



**Wespath**

BENEFITS | INVESTMENTS

**2023**

Annual Report





# 2023

Annual Report



# Table of Contents

<b>4</b>	A Message from the Chair of the Board and the General Secretary	<b>23</b>	Combined Statements of Operations and Changes in Net Assets
<b>8</b>	A Message from the Chief Investment Officer	<b>24</b>	Combined Statements of Changes in Plan Accumulations, Plan Sponsor Deposits and Endowments
<b>11</b>	2023 Highlights	<b>25</b>	Combined Statements of Cash Flows
<b>12</b>	Summary—Financial Markets and Investment Results – P Series	<b>26</b>	Notes to the Combined Financial Statements
<b>16</b>	Summary—Financial Markets and Investment Results – I Series	<b>42</b>	Supplemental Schedules
<b>19</b>	Management’s Report on Financial Statements	<b>44</b>	Other Information
<b>20</b>	Report of Independent Certified Public Accountants	<b>45</b>	Asset Managers, Positive Social Purpose Lending Program Intermediaries, Banks, Auditors and Consultants
<b>22</b>	Combined Statements of Assets and Liabilities and Net Assets	<b>48</b>	Summary—Fund Benchmarks and Details





Engaging with clergy, their families and Church leaders within their local contexts deepens Wespeth's understanding of their needs and concerns. During a May 2023 trip to Mozambique and Zimbabwe, Wespeth general secretary Andy Hendren met with seminary students near this storm-damaged church in Cambine, Mozambique (top photo). Andy also met with surviving spouse Claudina Lima Zavale (center) and District Superintendent Graça Martins Paibe (right).







*Left photo:* In 2023, Wespeth hosted all newly elected U.S. bishops for “New Bishops’ Conversations with Wespeth.”

New bishops pictured from our March 29 session, second from left to second from right (L to R): Bishop Cedrick Bridgeforth (Pacific Northwest, Oregon-Idaho and Alaska), Bishop Delores Williamston (Louisiana), Bishop Héctor A. Burgos Nuñez (Upper New York), Bishop Carlo Rapanut (Desert Southwest), Bishop Robin Dease (North Georgia) and Bishop Dottie Escobedo-Frank (California-Pacific).

*Right photo:* Members of the Clergy Financial Well-Being Initiative (CFWBI) leadership team met with Wespeth’s Church Relations staff in the spring to discuss topics related to improving clergy financial literacy.

CFWBI members pictured top row (L to R): Rev. David Martinez, General Board of Higher Education and Ministry; Sheri Meister, Dakotas and Minnesota United Methodist (UM) Foundation; Rev. Ken Sloane, Discipleship Ministries; and Rev. David Bell, UM Foundation of Michigan.

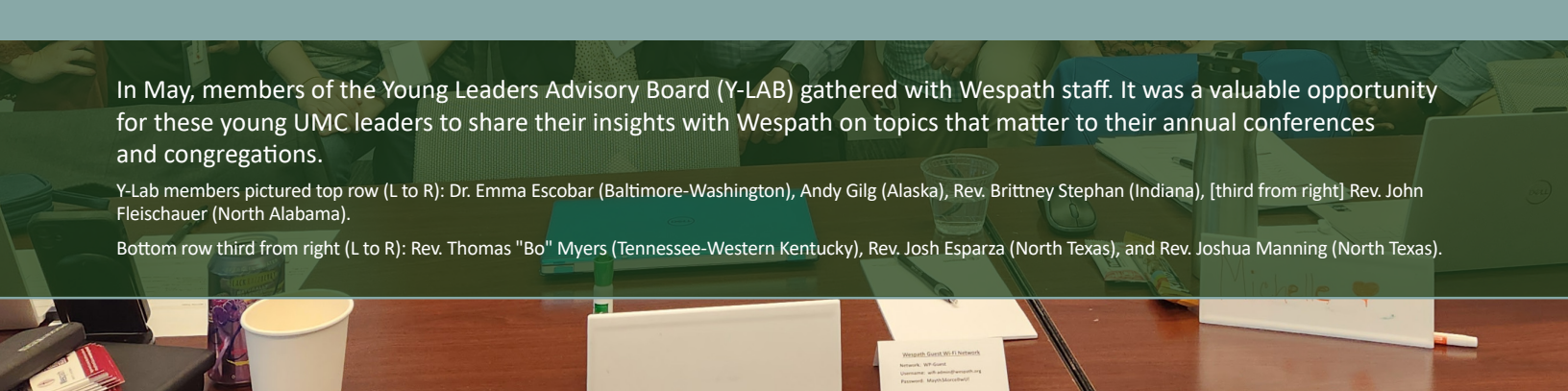
Bottom row (L to R): Rev. Carey James, Pastor of Jones Memorial UMC in Baltimore Washington Conference; [third and fourth from left] Rev. Dr. Candace Lewis, President and Dean of Gammon Theological Seminary; and Bonnie Marden, Project Manager of the Clergy Financial Well-Being Initiative.



In May, members of the Young Leaders Advisory Board (Y-LAB) gathered with Wespeth staff. It was a valuable opportunity for these young UMC leaders to share their insights with Wespeth on topics that matter to their annual conferences and congregations.

Y-Lab members pictured top row (L to R): Dr. Emma Escobar (Baltimore-Washington), Andy Gilg (Alaska), Rev. Brittney Stephan (Indiana), [third from right] Rev. John Fleischauer (North Alabama).

Bottom row third from right (L to R): Rev. Thomas “Bo” Myers (Tennessee-Western Kentucky), Rev. Josh Esparza (North Texas), and Rev. Joshua Manning (North Texas).







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

*Power of Relationships*



**Bishop Robert Schnase**  
*Board Chairperson*

**Andrew Q. Hendren**  
*General Secretary  
and Chief Executive Officer*

### **Connection. It's what holds United Methodists together—in relationship, in fellowship and in purpose.**

The power of connection and relationships inspired our work throughout 2023. We seized opportunities to connect face to face with participants around the world, and with annual conference partners, Church leaders, institutional investors and other stakeholders. We also continued to welcome occasions to connect virtually, appreciating the opportunities to strengthen partnerships through technology while aligning with our core value of stewardship.

Connecting in all the ways we can—with all those Wespath serves—has been crucial during this year of disruption in The United Methodist Church (UMC). We are reminded that the people called Methodists have a long history of dividing, changing and reshaping that harkens back to the days of John Wesley.

Isaiah 43:18-19, calls us to look beyond the past and embrace “something new” for the future. It is with this inspiration that Wespath is building for a strong future—with sustainable benefit plans and investment management services for individuals and organizations dedicated to the future of Methodist ministry.

### **Serving a Smaller, Stronger UMC**

The UMC endured a significant resizing and demographic shift that ended 2023 with nearly one-third fewer U.S. churches than in 2019, and a handful of departures of churches in Africa and Europe. Yet as we look to 2024 and beyond, we see a UMC emboldened to be stronger even if it is smaller. Those chosen to remain in the UMC are energized with reclaimed identity firmly grounded in grace, discipleship and mission. We see revived motivation to shape a Church around

beloved community and shared purpose. We are encouraged by refreshed optimism for what is ahead.

Wespath's resolute focus remains on our mission: *caring for those who serve*. Beyond our administrative and fiduciary duties as directed in the UMC's *Book of Discipline*, we've sought to be a calm and steady servant amidst uncertainty and change. We've strived to deliver accurate, timely and unbiased information to help stakeholders make sound decisions about their own futures.

### **Open Minds, Open Doors**

Intentional focus on relationships with our customers and stakeholders is crucial to Wespath's continuing success—in 2023 and into the future.

As we are taught in Romans 15:7, we welcomed one another, just as Christ has welcomed you, for the glory of God. Wespath hosted a multitude of guests at our Glenview, Illinois, campus—some as longtime partners, some as emerging connections, and many who turned to Wespath as a benevolent resource at a time when Church resources are stretched thin.

At various points throughout the year, our hallways bustled with UMC leaders—from the Council of Bishops' Executive Committee in July; to all newly elected bishops in the U.S. and Philippines; to tenured bishops from Africa and Europe. We also welcomed the associations of assistants to the bishops and directors of connectional ministries for their annual meetings, North Central jurisdictional delegates to the General Conference, and others.

In September, Wespath served as a host location for jurors, witnesses, observers and media attending a Church trial. Wespath's orderly and secure hospitality provided solace and goodwill for those called to participate.



Beyond opening our doors to others, Wespeth traveled to meet UMC constituents closer to their homelands. Andy enjoyed his first trip to Africa, where he spent two weeks with benefits officers, bishops, pensioners and surviving beneficiaries, missionaries and Africa University staff in Mozambique and Zimbabwe. Mozambique and Zimbabwe are two of 69 provisional and annual conferences outside the U.S. where Wespeth partners with local administrators to provide retirement benefits through the Central Conference Pensions (CCP) program. He was truly awed by the beauty of these lands and the opportunity to experience firsthand the faith-filled spirit of the African people. Other Wespeth representatives met in-person this year with CCP partners and pensioners in the Congo, Liberia, Kenya, Philippines and Sierra Leone.

### Expanding Services to Better Support the UMC

This agency has been serving Methodist ministers since 1908. As Wespeth builds for the decades ahead, we've cultivated new service relationships while remaining anchored by United Methodist values. Thoughtful growth is essential to our ability to maintain cost-effective operations and support a changing UMC in new and better ways.

Wespeth's work providing United Methodist products and services beyond the UMC supports the long-term sustainability of all the benefit plans and investment funds we manage, reduces costs for all customers, brings UMC investment values to more investors, and allows Wespeth to offer support services to the UMC based on our scale and human talent. Wespeth is honored to extend services across the Methodist community.

In 2023, we completed our first full year in relationship with the 250-year-old African Methodist Episcopal (AME) Church. We partnered with AME Church leaders to create a retirement plan unique for their participants: the New Life Personal Investment Plan. In June, Andy and other Wespeth representatives attended the AME Church's annual Council of Bishops and General Board meeting in New Orleans. Being onsite cultivated personal connections within this gathering of nearly 1,000 AME Church pastors, denominational leaders and administrators.

We also completed a full-year cycle administering benefits for the new Global Methodist Church (GMC). However, the GMC will transition ongoing services mid-2024 to another benefits provider more closely aligned with their values and lean administrative structure. In any case, many GMC participants will remain in relationship with Wespeth long term for retirement benefits earned during their UMC service. Rest assured, the departure of the GMC's benefits business will not have a material financial impact on Wespeth's assets or operations.

### Poised for the Future

This has been a year of transformational change within Wespeth's walls. As we build for a future that will continue to challenge us in unexpected ways, we are increasingly aware of the need to be flexible and responsive. We are integrating



In Mozambique, Andy visited the home of Rev. Enosi Lithio, who was born in 1916 and passed away in summer 2023. At age 106, Rev. Lithio shared with Andy inspiring stories from his long life in ministry.

an "agile mindset" into our business processes. Agile thinking positions us to more easily pivot as priorities change and opportunities emerge—an advantage in today's highly dynamic Church and business environment.

Agility has been crucial in our quest to transform benefits administration systems and technologies so we can deliver a much-improved experience for our employees and participants. This year we realigned Wespeth's Customer Service teams and implemented system enhancements that equip employees to resolve participants' needs more effectively. By year-end 2023, we were on the cusp of replacing our aging transactional workflow system with a state-of-the-art system configured for Wespeth's requirements. (The system launched in Q1 2024.) Additional enhancements are putting more power in participants' hands, so they can complete simple transactions online quickly and easily.

### Empowering Faith Leaders

Wespeth's mission of *caring for those who serve* reaches beyond our core of benefit plans and investment services. We endeavor to help faith leaders thrive along five dimensions of well-being: financial, physical, emotional, social and spiritual. Leaders who are well in all dimensions of their lives can be better shepherds for the congregations they lead and communities they serve.

Findings from our seventh biennial Clergy Well-Being Survey bear witness to the current well-being of U.S.-based UMC clergy. Compared with survey data from a decade ago, our 2023 survey found that clergy well-being has declined in key areas, with higher rates of obesity and diabetes/pre-diabetes, and more clergy feeling isolated and stressed by their work. Programs like the Wespeth-sponsored **First Aid for Mental Health** and others are designed to support clergy wellness needs and empower clergy to prioritize self-care.





Relationships with leaders from across the UMC embolden Wespeth's ability to care for those who serve in all corners of the world. In April 2023, Wespeth's Church Relations team and Senior Leadership Team welcomed UMC bishops from the Philippines to our Glenview, Illinois, offices for several days of fruitful discussion.

Bishops pictured starting third from left (L to R): Bishop Israel Painit, Bishop Ruby-Nell Estrella, Bishop Rodolfo Juan (retired), Rosario Acidal and Bishop Rodel Acidal.

Well-being concerns are particularly heightened among clergy of color. In partnership with Gammon Theological Seminary and others in the UMC, Wespeth's Clergy Financial Well-Being Initiative focused on expanding resources for clergy of color who disproportionately experience socio-economic challenges. Through Wespeth fundraising and grants from the Lilly Endowment Inc., a total of \$750,000 is now funding programs focused on clergy of color. These include self-care, mitigating burnout and building financial acumen; expanding financial assistance; and financing wellness retreats.

### Shaping a More Secure Future

Seeking long-term stability and financial security of the benefit plans and assets under Wespeth's management is the very essence of our fiduciary duty.

Wespeth submitted legislation to the UMC's General Conference for a new mandatory retirement plan called "Compass," which would be an account-based, defined contribution (DC) plan for U.S. clergy. In designing Compass, Wespeth partnered with benefits officers and others across the UMC to envision a plan that would be more sustainable for future generations and more affordable for the Church, while upholding the Church's commitment to adequate long-term retirement benefits. If General Conference approves, Compass will launch in 2026 and replace the current clergy pension plans.

A new plan is not the only way we are addressing the sustainability of the pension plans. Tens of thousands of clergy and surviving beneficiaries will continue receiving monthly pension benefits for decades to come under older plans. In 2023, we made significant strides to "de-risk" these legacy pension plans from future interest rate volatility like we experienced this decade. Our de-risking significantly reduces the likelihood that annual conferences will be called upon to make additional contributions in the future based on change in interest rates.

### Framing the Future

The pandemic-caused delay of the UMC General Conference extended the typical four-year quadrennium into an eight-year term for Wespeth's Board of Directors under Bishop Schnase's sage leadership. This Board guided Wespeth through unprecedented challenges marked by a global pandemic as well as significant discord across the UMC, and succession of its General Secretary. Where others may have seen obstacles, our Board kept Wespeth focused on opportunities and our long-term strategic vision.

Wespeth will welcome a new Board mid-year following the General Conference. The new Board will be greeted with an in-progress multi-year strategic plan that, when fully executed will equip us to deliver innovative solutions to a widening faith community for a sustainable future.

Wespeth's Methodist roots reach back 115 years. As we grow from this sturdy legacy, we are poised for a promising future. Yet even as we look to new opportunities, we remain true to our core mission of *caring for those who serve* and our valued relationships across the UMC.

Yours in service,

Andrew Q. Hendren  
*General Secretary and  
Chief Executive Officer*

Bishop Robert Schnase  
*Board Chairperson*





Wespath's **Senior Leadership Team (SLT)** spent two days with General Commission on Archives and History (GCAH) touring and worshiping at historic Methodist sites including Philadelphia's Historic St. George's UMC and Mother Bethel African Methodist Episcopal Church. Both churches trace their heritage to the early years of Methodism in America (late 18th Century).

Steeping themselves in history deepens Wesleyan's leaders' appreciation for how the past informs the present and our vision for the future.

*Top right photo:* [Wespath's SLT (back row) with (front row, pictured L to R) Dr. Ashley Boggan, GCAH general secretary; Crawford Wilson, lead docent, Mother Bethel; Dr. Alfred Day III, GCAH general secretary emeritus; and Bill Wilson, Pastor, St. George's UMC.



# A Message from the Chief Investment Officer



**David H. Zellner**  
*Chief Investment Officer*

Markets generally provided excellent returns in 2023—which was a welcome relief for investors after a disappointing 2022.

The so-called “Magnificent Seven” tech stocks were all the rage in 2023. By the end of the year, the seven companies were worth a combined \$12 trillion. It’s not hyperbole to say that understanding how they became so valuable, and what their staggering growth means for investors, provides a succinct recap of market developments—and the numbers participants saw in their quarterly statements—this past year.

Of the Magnificent Seven companies, six are household names or the parent company of ubiquitous technology: Apple, Amazon, Alphabet (Google’s parent), Meta Platforms (Facebook’s parent), Microsoft and Tesla. The seventh company, Nvidia, is one of the world’s leading chip manufacturers and a primary supplier of both hardware and software for artificial intelligence (AI). They are the seven largest companies listed on U.S. stock exchanges. They are at the leading edge of cloud computing, electric vehicles and AI, and often they are at the cutting edge in more than one industry. Tesla’s self-driving technology uses AI, for instance. And both Microsoft and Google launched AI-powered chat tools in 2023.

Fanned in large part by excitement about AI, these seven companies soared. For instance, in June, Apple became the first company to achieve a market capitalization of \$3 trillion. If you know a company’s stock price and the total number of shares held by all its stakeholders, you can calculate the company’s market capitalization (or market cap) by multiplying the two numbers. Market cap is a measure of a company’s worth based on the stock market. The Magnificent Seven’s combined market cap of \$12 trillion is nearly three times the size of Germany’s economy in 2022.

In a market-cap weighted index like the S&P 500—a stock market index of 500 of the largest companies listed on U.S. stock exchanges—larger companies have a greater impact on the index’s overall performance. Together, the Magnificent Seven make up close to 28% of the entire S&P 500 and delivered nearly two-thirds of the index’s total return during the year. Investors who did not dedicate roughly 30% of their portfolio to those seven companies struggled to match the S&P 500’s performance, which was up 26.3% in 2023.

Wespath’s actively managed funds—funds in which asset managers buy and sell stocks on Wespath’s behalf—invest in the Magnificent Seven companies, but the percentage of the funds devoted to those seven companies is less than the S&P 500. Wespath believes broad global diversification provides the best long-term returns for participants saving for retirement and institutional investors who seek to fund their mission now and long into the future. But because of their lower allocation to the Magnificent Seven, Wespath’s U.S. Equity Fund – P Series (for participants and plan sponsors) and U.S. Equity Fund – I Series (for institutional investors) lagged the S&P 500 as well as their benchmark, the Russell 3000, a different capitalization-weighted index, last year.

It was still a great year for absolute returns in the stock market: The U.S. Equity Fund – P Series was up 22.2% and the U.S. Equity Fund – I Series gained 23.3%. To help put that in perspective, the S&P 500’s annualized average return was 10.2% for the 30-year-period ending December 31, 2023. More detailed investment fund performance information is available in the Summary: Financial Markets and Investment Results sections of this report on pages 12–15 for the P Series funds, and pages 16–18 for the I Series funds.



I suspect AI will continue to play a big role in the markets and our team's day-to-day job in the year to come. I have used AI tools, such as Microsoft's Bing powered by ChatGPT and Google's Bard, for research and to assist with writing—and I know I'm only scratching the surface of their capabilities.

Based on my experience with AI, I think the technology has the potential to increase productivity. Economic growth is spurred by capital, labor and technology. It has been demonstrated both in theory and in practice that technological advancement is a key driver of long-term economic growth (think computers and the internet). AI could be the technology that drives the next wave of long-term economic growth. However, if AI doesn't deliver on its promise, it could have adverse consequences for the overall market because it has become central to the market's recent performance.

The technology sector was far from the only thing I monitored in 2023. Here are a few more important trends from the past year I will continue to watch in 2024:

- **Inflation:** The Consumer Price Index (CPI), an inflation gauge that measures how much consumers are paying for goods and services, peaked at 9.1% on a year-over-year basis in June 2022. The Fed responded by aggressively raising the interest rate that commercial banks pay for overnight loans (making borrowing more expensive throughout the economy), and inflation gradually eased. The rate of inflation declined to 3.1% by November 2023. This is a welcome change, especially since employee wage increases have recently surpassed the rate of inflation. Still, there's more work left to do. The Fed's target is 2% inflation, and it could be difficult to reach that rate in the short term because of the historically high cost of housing, a significant component of the CPI.
- **U.S. Consumers:** Gross domestic product (GDP) increased at an annual rate of 4.9% in the third quarter of 2023. A quick reminder: GDP is the value of the goods and services produced by the U.S. economy minus the value of the goods and services used up in production. It's the primary way to measure U.S. economic growth or contraction. The robust growth rate was driven in part by U.S. consumer spending. After stocking up on things during the COVID-19 pandemic, Americans switched to buying services, a.k.a. experiences and trips. Americans used savings built up during the pandemic to enjoy those experiences.
- **China:** Not everything in the markets was rosy in 2023. Investors predicted a meaningful rebound in the Chinese economy after the country's extended COVID lockdown; however, it did not come to fruition due, in part, to distress in China's real estate market. Real estate company Evergrande declared bankruptcy in August and Country Garden failed to make a bond repayment and was declared in default on its debt in October. Chinese residents have more equity tied up in their homes than Americans, so this put a damper on spending in the country.

Another key theme from 2023, as Andy and Bishop Schnase noted in their message (pages 4–6), was the opportunity to connect with others and deepen our relationships. For example, throughout the year, our investments team held multiple in-person meetings with our asset managers to learn more about their investment strategies and understand the drivers of their performance.

Wespath also is a member of several initiatives and coalitions that demonstrate our connections. For instance, Wespath is one of 86 asset owners, including pension agencies and insurance companies, with a combined \$11 trillion in assets under management, that are working together to address climate change in the United Nations-convened Net-Zero Asset Owner Alliance (the Alliance). As co-leads of the Alliance's engagement and communications tracks, Wespath encouraged its fellow investors to take novel and bold climate action. Wespath also is an active member of the Interfaith Center on Corporate Responsibility (ICCR), a coalition of over 300 faith-based institutions and supporters from the asset management and advocacy industries. Throughout 2023, Wespath continued to support the ICCR in its campaigns to improve working conditions and uphold human rights.

I am proud of how Wespath's consistently strong returns over my 27 years as chief investment officer—made possible by the hard work of my colleagues on Wespath's investment team—have helped the agency achieve its mission of *caring for those who serve*. I also am proud of how we have achieved those returns by investing in a manner that aligns with and champions the values and principles of The United Methodist Church.

As Wespath announced in June 2023, I will retire in the summer of 2024 and be succeeded by Johara Farhadieh. Johara joined Wespath in October 2023, having previously served as the executive director and chief investment officer of the Illinois investment board responsible for the retirement assets of state employees. We are currently working side by side to ensure a smooth transition. As a participant with a Wespath retirement account, I am excited to watch Johara build upon the agency's strong foundation and to read her letter in next year's annual report.

David H. Zellner  
*Chief Investment Officer*







*Left photo:* Wespeth hosted its first live-streamed event, *Live from Wespeth*. More than 350 UMC clergy attended and learned about Wespeth's insights on General Conference, investments, disaffiliation, clergy well-being, and the HealthFlex Care Coordination service, which launched in 2024. They also had the opportunity for a live Q&A exchange.



*Right photo:* Wespeth's annual Conference Forum event in April 2023 brought together more than 100 benefits officers, treasurers and other plan administrators from the UMC annual conferences for two days of learning and robust discussion with Wespeth leaders.



Wespeth staff met with clergy, family members and benefits officers in Liberia—home to one of our first and longest-running CCP program relationships.



# 2023 Highlights

All data as of December 31, 2023 unless otherwise noted

## Serving Others

Participants: **Over 100,000**



**Over 110,000** phone calls to Customer Service teams



Outreach: **14,000+** participant touchpoints through Wespath educational initiatives

Institutional clients: **Over 150**

## Central Conference Pensions

Wespath partners with UMC conferences in Africa, the Philippines, Europe and Eurasia to administer funds of the CCP program.



**Over \$1.3 million** in pension payments in 2023



**Over \$16 million** paid out in pension distributions and emergency grants since inception (2006–2023)



**Over 3,600** retirees and beneficiaries receiving support

## Impact Investing



**\$2.8 billion** invested in low-carbon solutions, including renewable energy, sustainable agribusiness and forestry, and more



**Over \$34 million** newly invested in 2023 through private equity strategy in positive impact investments focused on healthcare and the low-carbon transition



**\$27 million** in investment activity in 2023 to support creation of 629 affordable housing units



**70+ engagements** with companies, asset managers and policymakers on issues related to climate, human rights and diversity

## Assets Under Management

**\$25.9 billion**



**\$250 million** new inflows from institutional investors in 2023

## Diversity, Equity and Inclusion

### Wespath Staff

**301 employees**

**57% female / 43% male**



**34%** persons of color

**5%** employed at Wespath for **10+** years

## Cost of Operations

Wespath does not receive General Church funds to support the cost of operations. Operations (excluding certain direct expenses) are funded solely by passing through our funds' management fees, custody fees, and administrative and overhead expenses. The average annual cost from the three components, as a percentage of the investment, was **0.564%** in 2023 and **0.531%** in 2022.

## Caring for Communities

**Wespath employees** actively support local and worldwide communities through monetary contributions and in-kind donations (school supplies, baby supplies, holiday gifts, etc.). Our employee-run Green Team sponsors environmental programs, including roadside cleanups and learning how climate change disproportionately impacts indigenous populations. **During 2023**, our employees provided support for Kids Above All for children in underserved populations, the DuSable Museum of African American History, the Hispanic Scholarship Fund, and United Methodist Committee on Relief (UMCOR) initiatives for victims of earthquakes in Syria and Turkey and wildfires in Maui, Hawaii.



# Summary\*

## Financial Markets and Investment Results – P Series

Net-of-fees; as of December 31, 2023

### MULTIPLE ASSET FUND – P SERIES (MAF-P)

Fund: **+13.72%**      Benchmark<sup>1</sup>: **+15.59%**

Relative Performance (percentage points): **▼ 1.87**

- 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). Decelerating inflation and a potential shift in central bank monetary policy resulted in a rise in both equity and fixed income markets.
- IPF-P and FIF-P contributed positively to benchmark-relative performance, while IEF-P and USEF-P detracted.

Total Assets: **\$3,044M**

### U.S. EQUITY INDEX FUND – P SERIES (USEIF-P)

Fund: **+26.11%**      Benchmark<sup>2</sup>: **+25.96%**

Relative Performance (percentage points): **▲ 0.15**

- USEIF-P posted positive performance for the year as the U.S. equity market rallied thanks to slowing inflation and growth in AI-related businesses.
- USEIF-P is a passively managed fund designed to closely match the fund benchmark, less fees and expenses. Excluding certain stocks in accordance with the Investment Exclusions Policies, particularly stocks in the defense and tobacco industries, contributed positively to benchmark-relative performance.

Total Assets: **\$65M**

### U.S. EQUITY FUND – P SERIES (USEF-P)

Fund: **+22.20%**      Benchmark<sup>2</sup>: **+25.96%**

Relative Performance (percentage points): **▼ 3.76**

- USEF-P posted positive performance for the year as the U.S. equity market rallied thanks to slowing inflation and growth in AI-related businesses.
- The fund's holdings in private markets and its underweight to strong performing mega-cap tech growth companies were key detractors from relative performance.

Total Assets: **\$5,329M**

### INTERNATIONAL EQUITY FUND – P SERIES (IEF-P)

Fund: **+11.97%**      Benchmark<sup>3</sup>: **+15.62%**

Relative Performance (percentage points): **▼ 3.65**

- IEF-P posted positive performance for the year as inflation eased in many countries across the globe. Developed markets outperformed emerging markets amid a slowdown in growth from China.
- The fund underperformed its benchmark due to investments in private equity and private real estate, as well as underperforming active managers. Active manager underperformance was primarily attributable to investments in emerging markets.

Total Assets: **\$3,851M**

\* See accompanying information and details on page 15.



# Summary\*

## Financial Markets and Investment Results – P Series

Net-of-fees; as of December 31, 2023

### FIXED INCOME FUND – P SERIES (FIF-P)

Fund: **+7.84%**      Benchmark<sup>4</sup>: **+6.51%**

Relative Performance (percentage points): **▲ 1.33**

- FIF-P performed well as rates moved lower and bond prices moved higher in response to the Federal Reserve signaling the possibility of lower rates in 2024. Additionally, a resilient economy supported tighter credit spreads, adding to bond valuations.
- The fund's overweight allocation to, and manager security selection within, emerging market debt was the biggest positive contributor to relative performance. The overweight allocation to high-yield bonds also contributed.

Total Assets: **\$5,860M**

### SOCIAL VALUES CHOICE EQUITY FUND – P SERIES (SVCEF-P)

Fund: **+26.02%**      Benchmark<sup>6</sup>: **+25.73%**

Relative Performance (percentage points): **▲ 0.29**

- SVCEF-P invests in a mix of domestic and international equities, both of which rallied in 2023. The fund has a larger exposure to U.S. equities, which increased by more than 20% for the year amid slowing inflation and a resilient economy. International equities also performed positively for the year.
- SVCEF-P is a passively managed fund designed to closely match the fund benchmark, less fees and expenses. Excluding certain stocks in accordance with the Investment Exclusions Policies, particularly stocks in the defense and tobacco industries, contributed positively to benchmark-relative performance.

Total Assets: **\$197M**

### INFLATION PROTECTION FUND – P SERIES (IPF-P)

Fund: **+4.76%**      Benchmark<sup>5</sup>: **+3.28%**

Relative Performance (percentage points): **▲ 1.48**

- Speculation about a potential shift in central bank monetary policy, along with the fund's allocation to senior secured loans, resulted in positive performance for IPF-P.
- IPF-P's allocation to emerging market inflation-linked securities and senior secured floating-rate bank loans meaningfully contributed to benchmark-relative results. The allocation to developed market inflation-linked securities and real assets also helped, as did manager security selection within emerging markets.

Total Assets: **\$1,079M**

### EXTENDED TERM FIXED INCOME FUND – P SERIES (ETFIF-P)

Fund: **+9.81%**      Benchmark<sup>7</sup>: **+7.13%**

Relative Performance (percentage points): **▲ 2.68**

- ETFIF-P produced positive performance as bond yields moved lower across the duration maturity spectrum.
- The fund's shorter relative duration helped benchmark-relative results. The fund's allocations to high yield, emerging market and securitized debt also positively contributed.

Total Assets: **\$1,526M**

\* See accompanying information and details on page 15.



# Summary\*

## Financial Markets and Investment Results – P Series (continued)

Net-of-fees; as of December 31, 2023

### SOCIAL VALUES CHOICE BOND FUND – P SERIES (SVCBF-P)

Fund: **+6.75%**      Benchmark<sup>8</sup>: **+6.51%**  
Relative Performance (percentage points): **▲ 0.24**

- SVCBF-P posted positive performance for the year as slowing inflation and the prospect of future interest rate cuts caused bond prices to rise throughout the year.
- The fund's interest rate strategies contributed positively to benchmark-relative performance. The overweight to, and manager security selection within, investment grade financials and utilities also contributed.

Total Assets: **\$123M**

### STABLE VALUE FUND – P SERIES (SVF-P)

Fund: **+2.26%**      Benchmark<sup>10</sup>: **+5.05%**  
Relative Performance (percentage points): **▼ 2.79**

- SVF-P performed positively for the year, reflecting the fund's positive crediting rate.
- The fund underperformed the benchmark for the year due to the crediting rate, which lags the market rate on typical money market funds. The crediting rate is based on the yield of the underlying fixed income assets plus a difference between the fund's book and market values, which is currently negative.

Total Assets: **\$354M**

### U.S. TREASURY INFLATION PROTECTION FUND – P SERIES (USTPF-P)

Fund: **+3.24%**      Benchmark<sup>9</sup>: **+3.84%**  
Relative Performance (percentage points): **▼ 0.60**

- As the Federal Reserve signaled potential rate cuts due to slowing inflation, the interest rate sensitivity of inflation-linked securities resulted in higher security prices.
- USTPF-P seeks to match the fund's benchmark performance, less fees and expenses. A permissible 0.5-year deviation from index duration may result in performance differences, particularly in environments with rapid and meaningful interest rate changes, as seen recently.

Total Assets: **\$500M**

### SHORT TERM INVESTMENT FUND – P SERIES (STIF-P)

Fund: **+5.17%**      Benchmark<sup>11</sup>: **+5.05%**  
Relative Performance (percentage points): **▲ 0.12**

- 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 current above average interest rate environment led to positive performance for the fund.
- The fund outperformed the benchmark due to out-of-benchmark exposures to non-U.S. government sectors including U.S. corporate debt and asset-backed securities. Broadly, most fixed income sectors outperformed government bonds.

Total Assets: **\$258M**

\* See accompanying information and details on page 15.



# Performance – P Series\*

Net-of-fees; as of December 31, 2023

Fund	Annualized Returns				
	1-Year	3-Years	5-Years	10-Years	Inception <sup>12</sup>
<b>Multiple Asset Fund – P Series (MAF-P)</b>	13.72%	1.03%	8.09%	6.04%	6.96%
<i>MAF-P Benchmark<sup>1</sup></i>	15.59%	2.72%	8.37%	6.40%	6.77%
<b>U.S. Equity Fund – P Series (USEF-P)</b>	22.20%	5.77%	14.10%	10.48%	7.92%
<i>USEF-P Benchmark<sup>2</sup></i>	25.96%	8.54%	15.16%	11.48%	8.33%
<b>U.S. Equity Index Fund – P Series (USEIF-P)</b>	26.11%	8.49%	15.16%	-	11.19%
<i>USEIF-P Benchmark<sup>2</sup></i>	25.96%	8.54%	15.16%	-	11.36%
<b>International Equity Fund – P Series (IEF-P)</b>	11.97%	-2.65%	6.70%	3.80%	5.99%
<i>IEF-P Benchmark<sup>3</sup></i>	15.62%	1.53%	7.18%	3.97%	5.07%
<b>Fixed Income Fund – P Series (FIF-P)</b>	7.84%	-2.33%	2.16%	2.40%	4.68%
<i>FIF-P Benchmark<sup>4</sup></i>	6.51%	-3.00%	1.80%	2.29%	4.29%
<b>Inflation Protection Fund – P Series (IPF-P)</b>	4.76%	1.69%	3.90%	2.65%	3.61%
<i>IPF-P Benchmark<sup>5</sup></i>	3.28%	-1.12%	2.60%	2.86%	3.85%
<b>Social Values Choice Equity Fund – P Series (SVCEF-P)**</b>	26.02%	7.83%	13.63%	-	9.41%
<i>SVCEF-P Benchmark<sup>6</sup></i>	25.73%	7.83%	13.52%	-	9.47%
<b>Extended Term Fixed Income Fund – P Series (ETFIF-P)</b>	9.81%	-5.19%	1.73%	-	2.02%
<i>ETFIF-P Benchmark<sup>7</sup></i>	7.13%	-8.68%	1.12%	-	1.75%
<b>Social Values Choice Bond Fund – P Series (SVCBF-P)</b>	6.75%	-2.90%	2.02%	-	1.62%
<i>SVCBF-P Benchmark<sup>8</sup></i>	6.51%	-3.00%	1.80%	-	1.51%
<b>U.S. Treasury Inflation Protection Fund – P Series (USTPF-P)</b>	3.24%	-1.64%	2.80%	-	2.23%
<i>USTPF-P Benchmark<sup>9</sup></i>	3.84%	-1.28%	3.14%	-	2.53%
<b>Stable Value Fund – P Series (SVF-P)</b>	2.26%	1.69%	1.74%	1.95%	2.75%
<i>SVF-P Benchmark<sup>10</sup></i>	5.05%	2.17%	1.89%	1.87%	2.58%
<b>Short Term Investment Fund – P Series (STIF-P)</b>	5.17%	2.06%	1.86%	1.24%	1.47%
<i>STIF-P Benchmark<sup>11</sup></i>	5.05%	2.17%	1.89%	1.26%	1.46%

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](http://www.wespath.org/retirement-investments/publications-and-reports/monthly-investment-report)
- *Investment Funds Description – P Series*:  
[www.wespath.org/assets/1/7/3052.pdf](http://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 unit values of the funds are likely to increase or decrease during the period that an investor owns units of the funds. This means that it is possible for an investor to lose money investing in the funds. Investment performance is presented net of fees and expenses. Fees and expenses can therefore impact benchmark-relative performance. Please see the *Investment Funds Description – P Series* for more information about the fees and expenses of the P Series funds.

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.

See accompanying Summary – Fund Benchmarks and details on page 48–49.

\*\* Formerly the Equity Social Values Plus Fund



# Summary\*

## Financial Markets and Investment Results – I Series

Net-of-fees; as of December 31, 2023

### MULTIPLE ASSET FUND – I SERIES (MAF-I)

Fund: **+14.32%**      Benchmark<sup>13</sup>: **+15.59%**

Relative Performance (percentage points): **▼ 1.27**

- 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). Decelerating inflation and a potential shift in central bank monetary policy resulted in a rise in both equity and fixed income markets.
- IPF-I and FIF-I contributed positively to benchmark-relative performance, while IEF-I and USEF-I detracted.

Total Assets: **\$1,527M**

### U.S. EQUITY INDEX FUND – I SERIES (USEIF-I)

Fund: **+26.09%**      Benchmark<sup>14</sup>: **+25.96%**

Relative Performance (percentage points): **▲ 0.13**

- 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: **\$106M**

### U.S. EQUITY FUND – I SERIES (USEF-I)

Fund: **+23.27%**      Benchmark<sup>14</sup>: **+25.96%**

Relative Performance (percentage points): **▼ 2.69**

- USEF-I posted positive performance for the year as the U.S. equity market rallied thanks to slowing inflation and growth in (AI)-related businesses.
- The fund's holdings in private markets and its underweight to strong performing mega-cap tech growth companies were key detractors from relative performance.

Total Assets: **\$1,064M**

### INTERNATIONAL EQUITY FUND – I SERIES (IEF-I)

Fund: **+12.80%**      Benchmark<sup>15</sup>: **+15.62%**

Relative Performance (percentage points): **▼ 2.82**

- IEF-I posted positive performance for the year as inflation eased in many countries across the globe. Developed markets outperformed emerging markets amid a slowdown in growth from China.
- The fund underperformed its benchmark due to investments in private equity and private real estate, as well as underperforming active managers. Active manager underperformance was primarily attributable to investments in emerging markets.

Total Assets: **\$760M**

\* See accompanying information and details on page 18.



# Summary\*

## Financial Markets and Investment Results – I Series

Net-of-fees; as of December 31, 2023

### FIXED INCOME FUND – I SERIES (FIF-I)

Fund: **+7.98%**      Benchmark<sup>16</sup>: **+6.51%**  
Relative Performance (percentage points): **▲ 1.47**

- FIF-I performed well as rates moved lower and bond prices moved higher in response to the Federal Reserve signaling the possibility of lower rates in 2024. Additionally, a resilient economy supported tighter credit spreads, adding to bond valuations.
- The fund's overweight allocation to, and manager security selection within, emerging market debt was the biggest positive contributor to relative performance. The overweight allocation to high-yield bonds also contributed.

Total Assets: **\$763M**

### U.S. TREASURY INFLATION PROTECTION FUND – I SERIES (USTPF-I)

Fund: **+3.17%**      Benchmark<sup>18</sup>: **+3.84%**  
Relative Performance (percentage points): **▼ 0.67**

- As the Federal Reserve signaled potential rate cuts due to slowing inflation, the interest rate sensitivity of inflation-linked securities resulted in higher security prices.
- USTPF-I seeks to match the fund's benchmark performance, less fees and expenses. A permissible 0.5-year deviation from index duration may result in performance differences, particularly in environments with rapid and meaningful interest rate changes, as seen recently.

Total Assets: **\$104M**

### INFLATION PROTECTION FUND – I SERIES (IPF-I)

Fund: **+4.77%**      Benchmark<sup>17</sup>: **+3.28%**  
Relative Performance (percentage points): **▲ 1.49**

- Speculation about a potential shift in central bank monetary policy, along with the fund's allocation to senior secured loans, resulted in positive performance for IPF-I.
- IPF-I's allocation to emerging market inflation-linked securities and senior secured floating-rate bank loans meaningfully contributed to benchmark-relative results. The allocation to developed market inflation-linked securities and real assets also helped, as did manager security selection within emerging markets.

Total Assets: **\$256M**

### SHORT TERM INVESTMENT FUND – I SERIES (STIF-I)

Fund: **+5.21%**      Benchmark<sup>19</sup>: **+5.05%**  
Relative Performance (percentage points): **▲ 0.16**

- 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 current above-average interest rate environment led to positive performance for the fund.
- The fund outperformed the benchmark due to out-of-benchmark exposures to non-U.S. government sectors including U.S. corporate debt and asset-backed securities. Broadly, most fixed income sectors outperformed government bonds.

Total Assets: **\$43M**

\* See accompanying information and details on page 18.



# Performance – I Series\*

Net-of-fees; as of December 31, 2023

Fund	Annualized Returns				
	1-Year	3-Years	5-Years	10-Years	Inception <sup>12</sup>
<b>Multiple Asset Fund – I Series (MAF-I)</b>	14.32%	0.81%	8.25%	-	8.25%
<i>MAF-I Benchmark<sup>13</sup></i>	15.59%	2.72%	8.37%	-	8.37%
<b>U.S. Equity Fund – I Series (USEF-I)</b>	23.27%	5.51%	14.23%	-	14.23%
<i>USEF-I Benchmark<sup>14</sup></i>	25.96%	8.54%	15.16%	-	15.16%
<b>U.S. Equity Index Fund – I Series (USEIF-I)</b>	26.09%	8.42%	15.06%	-	15.06%
<i>USEIF-I Benchmark<sup>14</sup></i>	25.96%	8.54%	15.16%	-	15.16%
<b>International Equity Fund – I Series (IEF-I)</b>	12.80%	-2.80%	6.98%	-	6.98%
<i>IEF-I Benchmark<sup>15</sup></i>	15.62%	1.53%	7.18%	-	7.18%
<b>Fixed Income Fund – I Series (FIF-I)</b>	7.98%	-2.35%	2.16%	-	2.16%
<i>FIF-I Benchmark<sup>16</sup></i>	6.51%	-3.00%	1.80%	-	1.80%
<b>Inflation Protection Fund – I Series (IPF-I)</b>	4.77%	1.42%	3.90%	-	3.90%
<i>IPF-I Benchmark<sup>17</sup></i>	3.28%	-1.12%	2.60%	-	2.60%
<b>U.S. Treasury Inflation Protection Fund – I Series (USTPF-I)</b>	3.17%	-1.70%	2.73%	-	2.73%
<i>USTPF-I Benchmark<sup>18</sup></i>	3.84%	-1.28%	3.14%	-	3.14%
<b>Short Term Investment Fund – I Series (STIF-I)</b>	5.21%	2.05%	1.78%	-	1.78%
<i>STIF-I Benchmark<sup>19</sup></i>	5.05%	2.17%	1.89%	-	1.89%

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](http://www.wespath.com/funds/monthly-investment-report)
- *Investment Funds Description – I Series*:  
[www.wespath.com/assets/1/7/5263.pdf](http://www.wespath.com/assets/1/7/5263.pdf)

\* The performance shown is for the stated time period only. Historical returns are not indicative of future performance. The unit values of the funds are likely to increase or decrease during the period that an investor owns units of the funds. This means that it is possible for an investor to lose money investing in the funds. Investment performance is presented net of fees and expenses. Fees and expenses can therefore impact benchmark-relative performance. Please see the *Investment Funds Description – I Series* for more information about the fees and expenses of the I Series funds.

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.

See accompanying Summary – Fund Benchmarks and details on page 48–49.



# Management's Report on Financial Statements



**Andrew Q. Hendren**  
*General Secretary  
and Chief Executive Officer*

**Eileen M. Kane**  
*Chief Financial and Strategy  
Officer*

We have prepared the accompanying combined financial statements of Wespath Benefits and Investments (Wespath) for the years ended December 31, 2023 and 2022. 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 20–21. 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 44 for more details.



# Report of Independent Certified Public Accountants



---

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

**D** +1 312 856 0200  
**F** +1 312 602 8099

## 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, 2023 and 2022, 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 present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### 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

---

**GT.COM**

---

Grant Thornton LLP is the U.S. member firm of Grant Thornton International Ltd (GTIL). GTIL and each of its member firms are separate legal entities and are not a worldwide partnership.

# Report of Independent Certified Public Accountants



when it exists. The risk of not detecting a material 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 statement of assets and liabilities and net assets as of December 31, 2023 and the combining statement of operations and changes in net assets for the year ended December 31, 2023 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  
April 17, 2024



# Combined Statements of Assets and Liabilities and Net Assets

Assets (in thousands)	December 31, 2023	December 31, 2022
Investments (Notes 2-6)		
Fixed income securities and contracts (Note 6)	\$ 13,135,820	\$ 9,623,701
Equity securities	8,955,834	9,584,035
Limited partnership investments	1,676,230	1,625,319
Short-term securities	1,540,018	1,200,765
Emerging market funds	1,002,021	1,275,317
Securities loaned under securities lending agreements (Note 4)	641,734	886,316
Total investments	26,951,657	24,195,453
Invested collateral from securities lending agreements (Note 4)	350,069	476,850
Other assets (Note 2)	925,390	413,226
Cash	20,463	20,271
<b>Total assets</b>	<b>\$ 28,247,579</b>	<b>\$ 25,105,800</b>

Liabilities and net assets (in thousands)	December 31, 2023	December 31, 2022
Plan accumulations, plan sponsor deposits and endowments (Note 2)		
Defined contribution plans	\$ 9,108,006	\$ 8,504,361
Defined benefit plans	4,491,973	4,400,318
Annuities	4,679,005	4,487,491
Disability, death and health benefit program deposits (Note 8)	2,278,342	2,107,803
Plan sponsor and other deposits	5,135,738	4,435,657
Endowments	73,373	64,858
Total plan accumulations, plan sponsor deposits and endowments	25,766,437	24,000,488
Payable under securities lending agreements (Note 4)	350,069	476,850
Other liabilities (Note 2)	1,962,817	485,962
Total liabilities	28,079,323	24,963,300
Net assets (Note 2)	168,256	142,500
<b>Total liabilities and net assets</b>	<b>\$ 28,247,579</b>	<b>\$ 25,105,800</b>

See accompanying "Notes to the Combined Financial Statements" on page 26.

# Combined Statements of Operations and Changes in Net Assets

Years Ended December 31 (in thousands)	2023	2022
Interest, dividend, partnership and trust investment income	\$ 784,954	\$ 764,845
Securities lending and other income	4,460	11,085
Investment income	789,414	775,930
Net realized loss on investments	(92,235)	(318,564)
Net unrealized gain (loss) on investments	2,181,945	(4,917,873)
Net gain (loss) on investments and investment income	2,879,124	(4,460,507)
Investment management and custodial fees	(86,190)	(81,356)
Net investment earnings (loss)	2,792,934	(4,541,863)
Operating expenses (Note 9)	(75,819)	(71,865)
Net earnings (loss) before allocation	2,717,115	(4,613,728)
Allocated net (earnings) loss to unitized funds (Note 7)	(2,708,406)	4,597,776
Allocated to net assets	17,047	40,695
Net increase in net assets	25,756	24,743
Net assets (Note 2):		
Beginning of year	142,500	117,757
End of year	\$ 168,256	\$ 142,500

See accompanying "Notes to the Combined Financial Statements" on page 26.



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

Year Ended December 31, 2023 (in thousands)	Balances Beginning of Year	Net Earnings Allocated to Unitized Funds	Contributions and Deposits	Distributions and Withdrawals	Net Transfers and Other	Balances End of Year
Defined contribution plans	\$ 8,504,361	\$ 1,075,324	\$ 171,706	(559,004)	\$ (84,381)	\$ 9,108,006
Defined benefit plans	4,400,318	430,495	-	(292,409)	(46,431)	4,491,973
Annuities	4,487,491	372,594	-	(386,904)	205,824	4,679,005
Disability, death and health benefit program deposits	2,107,803	186,789	77,374	(232,247)	138,623	2,278,342
Plan sponsor and other deposits	4,435,657	634,325	517,098	(227,383)	(223,959)	5,135,738
Endowments	64,858	8,879	29	(186)	(207)	73,373
Total plan accumulations, plan sponsor deposits and endowments	<u>\$ 24,000,488</u>	<u>\$ 2,708,406</u>	<u>\$ 766,207</u>	<u>\$ (1,698,133)</u>	<u>\$ (10,531)</u>	<u>\$ 25,766,437</u>

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	<u>\$ 29,384,846</u>	<u>\$ (4,597,776)</u>	<u>\$ 900,185</u>	<u>\$ (1,672,046)</u>	<u>\$ (14,721)</u>	<u>\$ 24,000,488</u>

See accompanying "Notes to the Combined Financial Statements" on page 26.

# Combined Statements of Cash Flows

Years Ended December 31 (in thousands)	2023	2022
<b>Cash flows from operating activities</b>		
<b>Net increase in net assets</b>	\$ 25,756	\$ 24,743
<b>Adjustments to reconcile net increase in net assets to net cash provided by (used in) operating activities:</b>		
Depreciation	1,430	1,502
Net unrealized (gain) loss on investments	(2,181,945)	4,917,873
Net realized loss on investments	92,235	318,564
Undistributed loss (earnings)—limited partnership investments	24,310	(17,075)
Changes in assets and liabilities:		
Decrease in invested collateral from securities lending agreements	126,781	514,466
Increase in other assets	(511,059)	(148,467)
Increase (decrease) in other liabilities	1,476,855	(163,619)
Decrease in payable under securities lending agreements	(126,781)	(514,466)
Allocated to net assets	(17,047)	(40,695)
Net earnings (loss) allocated to unitized fund accounts	2,708,406	(4,597,776)
Contributions and deposits	766,207	900,185
Distributions and withdrawals	(1,698,133)	(1,672,046)
Net transfers and other	6,516	25,974
<b>Net cash provided by (used in) operating activities</b>	<u>693,531</u>	<u>(450,837)</u>
<b>Cash flows from investing activities</b>		
Purchases of investments	(67,858,590)	(41,273,196)
Sales of investments	67,167,786	41,686,183
Capital expenditures	(2,535)	(603)
<b>Net cash (used in) provided by investing activities</b>	<u>(693,339)</u>	<u>412,384</u>
<b>Net increase (decrease) in cash</b>	192	(38,453)
<b>Cash at beginning of year</b>	20,271	58,724
<b>Cash at end of year</b>	<u>\$ 20,463</u>	<u>\$ 20,271</u>

See accompanying "Notes to the Combined Financial Statements" on page 26.



# 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 trustee 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 trustee 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, 2023, 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 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.

# Notes to the Combined Financial Statements

## *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, 2023, the Benefit Board administered 21 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 nine 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), Liability Matching Fixed Income Fund – P Series (LMFIF-P) and Duration Matching Fixed Income Fund – P Series (DMFIF-P). DMFIF-P was launched in May 2023.

As of December 31, 2023, WII administered 13 I Series investment funds. Nine 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), Short Term Investment Fund – I Series (STIF-I) and Alternative Asset Fund – I Series (AAF-I). AAF-I was launched in April of 2023. There were no assets invested in this fund at December 31, 2023 as capital was not called until January 2024. 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 (I PREF-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).



# Notes to the Combined Financial Statements

(continued)

## 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 gain (loss) on investments.” Investment purchases and sales are recorded as of the trade date. Net gains and losses on the sale of investments are included in “Net realized loss 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.

During 2023, Wespath executed a pension plan de-risking strategy to mitigate risk of future plan contributions by reducing exposure to future interest rate volatility. This strategy resulted in the sale of equity securities and related purchase of fixed income securities of approximately \$2 billion.

## 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, and sovereign securities denominated in U.S. dollars and foreign currencies, stated at fair value determined primarily by third-party pricing vendors, as well as 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, as well as 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, 2023 and 2022, Wespath had outstanding PSP Lending Program investments of \$488 million and \$511 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, 2023 and 2022, Wespath had outstanding commitments to provide \$37 million and \$44 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.

## 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.

## 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.

# Notes to the Combined Financial Statements

(continued)

## Limited partnerships, limited liability companies and emerging market funds

### Investments Valued at NAV as of December 31, 2023

(in thousands)	Fair Value	Unfunded Commitments	Longest Redemption Notice Period
<i>Open-end funds</i>			
Real estate	\$ 111,054	\$ -	90 days
Emerging market	1,002,021	-	120 days
<i>Closed-end funds</i>			
Real estate	602,042	503,152	
Real assets	121,774	5,359	
Private equity	817,033	277,385	
Credit	4,194	48,500	
Joint Venture	20,133	17,811	
<b>Total</b>	<b>\$ 2,678,251</b>	<b>\$ 852,207</b>	

### Investments Valued at NAV as of December 31, 2022

(in thousands)	Fair Value	Unfunded Commitments	Longest Redemption Notice Period
<i>Open-end funds</i>			
Real estate	\$ 123,464	\$ -	90 days
Emerging market	1,275,317	-	120 days
<i>Closed-end funds</i>			
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	
<b>Total</b>	<b>\$ 2,900,636</b>	<b>\$ 866,064</b>	

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 funds primarily invest in private and 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 contained sales restrictions which expired after February 2024. The total investment in the joint venture as of December 31, 2023 and 2022 was \$20.1 million and \$23.1 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.



# Notes to the Combined Financial Statements

(continued)

The following table summarizes the fair value of securities on loan and the collateral held as of December 31, 2023:

(in thousands)	Market Value of Securities on Loan	Collateral Held
Fixed income securities	\$ 434,276	\$ 444,901
Domestic equity securities	141,660	145,801
International equity securities	65,798	68,961
<b>Total</b>	<b>\$ 641,734</b>	<b>\$ 659,663</b>

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
<b>Total</b>	<b>\$ 886,316</b>	<b>\$ 924,296</b>

## 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 three to seven years for furniture, fixtures, computer software and equipment; 15 years for land improvements; and 40 years for the building. Depreciation expense totaling \$1.4 million and \$1.5 million for 2023 and 2022, respectively, is included in "Operating expenses" in the Statements of Operations. Receivables due from the purchasers of investments sold of \$714 million and \$203 million at December 31, 2023 and 2022, 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)	2023	2022
Land	\$ 15,685	\$ 15,685
Land improvements	3,827	3,779
Building	31,493	31,493
Computer and office equipment	22,203	21,636
Capital work in progress	2,291	371
	<b>75,499</b>	<b>72,964</b>
Less accumulated depreciation		
Land improvements	3,308	3,056
Building	10,105	9,306
Computer and office equipment	21,330	20,951
<b>Property and equipment – net</b>	<b>\$ 40,756</b>	<b>\$ 39,651</b>

## 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 \$78 million and \$103 million to the plans in 2023 and 2022, respectively. Of the amounts contributed, \$19 million and \$91 million were transfers from plan sponsors and other deposits in 2023 and 2022, respectively.

# Notes to the Combined Financial Statements

(continued)

## *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. Wespeth 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 Wespeth, are undesignated gifts, bequests and donations.

## *Other liabilities*

Other liabilities primarily consist of payables for investment purchases of \$1,564 million and \$324 million at December 31, 2023 and 2022, respectively.

## *Net assets*

Combined net assets at December 31, 2023 and 2022 represent Wespeth's designated operating reserves—to be utilized in the event of a significant, prolonged market downturn—of \$138.8 million and \$113.0 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. Wespeth transferred to its designated operating reserves \$17.0 million and \$40.7 million, of which \$3.7 million and \$6.9 million was funded through operating expenses, in 2023 and 2022, respectively (Note 9). Included in the transfers to operating reserves was \$13.0 million and \$34.0 million for 2023 and 2022, respectively, 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.



# Notes to the Combined Financial Statements

(continued)

## 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.

# Notes to the Combined Financial Statements

(continued)

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 \$92.2 million for 2023 and \$78.2 million for 2022. No significant transfers of Level 3 assets occurred in 2023 or 2022.



# Notes to the Combined Financial Statements

(continued)

The following table summarizes financial assets at fair value, by levels, as of December 31, 2023:

Asset Class (in thousands)	Level 1	Level 2	Level 3	Total Investments
Investments at fair value (non NAV)				
Domestic common stock <sup>A</sup>	\$ 5,879,159	\$ -	\$ -	\$ 5,879,159
International common stock <sup>B</sup>	3,255,241	-	-	3,255,241
Preferred stock <sup>C</sup>	22,201	191	-	22,392
Domestic government fixed income <sup>D</sup>	3,954,290	-	-	3,954,290
International government fixed income <sup>E</sup>	-	1,288,931	-	1,288,931
Domestic government and other agencies <sup>F</sup>	-	1,038,096	-	1,038,096
Municipal fixed income <sup>G</sup>	-	51,388	-	51,388
Corporate fixed income <sup>H</sup>	-	4,597,083	248,162	4,845,245
Asset-backed securities <sup>I</sup>	-	707,463	-	707,463
Collateralized loan obligations <sup>J</sup>	-	453,138	-	453,138
Risk management instruments <sup>K</sup>	202,083	717,346	-	919,429
Short-term securities <sup>L</sup>	45,487	81,755	-	127,242
<b>Total investments at fair value (non NAV)</b>	<b>\$ 13,358,461</b>	<b>\$ 8,935,391</b>	<b>\$ 248,162</b>	<b>\$ 22,542,014</b>
Investments at fair value (NAV)				
Emerging market funds <sup>M</sup>				1,002,021
Private equity/real estate partnerships <sup>N</sup>				1,554,456
Real asset partnerships <sup>O</sup>				121,774
<b>Total investments at fair value</b>				<b>\$ 25,220,265</b>
Short-term securities at cost <sup>P</sup>				1,389,742
Wrap contracts at contract value <sup>Q</sup>				341,650
<b>Total investments</b>				<b>\$ 26,951,657</b>

<p><b>A</b> Domestic common stock reflects investments in common stock of companies primarily domiciled in the U.S.</p> <p><b>B</b> International common stock reflects investments in common stock of companies primarily domiciled outside of the U.S.</p> <p><b>C</b> Preferred stock is composed of straight and convertible preferred stock issues across various industry sectors.</p> <p><b>D</b> 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.</p> <p><b>E</b> 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.</p> <p><b>F</b> 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.</p>	<p><b>G</b> Municipal fixed income is composed of various state and local municipality investments.</p> <p><b>H</b> Corporate fixed income represents U.S. and international investment grade and below investment grade corporate securities across various industry sectors.</p> <p><b>I</b> 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.</p> <p><b>J</b> Collateralized loan obligations reflect the Positive Social Purpose private loan portfolio.</p> <p><b>K</b> 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.</p> <p><b>L</b> Short-term securities include investments in commercial paper, U.S. Treasury bills and money market securities.</p>	<p><b>M</b> Emerging market funds represent equity ownership of commingled funds that primarily invest in international publicly traded equity securities.</p> <p><b>N</b> 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.</p> <p><b>O</b> Real asset partnerships include investments in limited partnerships that invest in timberland and private equity energy properties.</p> <p><b>P</b> 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.</p> <p><b>Q</b> 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).</p>
---	--	---

# Notes to the Combined Financial Statements

(continued)

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



# Notes to the Combined Financial Statements

(continued)

## 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 \$642 million and \$886 million at December 31, 2023 and 2022, 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 \$350 million and \$477 million at December 31, 2023 and 2022, respectively. These amounts are offset by a liability recorded as “Payable under securities lending agreements.” At December 31, 2023 and 2022, Wespath had received non-cash collateral of \$310 million and \$447 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, 2023:

Loan Type (in thousands)	Overnight and Continuous	Up to 30 Days	30–90 Days	Greater than 90 Days	Total
Fixed income securities	\$ 185,622	\$ 45,493	\$ -	\$ -	\$ 231,115
Domestic equity securities	70,405	-	-	-	70,405
International equity securities	45,357	3,132	-	60	48,549
<b>Total</b>	<b>\$ 301,384</b>	<b>\$ 48,625</b>	<b>\$ -</b>	<b>\$ 60</b>	<b>\$ 350,069</b>

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
<b>Total</b>	<b>\$ 402,013</b>	<b>\$ 74,837</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 476,850</b>

# Notes to the Combined Financial Statements

(continued)

## 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 uses derivative instruments to leverage its investments only when such leverage is necessary to hedge specific market risks.

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.

# Notes to the Combined Financial Statements

(continued)

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)	2023	2022	Location on Balance Sheet
<b>Forward Commitments</b>			
Federal National Mortgage Association*	\$ 703,140	\$ 89,093	Fixed income securities
Federal National Mortgage Association*	(24,296)	(2,465)	Other liabilities
<b>Contracts to sell foreign currency**</b>	1,185,144	866,411	Other assets/Other liabilities
<b>Contracts to buy foreign currency**</b>	(661,704)	(426,636)	Other assets/Other liabilities
<b>Contracts to buy equity futures</b>			
S&P 500 Index**	(94,954)	(123,552)	Equity securities
Russell 2000 Index**	(8,907)	(13,105)	Equity securities
Other index futures**	(123,556)	(145,792)	Equity securities
<b>Contracts to buy other futures</b>			
Fixed income securities**	(3,148,362)	(283,690)	Fixed income securities
Cash and equivalents**	(26,115)	(137,020)	Short-term securities
Commodities**	(127,273)	(185,887)	Equity securities
<b>Other</b>			
Credit default swap contracts*	41,617	(503)	Fixed income securities
Interest rate swap contracts*	9,951	6,195	Fixed income securities
Inflation rate swap contracts*	(268)	(290)	Fixed income securities
Zero coupon swap contracts*	(1,060)	(1,609)	Fixed income securities
Purchased options*	337	8,264	Equity securities
Written options*	(1,257)	(14,502)	Other liabilities

\* At fair value in balance sheet account indicated

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

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

Derivative Investments (in thousands)	2023		2022	
	Net Gains (Losses) on Investments		Net Gains (Losses) on Investments	
	Realized	Unrealized	Realized	Unrealized
Forward commitments	\$ (2,036)	\$ 14,962	\$ (5,986)	\$ (620)
Foreign exchange contracts	(13,215)	3,901	68,249	(6,730)
Futures contracts	(238,596)	186,499	(72,929)	(13,823)
Credit default swap contracts	5,431	13,933	(1,623)	42
Interest rate swap contracts	(2,314)	5,146	(1,782)	(103)
Inflation rate swap contracts	(206)	21	3,247	131
Zero coupon swap contracts	972	377	(135)	(221)
Options contracts	2,050	4,340	684	(3,927)
<b>Total</b>	<b>\$ (247,914)</b>	<b>\$ 229,179</b>	<b>\$ (10,275)</b>	<b>\$ (25,251)</b>



# Notes to the Combined Financial Statements

(continued)

## 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 \$342 million and \$364 million at December 31, 2023 and 2022, 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.

# Notes to the Combined Financial Statements

(continued)

## 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)	2023	2022
Premiums		
Medical	\$ 172,610	\$ 161,962
Other premiums	13,974	13,531
Total premiums	<u>186,584</u>	<u>175,493</u>
Claims		
Medical (net of rebates)	(153,613)	(157,535)
Other expenses	(16,638)	(15,873)
Total claims	<u>(170,251)</u>	<u>(173,408)</u>
Administration		
Wespath	(5,695)	(6,447)
Third-party	(9,407)	(9,129)
Total administration	<u>(15,102)</u>	<u>(15,576)</u>
Net experience	1,231	(13,491)
Investment earnings (losses)	<u>13,623</u>	<u>(16,715)</u>
Increase (decrease) in accumulated reserves	14,854	(30,206)
Accumulated reserves		
Beginning of year	143,968	174,174
End of year	<u>\$ 158,822</u>	<u>\$ 143,968</u>

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

# Notes to the Combined Financial Statements

(continued)

## Note 9: Operating Expenses

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

(in thousands)	2023	2022
Compensation	\$ 40,221	\$ 34,928
Current and retired employee benefits	12,026	10,863
Redirected employee benefit expenses	(1,652)	(1,587)
Professional services	11,176	11,292
Occupancy and other office expenses	3,894	3,391
Computers and other equipment	2,868	2,890
Meetings and travel	1,872	1,390
Other expenses	5,414	8,698
<b>Total operating expenses</b>	<b>\$ 75,819</b>	<b>\$ 71,865</b>

All operating expenses are considered to be programmatic and are allocated to the unitized fund accounts or benefit plans. In 2023 and 2022, Wespath paid \$1.7 million and \$1.6 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 2020, 2021, 2022 and 2023 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, 2023 and 2022.

## 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 \$20.5 million and \$21.3 million as of December 31, 2023 and 2022, 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.

This loan is an intra-company loan that eliminates upon combination of the financial statements.

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

Years ending December 31 (in thousands)	
2024	\$ 842
2025	876
2026	912
2027	949
2028	988
Thereafter	15,929
	<b>\$ 20,496</b>

## Note 12: Subsequent Events

In preparing these financial statements, Wespath has evaluated events and transactions for potential recognition or disclosure through April 17, 2024, 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, 2023					
Assets (in thousands)	WII and I Series Funds	The Benefit Board and P Series Funds	Other	Eliminations	Combined
Investments					
Fixed income securities and contracts	\$ 958,143	\$ 12,177,677	\$ -	\$ -	\$ 13,135,820
Equity securities	1,617,522	7,338,312	-	-	8,955,834
Limited partnership investments	88,607	1,587,623	-	-	1,676,230
Short-term securities	178,482	1,361,536	-	-	1,540,018
Emerging market funds	153,909	848,112	-	-	1,002,021
Securities loaned under securities lending agreements	73,220	568,514	-	-	641,734
Total investments	3,069,883	23,881,774	-	-	26,951,657
Invested collateral from securities lending agreements	42,027	308,042	-	-	350,069
Other assets	40,554	848,954	454,497	(418,615)	925,390
Cash	3,523	16,481	459	-	20,463
<b>Total assets</b>	<b>\$ 3,155,987</b>	<b>\$ 25,055,251</b>	<b>\$ 454,956</b>	<b>\$ (418,615)</b>	<b>\$ 28,247,579</b>

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	\$ -	\$ 8,960,802	\$ 147,204	\$ -	\$ 9,108,006
Defined benefit plans	-	4,398,765	93,208	-	4,491,973
Annuities	-	4,651,182	27,823	-	4,679,005
Disability, death and health benefit program deposits	-	2,242,590	35,752	-	2,278,342
Plan sponsor and other deposits	2,995,512	2,066,093	74,133	-	5,135,738
Endowments	-	41,344	32,029	-	73,373
Total plan accumulations, plan sponsor deposits and endowments	2,995,512	22,360,776	410,149	-	25,766,437
Payable under securities lending agreements	42,027	308,042	-	-	350,069
Other liabilities	107,378	2,243,727	30,327	(418,615)	1,962,817
Total liabilities	3,144,917	24,912,545	440,476	(418,615)	28,079,323
Net assets	11,070	142,706	14,480	-	168,256
<b>Total liabilities and net assets</b>	<b>\$ 3,155,987</b>	<b>\$ 25,055,251</b>	<b>\$ 454,956</b>	<b>\$ (418,615)</b>	<b>\$ 28,247,579</b>

# Supplemental Schedules

## Combining Statement of Operations and Changes in Net Assets

December 31, 2023 (in thousands)	WII and I Series Funds	The Benefit Board and P Series Funds	Other	Eliminations	Combined
Interest, dividend, partnership and trust investment income	\$ 80,706	\$ 704,248	\$ -	\$ -	\$ 784,954
Securities lending and other income	412	3,461	75,801	(75,214)	4,460
Investment income	81,118	707,709	75,801	(75,214)	789,414
Net realized loss on investments	(2,970)	(89,265)	-	-	(92,235)
Net unrealized gain on investments	321,064	1,860,881	-	-	2,181,945
Net gain on investments and investment income	399,212	2,479,325	75,801	(75,214)	2,879,124
Investment management and custodial fees	(8,567)	(77,623)	-	-	(86,190)
Net investment earnings	390,645	2,401,702	75,801	(75,214)	2,792,934
Operating expenses	(8,313)	(66,919)	(75,801)	75,214	(75,819)
Net earnings before allocation	382,332	2,334,783	-	-	2,717,115
Allocated net earnings to unitized funds	(381,516)	(2,326,890)	-	-	(2,708,406)
Allocated to net assets	1,354	15,693	-	-	17,047
Net increase in net assets	\$2,170	\$23,586	-	-	\$25,756
Net assets:					
Beginning of year	\$ 8,900	\$ 119,120	\$ 14,480	-	\$ 142,500
End of year	\$ 11,070	\$ 142,706	\$ 14,480	\$ -	\$ 168,256

# 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 under \$26 billion in assets under management, is the largest participating organization in the church survey.

### Total Cash Compensation 2023 (in thousands)

<b>Chief Executive Officer</b>	
For Profit*	\$ 2,038
Composite**	1,757
Wespath	1,172
<b>Chief Operating Officer</b>	
For Profit*	\$ 964
Composite**	858
Wespath	676
<b>Chief Investment Officer</b>	
For Profit*	\$ 925
Composite**	852
Wespath	633
<b>Chief Financial and Strategy Officer</b>	
For Profit*	\$ 725
Composite**	651
Wespath	553
<b>Chief Legal Officer</b>	
For Profit*	\$ 618
Composite**	577
Wespath	493
<b>Chief Information and Technology Officer</b>	
For Profit*	\$ 555
Composite**	528
Wespath***	488

\* 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 Chief Audit Executive and primary internal audit service provider the overall scope and plans for the audits included in the Annual Audit Plan. 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 and private credit*

FIF-I, FIF-P – *private real estate debt and private credit*

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*

DMFIF-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*  
DMFIF-P – *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*

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

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

## ASSET MANAGERS (continued)

Townsend Group

Cleveland, Ohio

USEF-I, USEF-P – *private real estate*

Waterfall Asset Management

New York, New York

DMFIF-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

## 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 LLP

Chicago, Illinois

## INTERNAL AUDITORS

Kroll Securities, LLC

Chicago, Illinois

Protiviti Inc.

Chicago, Illinois

## ACTUARIAL CONSULTANT

Willis Towers Watson

New York, New York

## TAX CONSULTANT

Crowe LLP

Chicago, Illinois



# 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 Wespeth'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 12–18) 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.*



# Wespath

BENEFITS | INVESTMENTS

*Caring For Those Who Serve*

1901 Chestnut Ave.  
Glenview, IL 60025-1604  
wespath.org