal National Mortgage Association*	(2,465)	(9,265)	Other liabilities
Contracts to sell foreign currency**	866,411	1,044,579	Other assets/Other liabilities
Contracts to buy foreign currency**	(426,636)	(309,975)	Other assets/Other liabilities
Contracts to buy equity futures			
S&P 500 Index**	(123,552)	(177,968)	Equity securities
Russell 2000 Index**	(13,105)	(18,167)	Equity securities
Other index futures**	(145,792)	(178,005)	Equity securities
Contracts to buy other futures			
Fixed income securities**	(283,690)	(123,233)	Equity securities
Cash and equivalents**	(137,020)	(435,544)	Equity securities
Commodities**	(185,887)	(262,107)	Equity securities
Other			
Credit default swap contracts*	(503)	851	Fixed income securities
Interest rate swap contracts*	6,195	4,569	Fixed income securities
Inflation rate swap contracts*	(290)	(425)	Fixed income securities
Zero coupon swap contracts*	(1,609)	(482)	Fixed income securities
Purchased options*	8,264	4,101	Fixed income securities
Written options*	(14,502)	(7,236)	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	2022 Net Gains (Losses) on Investments		2021 Net Gains (Losses) on Investments	
(in thousands)	Realized	Unrealized	Realized	Unrealized
Forward commitments	$ (5,986)	$ (620)	$ (949)	$ (456)
Foreign exchange contracts	68,249	(6,730)	37,994	10,664
Futures contracts	(72,929)	(13,823)	113,615	(8,242)
Credit default swap contracts	(1,623)	42	45	(945)
Interest rate swap contracts	(1,782)	(103)	(7,641)	1,726
Inflation rate swap contracts	3,247	131	5,399	(2,236)
Zero coupon swap contracts	(135)	(221)	1,017	(412)
Options contracts	684	(3,927)	4,270	(940)
Total	**$ (10,275)**	**$ (25,251)**	**$ 153,750**	**$ (841)**

Note 6: Stable Value Fund – P Series (SVF-P)

SVF-P invests in fixed income securities 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 SVF-P 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 ensures 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 $364 million and $359 million at December 31, 2022 and 2021, 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 limit 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. From year to year some of the benefit programs under HealthFlex may be insured by third-party providers. Wespath also participates in a purchasing coalition with other church benefit program administrators, in which aggregate lives are used to negotiate economies of scale for the administration of prescription drug claims.

As the HealthFlex plan administrator, Wespath bills plan sponsors a premium. 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-P and STIF-P.

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

(in thousands)	2022	2021
Premiums		
Medical	$ 161,962	$ 156,116
Other premiums	13,531	13,257
Total premiums	175,493	169,373
Claims		
Medical (net of rebates)	(157,535)	(149,170)
Other expenses	(15,873)	(15,307)
Total claims	(173,408)	(164,477)
Administration		
Wespath	(6,447)	(2,832)
Third-party	(9,129)	(9,635)
Total administration	(15,576)	(12,467)
Net experience	(13,491)	(7,571)
Investment (losses) earnings	(16,715)	8,426
(Decrease) increase in accumulated reserves	(30,206)	855
Accumulated reserves		
Beginning of year	174,174	173,319
End of year	$ 143,968	$ 174,174

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

Note 9: Operating Expenses

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

(in thousands)	2022	2021
Salaries	$ 34,928	$ 33,118
Current and retired employee benefits	10,863	10,360
Redirected employee benefit expenses	(1,587)	(1,547)
Professional services	11,292	10,450
Occupancy and other office expenses	3,391	3,503
Computers and other equipment	2,890	1,903
Meetings and travel	1,390	444
Reserve funding	6,930	24,100
Other expenses	1,768	2,213
Total operating expenses	**$ 71,865**	**$ 84,544**

All operating expenses are considered to be programmatic and are allocated to the unitized fund accounts or benefit plans. In 2022 and 2021, Wespath paid $1.6 million and $1.5 million, respectively, in eligible current and retired employee benefits through its General Agency Benefit Trust (GABT) account, 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 2019, 2020, 2021 and 2022 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, 2022 and 2021.

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 $21.3 million and $22.1 million as of December 31, 2022 and 2021, respectively, and bears an interest rate of 4% (the market 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 support an investment strategy for non-MPP annuities. On February 18, 2021, Wespath repaid the HealthFlex loan. At the time of repayment the interest rate on the loan was 1.95% and the principal balance was $9.6 million.

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

The annual principal payments on the remaining loan are as follows:

Years ending December 31 (in thousands)	
2023	$ 809
2024	842
2025	876
2026	912
2027	949
Thereafter	16,918
	$ 21,306

Note 12: Subsequent Events

In preparing these financial statements, Wespath has evaluated events and transactions for potential recognition or disclosure through May 10, 2023, the date the financial statements were available to be issued. No events or transactions were identified that would require recognition or disclosure.

Supplemental Schedules

Combining Statement of Assets and Liabilities and Net Assets

Year Ended December 31, 2022 **Assets** (in thousands)	WII and I Series Funds	The Benefit Board and P Series Funds	Other	Eliminations	Combined
Investments					
Fixed income securities and contracts	$ 788,929	$ 8,830,953	$ -	$ -	$ 9,619,882
Equity securities	1,322,560	8,263,264	-	-	9,585,824
Limited partnership investments	84,485	1,540,834	-	-	1,625,319
Emerging market funds	142,850	1,132,467	-	-	1,275,317
Short-term securities	189,877	1,012,918	-	-	1,202,795
Securities loaned under securities lending agreements	98,880	787,436	-	-	886,316
Total investments	2,627,581	21,567,872	-	-	24,195,453
Invested collateral from securities lending agreements	58,920	417,930	-	-	476,850
Other assets	31,056	336,712	436,612	(391,154)	413,226
Cash	12,031	7,739	501	-	20,271
Total assets	**$ 2,729,588**	**$ 22,330,253**	**$ 437,113**	**$ (391,154)**	**$ 25,105,800**

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	$ -	$ 8,375,798	$ 128,563	$ -	$ 8,504,361
Defined benefit plans	-	4,310,154	90,164	-	4,400,318
Annuities	-	4,461,873	25,618	-	4,487,491
Disability, death and health benefit program deposits	-	2,074,547	33,256	-	2,107,803
Plan sponsor and other deposits	2,602,802	1,744,901	87,954	-	4,435,657
Endowments	-	36,586	28,272	-	64,858
Total plan accumulations, plan sponsor deposits and endowments	2,602,802	21,003,859	393,827	-	24,000,488
Payable under securities lending agreements	58,920	417,930	-	-	476,850
Other liabilities	58,966	789,344	28,806	(391,154)	485,962
Total liabilities	2,720,688	22,211,133	422,633	(391,154)	24,963,300
Net assets	8,900	119,120	14,480	-	142,500
Total liabilities and net assets	**$ 2,729,588**	**$ 22,330,253**	**$ 437,113**	**$ (391,154)**	**$25,105,800**

Combining Statement of Operations and Changes in Net Assets

December 31, 2022 (in thousands)	WII and I Series Funds	The Benefit Board and P Series Funds	Other	Eliminations	Combined
Interest, dividend, partnership and trust investment income	$ 72,638	$ 692,207	$ -	$ -	$ 764,845
Securities lending and other income	366	10,606	71,636	(71,523)	11,085
Investment income	73,004	702,813	71,636	(71,523)	775,930
Net realized loss on investments	(24,164)	(294,400)	-	-	(318,564)
Net unrealized loss on investments	(555,669)	(4,362,204)	-	-	(4,917,873)
Net (loss) gain on investments and investment income	(506,829)	(3,953,791)	71,636	(71,523)	(4,460,507)
Investment management and custodial fees	(7,952)	(73,610)	206	-	(81,356)
Net investment (loss) earnings	(514,781)	(4,027,401)	71,842	(71,523)	(4,541,863)
Operating expenses	(7,962)	(63,584)	(71,842)	71,523	(71,865)
Net loss before allocation	(522,743)	(4,090,985)	-	-	(4,613,728)
Allocated net loss to unitized funds	521,579	4,076,197	-	-	4,597,776
Allocated to net assets	1,914	38,781	-	-	40,695
Net increase in net assets	750	23,993	-	-	24,743
Net assets:					
Beginning of year	8,150	95,127	14,480	-	117,757
End of year	$ 8,900	$ 119,120	$ 14,480	$ -	$ 142,500

Other Information

Executive Compensation

Wespath regularly reviews and analyzes market compensation data to help ensure 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 six 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 just over $24 billion in assets under management, is the largest participating organization in the church survey.

Total Cash Compensation 2022 (in thousands)	
Chief Executive Officer	
For Profit*	$ 1,882.0
Composite**	1,635.0
Wespath	1,053.6
Chief Operating Officer	
For Profit*	$ 927.0
Composite**	813.0
Wespath	646.7
Chief Investment Officer	
For Profit*	$ 950.0
Composite**	840.0
Wespath	605.3
Chief Financial and Strategy Officer	
For Profit*	$ 701.0
Composite**	630.0
Wespath	525.5
Chief Legal Officer	
For Profit*	$ 589.0
Composite**	552.0
Wespath	426.9
Chief Information and Technology Officer	
For Profit*	$ 504.0
Composite**	474.0
Wespath***	380.8

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

** Median (50th percentile) of weighted total cash compensation from for-profit organizations (75%) and not-for-profit organizations (25%).

*** Excludes payments to recruit executive.

Audit Committee

Wespath's Audit Committee generally is composed of five members from the Board of Directors and four non-Board committee members who have specialized accounting or auditing experience and expertise. The Wespath Board of Directors has adopted a written charter for the Audit Committee. The Audit Committee has determined that more than one member of the Committee is an auditing and 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 per year with the external auditor without management being present. The Audit Committee reviews the external auditor's fees and expenses and approves any decisions to hire the firm for other purposes. The Audit Committee also oversees the appointment, compensation, scope and final results of the SOC-1 engagement.

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.

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

Asset Managers

Adams Street
Chicago, Illinois
USEF-P – *private equity*
IEF-P – *private equity*

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

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

BlackRock
San Francisco, California; New York, New York
IPF-I, IPF-P – *inflation-protected fixed income*
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*
IEF-I, IEF-P – *international equity*

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

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

The Bank of New York Mellon
Pittsburgh, Pennsylvania
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, AIF-P, LMFIF-P – *securities lending*

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

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

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

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

Conservation Forestry
Exeter, New Hampshire
SOF-P – *timber*

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

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

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

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

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

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

HarbourVest
Boston, Massachusetts
IEF-I, IEF-P, USEF-P, USEF-I – *private equity*
SOF-P – *private equity*

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

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

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

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

Asset Managers, Positive Social Purpose Lending Program Intermediaries, Banks, Auditors and Consultants (continued)

Asset Managers (continued)

Insight Investment
San Francisco, California
SVF-P – *stable value fixed income*

Jaguar Listed Property
New York, New York
IEF-I, IEF-P – *international REITs*

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

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

Manulife Investment Management Timberland and Agriculture
Boston, Massachusetts
IPF-P – *timber*
SOF-P – *timber*

Metro Storage
Lake Forest, Illinois
SOF-P – *private real estate*

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

National Equity Fund
Chicago, Illinois
SOF-P – *affordable housing debt*

Neuberger Berman Investment Advisers
Chicago, Illinois
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, Illinois
USEF-I, USEF-P – *domestic equity*
SVCEF-P – *domestic and international sustainable equity*

Nuveen Alternative Advisors
Charlotte, North Carolina
SOF-P – *agribusiness*

Oaktree Capital Management
Los Angeles, California; Stamford, Connecticut
FIF-I, FIF-P – *high-yield fixed income*
IEF-I, IEF-P – *emerging markets international equity*

Pacific Investment Management (PIMCO)
Newport Beach, California
AIF-P, FIF-I, FIF-P, LMFIF-P, SVCBF-P – *fixed income*
IPF-I, IPF-P – *emerging markets inflation-protected fixed income*
MAF-I, MAF-P, SOF-P – *opportunistic fixed income*

Parametric Portfolio Associates
Minneapolis, Minnesota
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, Illinois
USEF-P – *private real estate*

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

PGIM Investments
Madison, New Jersey
USEF-I, USEF-P – *private real estate*
SOF-P – *private real estate*

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

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

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

Sprucegrove Investment Management
Toronto, Ontario, Canada
IEF-I, IEF-P – *international equity*

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

Systima Capital Management
Chicago, Illinois
SOF-P – *real estate debt*

Asset Managers (continued)

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

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

Wellington Management
Boston, Massachusetts
FIF-I, FIF-P – *fixed income*
USEF-I, USEF-P – *domestic equity*
IEF-I, IEF-P – *international equity*
Sweep Account – *short term fixed income*

Wespath Benefits and Investments
Glenview, Illinois
AIF-P, PSPLF-P, FIF-I, FIF-P – *loan participations to support affordable housing and community development*

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

Positive Social Purpose (PSP) Lending Program Intermediaries

Bellwether Enterprise Real Estate Capital
Columbia, Maryland

California Community Reinvestment Corporation
Los Angeles, California

Capital Impact Partners
Arlington, Virginia

Cinnaire Corporation
Lansing, Michigan

The Community Development Trust
New York, New York

Community Investment Corporation
Chicago, Illinois

The Community Preservation Corporation
New York, New York

Community Reinvestment Fund
Minneapolis, Minnesota

Greystone Servicing Corporation
Atlanta, Georgia

The Low Income Investment Fund
San Francisco, California

New Hampshire Housing Finance Authority
Bedford, New Hampshire

Renewable Energy Intermediary

Developing World Markets
Stamford, Connecticut

Independent Third-Party PSP Pricing Vendor

Harvest Investments
Burr Ridge, Illinois

Custodial Bank

The Bank of New York Mellon Corporation
Pittsburgh, Pennsylvania

Commercial Bank

The Northern Trust Company
Chicago, Illinois

Independent Certified Public Accounting Firm

Grant Thornton
Chicago, Illinois

Internal Auditors

InGuardians
Washington, District of Columbia

Protiviti
Chicago, Illinois

Solid Benefit Guidance
Montvale, New Jersey

Willis Towers Watson
Chicago, Illinois

Actuarial Consultant

Willis Towers Watson
New York, New York

Summary

Fund Benchmarks and Details

1 The Multiple Asset Fund – P Series (MAF-P) performance benchmark is 35% Russell 3000 Index, 30% MSCI All Country World Index (ACWI) ex-USA Investable Market Index (IMI) Net, 25% Bloomberg U.S. Universal Index ex-Mortgage Backed Securities (MBS) and 10% Inflation Protection Fund – P Series (IPF-P) Benchmark, effective January 1, 2017. For the time period covered in this report, the IPF-P Benchmark consisted of 80% Bloomberg World Government Inflation Linked Bond Index (Hedged), 10% Bloomberg Emerging Market Tradeable Inflation Linked Bond Index (Unhedged) and 10% Bloomberg Commodity Index. Descriptions of each component of this blended benchmark are found in footnotes 2–5.

From January 1, 2016 to December 31, 2016, the benchmark for MAF-P was 40% Russell 3000 Index, 25% MSCI ACWI ex-USA IMI Net, 25% Bloomberg U.S. Universal Index ex-MBS, and 10% IPF-P Benchmark. From January 1, 2014 to December 31, 2015, the benchmark for MAF-P was 40% Russell 3000 Index, 25% MSCI ACWI ex-USA IMI Net, 25% Bloomberg U.S. Universal Index ex-MBS and 10% Bloomberg U.S. Government Inflation Linked Bond Index. From January 1, 2006 to December 31, 2013, the benchmark for MAF-P was 45% Russell 3000 Index, 20% MSCI ACWI ex-USA IMI Net, 25% Bloomberg U.S. Universal Index MBS and 10% Bloomberg U.S. Government Inflation-Linked Bond Index. Prior to January 1, 2006, the benchmark for MAF-P was 47% Russell 3000 Index, 15% MSCI EAFE Index, 3% MSCI Emerging Markets Index and 35% Bloomberg U.S. Universal Index.

2 The U.S. Equity Fund – P Series (USEF-P) and U.S. Equity Index Fund – P Series (USEIF-P) 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 – P Series (IEF-P) performance benchmark is the MSCI ACWI ex-USA IMI Net, 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-P was the MSCI ACWI ex-USA Index Net. Prior to January 1, 2006, the benchmark was the MSCI EAFE Index.

4 The Fixed Income Fund – P Series (FIF-P) performance benchmark is the Bloomberg 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. From January 1, 2003 through December 31, 2005, the benchmark was the Bloomberg U.S. Aggregate Bond Index. Prior to January 1, 2003, the benchmark was the Bloomberg Intermediate Aggregate Bond Index.

5 For the time period covered in this report, the Inflation Protection Fund – P Series (IPF-P) performance benchmark is 80% Bloomberg World Government Inflation Linked Bond Index (Hedged), 10% Bloomberg Emerging Market Tradeable Inflation Linked Bond Index (Unhedged) and 10% Bloomberg Commodity Index, effective January 1, 2016. The Bloomberg World Government Inflation Linked Bond Index (Hedged) measures the investment performance of a portfolio of developed market investment grade, government inflation-linked debt. The Bloomberg 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. As of February 1, 2023, the IPF-P Benchmark is 90% Bloomberg U.S. Treasury Inflation-Linked Bond Index and 10% Bloomberg Commodity Index. From January 1, 2006 to December 31, 2015, the IPF-P benchmark was the Bloomberg 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: Bloomberg U.S. Government Inflation-Linked Bond Index (50%) and Bloomberg Global Inflation-Linked Bond Index (50%). Prior to April 1, 2005, the benchmark was the Bloomberg U.S. Government Inflation- Linked Bond Index.

6 The Social Values Choice Equity Fund – P Series (SVCEF-P), 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 – P Series (ETFIF-P) performance benchmark is the Bloomberg U.S. Long Government/Credit Bond Index. The index measures the investment performance of a portfolio of investment-grade, government-related, and corporate securities that are U.S. dollar denominated and have a maturity of 10 years or more, as well as fixed rate U.S. Treasuries.

8 The Social Values Choice Bond Fund – P Series (SVCBF-P) performance benchmark is the Bloomberg U.S. Universal ex-MBS Index. The index consists of the following Bloomberg 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 – P Series (USTPF-P) performance benchmark is the Bloomberg U.S. Inflation Linked Bond Index. The index measures the investment performance of U.S. Treasury Inflation Protected Securities.

10 The Stable Value Fund – P Series (SVF-P) 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-P 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-P. 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).

Summary

Fund Benchmarks and Details

11 The Short Term Investment Fund – P Series (STIF-P) 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-P 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-P.

12 The inception dates for the P Series funds are as follows: Social Values Choice Bond Fund – P Series and U.S. Treasury Inflation Protection Fund – P Series: June 30, 2017; Extended Term Fixed Income Fund – P Series: May 29, 2015; Social Values Choice Equity Fund – P Series and U.S. Equity Index Fund – P Series: December 31, 2014; Inflation Protection Fund – P Series: January 5, 2004; Stable Value Fund – P Series: November 18, 2002; Multiple Asset Fund – P Series and Short Term Investment Fund – P Series: 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.

13 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) Net, 25% Bloomberg U.S. Universal Index ex-Mortgage Backed Securities (MBS) and 10% IPF-I performance benchmark. For the time period covered in this report, the IPF-I performance benchmark consists of a blended benchmark comprised of 80% Bloomberg World Government Inflation Linked Bond Index (Hedged), 10% Bloomberg Emerging Market Tradeable Inflation Linked Bond Index (Unhedged) and 10% Bloomberg Commodity Index. Descriptions of each component of this blended benchmark are found in footnotes 14–17.

14 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.

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

16 The Fixed Income Fund – I Series (FIF-I) performance benchmark is the Bloomberg 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.

17 For the time period covered in this report, the Inflation Protection Fund – I Series (IPF-I) performance benchmark is a blended benchmark comprised of 80% Bloomberg World Government Inflation Linked Bond Index (Hedged), 10% Bloomberg Emerging Market Tradeable Inflation Linked Bond Index (Unhedged) and 10% Bloomberg Commodity Index. The Bloomberg World Government Inflation Linked Bond Index (Hedged) measures the investment performance of a portfolio of developed market investment grade government inflation-linked debt. The Bloomberg 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. As of February 1, 2023, the IPF-I Benchmark is 90% Bloomberg U.S. Treasury Inflation-Linked Bond Index and 10% Bloomberg Commodity Index.

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

19 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 sections (investment results, pages 8–14) invest in both individual securities and in units of the other funds shown. As a result, the total asset amounts in the Summary sections do not sum to the total investments in the financial statements.

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