

INVESTMENT POLICY STATEMENT

FOR

**THE UNITED METHODIST FOUNDATION
OF THE ROCKY MOUNTAIN CONERENCE**

**Adopted by the Investment Committee
September 2003**

I. The Foundation

A Board of Directors governs the United Methodist Foundation for the Rocky Mountain Conference and in accordance with its duties the Board duly appointed an Investment Committee to oversee the investments of the Foundation. The Investment Committee adopts and establishes the following Investment Policy Statement to establish guidelines, allow oversight, and provide investment management review for the investments of the Foundation.

The Foundation has different investment objectives, time horizons and risk tolerances for different portions of its funds. To meet different investment needs, the Investment Committee will direct among a range of investment options, varying percentages of the total funds. The goal is to construct diversified portfolios that reasonably span the risk/return spectrum and coincide with the projected needs and goals of the Foundation.

II. The Purpose of the Investment Policy Statement

This investment policy statement is intended to assist the Foundation and the Investment Committee by ensuring that investment-related decisions follow a prudent process. It outlines the underlying philosophies and processes for the selection, monitoring and evaluation of the investments and investment managers utilized by the Foundation. Specifically, this Investment Policy Statement:

- ◆ Describes the Foundation's approach and overriding philosophy toward investment choices and approach to investing in general.
- ◆ Defines the Foundation's investment objectives.
- ◆ Defines the roles of those responsible for the Foundation's investments.
- ◆ Describes the criteria and procedures for selecting investments and investment managers.
- ◆ Establishes investment procedures, measurement standards and monitoring procedures.
- ◆ Describes ways to address investments and investment managers that fail to satisfy established objectives.
- ◆ Provides appropriate diversification within investments and across asset classes.

This Investment Policy Statement will be reviewed at least annually, and if appropriate, be amended to reflect changes in the capital markets, Foundation objectives, or other factors relevant to the Foundation.

Investment Objectives

The Foundation's investments will be selected to:

- ◆ Adhere to the current statement of Social Principles as adopted by the General Conference of the United Methodist Church.
- ◆ Follow, as appropriate, the guidance stated in the Book of Discipline of the United Methodist Church.
- ◆ Follow, as appropriate, the recommendations and shareholder initiatives of the Global Board of Pension and Health Benefits of the United Methodist Church.
- ◆ Maximize return within reasonable and prudent levels of risk.
- ◆ Provide returns comparable to returns for similar investment options.
- ◆ Provide exposure to a wide range of investment opportunities in various asset classes.
- ◆ Keep administrative and management costs competitive.
- ◆ Meet the short-term needs and strategic goals of the Foundation.

Roles and Responsibilities

The Investment Committee shall be responsible for the management and administration of the Foundation's investments. The committee is responsible for selecting the entities for holding and investing Foundation assets in accordance with the terms of this Investment Policy Statement.

The Investment Committee shall:

- ◆ Establish and maintain the Investment Policy Statement.
- ◆ Select investments and/or investment managers.
- ◆ Periodically review the Foundation's investments to ensure they meet the guidelines and standards established by the Investment Policy Statement.
- ◆ Periodically evaluate the Foundation's investment performance and recommend investments and/or investment manager changes.
- ◆ Establish a process and procedure for receiving information relating to shareholder issues and proxy votes.
- ◆ Establish guidelines for the voting of shareholder proxies.
- ◆ Designate committee members to vote shareholder proxies.
- ◆ Establish and maintain such records as are necessary to document the actions of the committee and make such records available to the Board of Directors.

Selection of Investments and Managers

The selection of investments for the Foundation is among the Investment Committee's most important responsibilities. Set forth below are the considerations and guidelines employed in fulfilling this responsibility.

Investment Selection

The Foundation intends to provide an appropriate range of investments that span the risk/return spectrum. Further, the Foundation's investments will allow the Foundation to construct portfolios consistent with appropriate circumstances, goals, time horizons and tolerance for risk. Major asset classes to be offered include:

Cash and cash equivalents, Investment Grade Bonds, and Stocks or Equities.

Investment Performance Benchmarks

Each asset class shall be assigned an appropriate benchmark for performance. Comparison of investment performance to that benchmark shall be made on a periodic basis (e. g. semi-annual) and for a specified period of time (e. g. 3, 5, & 10 year periods). Allowance and consideration for adherence to the Social Principles and guidelines set out in this Investment Policy Statement will be given as much weight as a strict comparison to the benchmarks. While performance is an important consideration, adherence to the Social Principles is an equally important consideration.

The percentage of Foundation assets directed to each asset class will fluctuate, as needs change. While the percentages may vary, it is the policy of the committee that some assets will be invested in each asset class at all times.

The Investment Committee will evaluate investments and investment managers and choose managers for specific investments. Each investment manager must meet certain criteria:

1. It should be a bank, insurance company, or investment management company - mutual fund, or an investment adviser under the Registered Investment Advisors Act of 1940.
2. It should be operating in good standing with regulators and clients, with no material pending or concluded legal actions.
3. It should provide detailed additional information on the history of the firm, its investment philosophy and approach, and its principals, clients, locations, fee schedules and other relevant information.
4. It should agree to follow the Investment Policy Statement concerning Social Principles, the Book of Discipline and the Global Board of Pension and Health Benefits of the United Methodist Church.

Assuming the minimum criteria are met, the particular investment manager under consideration should also meet the following standards for selection:

- ◆ Performance should be equal to or greater than the median return for an appropriate, style-specific benchmark and peer group over a specified time period.
- ◆ Specific risk and risk-adjusted return measures should be established and agreed to by the manager and the Investment Committee and be within a reasonable range relative to an appropriate, style-specific benchmark and peer group.
- ◆ It should demonstrate adherence to the stated investment objective.
- ◆ Fees should be competitive compared to similar investments.
- ◆ The investment manager should be able to provide in a timely fashion, with particular attention to the Social Principles referred to above, performance data, specific holdings, and other relevant information.

Investment Monitoring and Reporting

The on going monitoring of investments must be a regular and disciplined process. It is the mechanism for revisiting the investment selection process and confirming that the original criteria remain satisfied and the option remains valid under all circumstances. While frequent change is neither expected nor desirable, the process of monitoring investment performance relative to specified guidelines is an on-going process.

Monitoring should occur on a regular basis (e. g. semi-annual) and utilize the same criteria that were the basis for the investment selection decision. Unusual, notable or extraordinary events should be communicated immediately by the investment manager to the Investment Committee. Examples of such events include portfolio manager or team departure, violation of investment guidelines, material litigation against the firm, or material changes in firm ownership structure, or announcements thereof.

If overall satisfaction with the investments or investment manager is determined, no further action is required. If areas of dissatisfaction exist, the investment manager and the Investment Committee must take steps to remedy the deficiency. If over a reasonable period the manager is unable to resolve the issue, termination may result.

Manager Termination

An investment manager should be terminated when the Investment committee has lost confidence in the manager's ability to:

- ◆ Achieve performance and risk objectives
- ◆ Comply with investment guidelines
- ◆ Comply with reporting requirements, or
- ◆ Maintain a stable organization and retain key relevant investment professionals.

There are no hard and fast rules for manager termination. However, if the investment manager has consistently failed to adhere to one or more of the above conditions, it is reasonable to presume a lack of adherence going forward. Failure to remedy the circumstances of unsatisfactory performance by the investment manager, within a reasonable time, shall be grounds for termination.

Any recommendation to terminate an investment manager will be treated on an individual basis, and will not be made solely based on quantitative data. In addition to the above, other factors may include professional or client turnover, or material change to investment processes. Considerable judgment must be exercised in the termination process.

A manager to be terminated shall be removed using one of the following approaches:

- ◆ Remove and replace (map assets) with alternative manager.
- ◆ Freeze the assets managed by the terminated manager and direct new assets to a replacement manager.
- ◆ Phase out the manager over a specific time period.
- ◆ Continue the manager, but add a competing manager.
- ◆ Remove the manager and do not provide a replacement manager.

Replacement of a terminated manager would follow the criteria outlined in Part V. Selection of Investments and Managers.

Coordination with the Foundation's Charter

Notwithstanding the foregoing, if any term or condition of this Investment Policy conflicts with any term or condition of the Foundation's Charter, the terms and conditions of the Charter shall control.