Plainfield United Methodist Church

Statement of Investment Policy Objectives and Guidelines

Revised June 1, 2009

Statement of Investment Policy, Objectives, and Guidelines

PLAINFIELD UNITED METHODIST CHURCH

GENERAL INFORMATION

The Plainfield United Methodist Church was established in 1829, originally as The Methodist Episcopal Church in the area of "Walker's Grove" now known as Plainfield, Illinois. Many have made significant gifts to the church such as James Beggs, John Shreffler, Do & Richard Parks and Janet Brown. All contributors had as its principal objective the promotion and development of religious and educational activities for Plainfield United Methodist Church. In 1995, following the Endowment Fund formed from the Janet Brown gift, the original Investment Policy was prepared to guide those in administrating investments primarily through Investment Managers. This policy concept would allow for additional gifts to the Janet Brown Endowment Fund or to form additional Endowment Funds or Trusts for which this policy will provide guidelines. The objective of this policy is to provide a reasonable return for invested capital which ultimately will further Plainfield United Methodist Church's mission.

SCOPE OF THIS INVESTMENT POLICY

This statement of investment policy reflects the investment policy, objectives, and constraints of The Plainfield United Methodist Church (PUMC).

PURPOSE OF THIS INVESTMENT POLICY STATEMENT

This statement of investment policy is set forth by the Administrative Council of Plainfield United Methodist Church in order to:

1. Define and assign the responsibilities of all involved parties.
2. Establish a clear understanding for all involved parties of the investment goals and objectives of PUMC assets.
3. Offer guidance and limitations to all Investment Managers regarding the investment of PUMC assets.
4. Establish a basis for evaluating investment results.
5. Manage PUMC assets in accordance with Illinois law and with prudent standards as established in the Uniform Prudent Management of Institutional Funds Act (UPMIFA), "in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances." [1]

[1] Illinois law always takes precedence over UMPMIFA

6. Establish the relevant Investment Horizons to be applied in the management of PUMC assets.

In general, the purpose of this statement is to outline a philosophy and attitude which will guide the investment management of the assets toward investment objectives. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical.

DELEGATION OF AUTHORITY

The Endowment Trustees of Plainfield United Methodist Church are responsible for directing and monitoring the investment management of PUMC assets. As such, the Endowment Trustees are authorized to delegate certain responsibilities to professional experts in various fields. These professional experts include, but are not limited to:

1. Investment Consultant. The consultant may assist the Endowment Trustees in establishing investment policy, objectives, and guidelines; selecting investment managers; reviewing such managers over time; measuring and evaluating investment performance; and other tasks as deemed appropriate.

2. Investment Manager. The investment manager has discretion to purchase, sell, or hold the specific securities that will be used to meet PUMC's investment objectives.

3. Custodian. The custodian will physically (or through agreement with a sub-custodian) maintain possession of securities owned by PUMC, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the PUMC accounts.

4. Co-Trustee. The Endowment Trustees may appoint an outside individual or entity, such as a bank trust department, to be co-trustee. In the event of such appointment, the Co-Trustee will assume fiduciary responsibility for the administration of PUMC assets.

5. Additional specialists, such as attorneys, auditors, actuaries, retirement plan consultants, and others, may be employed by the Endowment Trustees to assist in meeting its responsibilities and obligations to administer PUMC assets prudently.

If such experts are appointed and deemed to be fiduciaries, they must acknowledge such in writing. All expenses deemed appropriate and necessary for such experts must be customary and reasonable, and will be borne by PUMC.

The Endowment Trustees will not reserve any control over individual investment decisions, with the exception of specific limitations described in these statements. Managers will be held responsible and accountable to achieve the objectives herein stated. While it is not believed that the limitations will hamper investment managers, each manager should request modifications which they deem appropriate.

DEFINITIONS

1. "Plan" or "PUMC" shall mean the Plainfield United Methodist Church

2. "Endowment Trustees" shall refer to the governing committee established to administer the Endowment or Trusts as specified by applicable ordinance.

3. "Fiduciary" shall mean any individual or group of individuals that exercise discretionary authority or control over fund management or any authority or control over management, disposition or administration of the Plan assets.

4. "Investment Manager" shall mean any individual, or group of individuals, employed to manage the investments of all or part of the Plan assets.

5. "Investment Consultant" shall mean any individual or organization employed to provide advisory services, including advice on investment objectives and/or asset allocation, manager search, and performance monitoring.

6. "Securities" shall refer to the marketable investment securities which are defined as acceptable in this statement.

7. "Investment Horizon" shall be the time period over which the investment objectives, as set forth in this statement, are expected to be met. The Investment Horizon for this Plan is three to five years (a typical market cycle).

ASSIGNMENT OF RESPONSIBILITY

Responsibility of the Endowment Trustees for Plainfield United Methodist Church of Plainfield..

The Endowment Trustees have responsibility for the policy regarding management of the assets of the Plan. The Endowment Trustees shall discharge its duties solely in the interest of the Plan, with the care, skill, prudence and diligence under the circumstances then prevailing, that a prudent person, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of a like character with like aims. The specific responsibilities of the Endowment Trustees relating to the investment management of Plan assets include:

1. Project the Plan's financial needs, and communicating such needs to the Investment Consultant on a timely basis.

2. Determine the Plan's risk tolerance and Investment Horizon, and communicating these to the appropriate parties.

3. Establish reasonable and consistent investment objectives, policies and guidelines which will direct the investment of the Plan's assets.

4. Prudently and diligently select qualified investment professionals, including Investment Manager(s), Investment Consultant(s), and Custodian(s).

5. Regularly evaluate the performance of the Investment Manager(s) to assure adherence to policy guidelines and monitor investment objective progress.

6. Develop and enact proper control procedures. For example, replacing Investment Manager(s) due to fundamental change in investment management process, or failure to comply with established guidelines.

Responsibility of the Investment Manager(s)

Each Investment Manager must acknowledge in writing its acceptance of responsibility as a fiduciary. Each Investment Manager will have full discretion to make all investment decisions for the assets placed under its jurisdiction, while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in this statement. Specific responsibilities of the Investment Manager(s) include:

1. Discretionary investment management, including decisions to buy, sell, or hold individual securities, and to alter asset allocation within the guidelines established in this statement.

2. Reporting, on a timely basis, quarterly investment performance results and monthly statements.

3. Communicating any major changes to economic outlook, investment strategy, or any other factors which affect implementation of investment process, or the investment objective progress of the Plan's investment management.

4. Informing the Endowment Trustees regarding any qualitative change to investment management organization. Examples include changes in portfolio management personnel, ownership structure, investment philosophy, etc.

5. Annually, the Endowment Trustees will review its responsibility as a socially responsible investor as it relates to the Plan's investment funds and holdings. The Endowment Trustees may identify specific corporations within its portfolios for which to provide proxy voting guidelines to the Investment Managers through the Investment Consultant. The guidelines will represent positions on current proxy voting issues that are aligned with both the financial interests of the Plan's investors and the values of PUMC.

Responsibility of the Investment Consultant(s)

The Investment Consultant's role is that of a non-discretionary advisor to the Endowment Trustees. Investment advice concerning the investment management of the Plan assets will be offered by the Investment Consultant, and will be consistent with the investment objectives, policies, guidelines and constraints as established in this statement. Specific responsibilities of the Investment Consultant include:

1. Assisting in the development and periodic review of investment policy.

2. Conducting investment manager searches when requested by the Endowment Trustees.

3. Monitoring the performance of the Investment Manager(s) to provide the Endowment Trustees with the ability to determine the progress toward the investment objectives.

4. Communicating matters of policy, manager research, and manager performance to the Endowment Trustees..

5. Provide ongoing analysis of the global capital markets and advise on overall plan structure.

6. Reviewing Plan investment history, historical capital markets performance and the contents of this investment policy statement with any newly appointed member(s) of the Endowment Trustees upon request.

GENERAL INVESTMENT PRINCIPLES

1. Investments shall be made solely in the interest of the beneficiaries of PUMC.

2. The Fund shall be invested with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the investment of a Fund of like character and with like aims.

3. Investment of the Fund shall be diversified so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.

4. The Endowment Trustees may employ one or more investment managers of varying styles and philosophies to attain the Fund's objectives.

5. Cash is to be employed productively at all times by the use of investment in short term cash equivalents, which provide safety, liquidity, and return.

INVESTMENT MANAGEMENT POLICY

1. Preservation of Capital - Consistent with their respective investment styles and philosophies, investment managers should make reasonable efforts to preserve capital, understanding that losses may occur in individual securities.

2. Risk Aversion - Understanding that risk is present in all types of securities and investment styles, The Endowment Trustees recognizes that some risk is necessary to produce long-term investment results that are sufficient to meet the PUMC's objectives. However, the investment managers are to make reasonable efforts to control risk, and will be evaluated regularly to ensure that the risk assumed is commensurate with the given investment style and objectives.

3. Adherence to Investment Discipline - Investment managers is expected to adhere to the investment management styles for which they were hired. Managers will be evaluated regularly for adherence to investment discipline.

SOCIAL RESPONSIBILITY

The Endowment Trustees recognize PUMC's unique role as a Christian stewardship resource for the Church members and The United Methodist Church. In 1970 the General Conference of the United Methodist Church adopted legislation urging general boards and United Methodist agencies to invest in "institutions and corporations which make a positive contribution toward the realization of goals outlined in the Social Principles of our Church." To the extent that investments are consistent with the trust imposed upon the Plan, investments in those industries, companies, corporations, and funds deemed likely to make a positive social, environmental, moral and economic impact on society shall be actively sought.

The following special investment restrictions are hereby adopted for Plan portfolios:

1. Investments shall not knowingly be made in securities in which the corporate entity has a significant interest in distilled spirits, wine, or other fermented juices, tobacco, gambling or pornography. Significant interest will be understood to be interest in excess of 10% of total revenue.

2. Investments in corporations likely to support racial discrimination, violation of human rights, sweatshops or forced labor should be avoided.

3. The Plan will make no further investment in non-voting securities of companies whose ratio of Department of Defense contracts (or contracts with the comparable agency or department of any foreign government) related to the production and distribution of military armaments to gross revenue is higher than 5%.

4. The Plan will make no further investment in voting or equity securities of companies whose ratio of Department of Defense contracts (or contracts with the comparable agency or department of any foreign government) related to the production and distribution of military armaments to gross revenue is higher than 15%.

5. The Plan will make no purchase of any security of a company whose identifiable ratio of nuclear weapons contract awards to gross revenue is higher than 3%. The investment managers will be responsible for screening the investment portfolio with regard to contracts involving nuclear weapons.

INVESTMENT OBJECTIVES

In order to meet its needs, the investment strategy of PUMC is to emphasize total return, that is, the aggregate return from capital appreciation and dividend and interest income.

Specifically, the primary objective in the investment management for Plan assets shall be:

Preservation of Purchasing Power - To achieve returns in excess of the rate of inflation over the Investment Horizon in order to preserve purchasing power of the Plan assets. Risk control is an important element in the investment of Plan assets.

The secondary objective in the investment management of Plan assets shall be:

Income and Growth - To achieve a balanced return of current income and modest growth of principal.

SPECIFIC INVESTMENT GOALS

The goal of each investment manager, over the Investment Horizon, shall be to:

1. Meet or exceed the market index, or blended market index, selected and agreed upon by the Endowment Trustees that most closely corresponds to the style of investment management.

2. Display an overall level of risk in the portfolio which is consistent with the risk associated with the benchmark specified above. Risk will be measured by the standard deviation of quarterly returns, measured over three, five and ten-year periods and by beta compared to an appropriate index. [2]

VOLATILITY OF RETURNS

The Endowment Trustees understand that in order to achieve the objectives for Plan assets, the Plan will experience volatility of returns and fluctuations of market value. The Endowment Trustees support an investment strategy that minimizes the probability of losses. However, it is understood that the Plan's return objective is its primary concern.

[2] Note that the Endowment Trustees can review 3, 5, and 10 year periods only as such data accumulates over time.

LIQUIDITY

To minimize the possibility of a loss occasioned by the sale of a security forced by the need to meet a required payment, the Endowment Trustees will periodically provide Investment Consultant with an estimate of expected net cash flow. The Investment Consultant will in turn notify the Investment Manager(s) in a timely manner, to allow sufficient time to build up necessary liquid reserves.

INVESTMENT GUIDELINES

Allowable Assets [3]

1. Cash Equivalents
    - Treasury Bills - US Government debt obligations with maturities less than one year.
    - Money Market Funds - portfolios comprised of high-quality debt and monetary instruments with maturities less than one year.
    - Commercial Paper - unsecured, short-term debt instruments issued by corporations, typically to finance accounts receivable, inventories, and short-term liabilities.
    - Banker's Acceptances - short-term credit investment created by a non-financial firm and guaranteed by a bank.
    - Repurchase Agreements - government securities dealers sell securities to investors, usually on an overnight basis, and buy them back the following day.
    - Certificates of Deposit - savings certificates with fixed interest rates and maturity dates.

2. Fixed Income Securities
    - U.S. Government Notes and Bonds – US Government debt obligations with maturities greater than one year.
    - Government-Sponsored Enterprise (GSE) Bonds – debt obligations explicitly or implicitly backed by the U.S. Government, issued by entities such as Fannie Mae, Freddie Mac, Sallie Mae, and the Federal Home Loan Banks.
    - Treasury Inflation-Protected Securities (TIPS) - Treasury note or bond that, like other Treasuries, pays interest every six months and pays the principal when the security matures. The coupon payments and principal are automatically increased to compensate for inflation as measured by the consumer price index (CPI).
    - Corporate Notes and Bonds – debt obligations issued by private companies.
    - Foreign Bonds – government and corporate debt obligations issued in markets outside the U.S.
    - Preferred Stock - class of corporate ownership with a higher claim on assets and earnings than common stock. Preferred stock generally has a fixed dividend that must be paid out before dividends to common stockholders.

[3] Suggested standards for these guidelines include: the Advisors Act of 1940 and/or criteria included within FASB standards.

3. Equity Securities
    - Common Stocks - securities that represent ownership in corporations. In addition to providing exposure to the equity markets, the Plan is using common stocks to make liquid investments in energy and natural resources.
    - Convertible Bonds - bonds that may be converted into a predetermined amount of common stock at certain times, usually at the discretion of the bondholder.
    - Convertible Preferred Stocks – preferred stocks that may be converted into a predetermined amount of common stock at certain times.
    - American Depository Receipts (ADRs) of Non-U.S. Companies - certificate issued by a U.S. bank representing shares in a foreign stock traded on a U.S. exchange.
    - Foreign Stocks – securities that represent ownership in corporations domiciled outside the U.S.
    - Emerging Market Stocks – securities that represent ownership in corporations domiciled in developing countries. Emerging markets are considered relatively risky because they are subject to additional political, economic, and currency risks.
    - Real Estate Investment Trusts - securities that sell like stocks on the major exchanges and invest in real estate directly, either through properties or mortgages.

4. Mutual Funds which invest in securities as allowed in this statement. Mutual funds are investment companies that sell shares in a pool of assets and invest the proceeds in other assets, usually stocks and bonds.

5. Derivatives – financial instruments including swaps, financial futures, and options whose value depends on underlying financial instruments such as stocks and bonds. Derivatives may be used to manage exposure to the asset classes described above but not to leverage the portfolio.

Asset Allocation Guidelines

Investment management of the assets of the Plainfield United Methodist Church shall be in accordance with the following asset allocation guidelines:

1. Asset Allocation Guidelines (at market value) will be:

Asset Class	Minimum	Maximum	Preferred
Equities	35%	65%	40%
Fixed Income	35%	65%	55%
Real Assets	0%	10%	5%
Cash & Equivalents	0%	30%	0%

2. The Endowment Trustees may employ investment managers whose investment disciplines require investment outside the established asset allocation guidelines. However, taken as a component of the aggregate Plan, such disciplines must fit within the overall asset allocation guidelines established in this statement. Such investment managers will receive written direction from the Endowment Trustees regarding specific objectives and guidelines.

3. In the event that any individual Investment Manager's portfolio is in violation of its specific guidelines, for reasons including, but not limited to, market price fluctuations, The Endowment Trustees expects that the Investment Manager will bring the portfolio into compliance with these guidelines as promptly and prudently as possible without instruction from the Endowment Trustees.

Guidelines for Fixed Income Investments and Cash Equivalents

1. Average credit quality should be A (or equivalent) or better.

2. Fixed income maturity restrictions are as follows:
   - Weighted average portfolio maturity may not exceed 10 years.
   - Weighted average portfolio duration may not exceed 7 years.

3. Money Market Funds selected shall contain securities whose credit rating at the absolute minimum would be rated investment grade by Standard and Poors, and/or Moody's.

SELECTION OF INVESTMENT MANAGERS

The Endowment Trustees' selection of Investment Manager(s) must be based on procedures which reflect prudent due diligence. A qualifying investment manager must be a registered investment advisor under the Investment Advisors Act of 1940, or a bank or insurance company.

INVESTMENT MANAGER PERFORMANCE REVIEW AND EVALUATION

Performance reports generated by the Investment Consultant shall be compiled at least quarterly and communicated to the Endowment Trustees for review. The investment performance of total portfolios, as well as asset class components, will be measured against commonly accepted performance benchmarks. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this statement. The Endowment Trustees intends to evaluate the portfolio(s) over at least a three year period, but reserves the right to terminate a manager for any reason, including the following:

1. Investment performance which is significantly less than anticipated given the discipline employed and the risk parameters established.
2. Failure to adhere to any aspect of this statement of investment policy, including communication and reporting requirements.
3. Significant qualitative changes to the investment management organization.
4. Failure to adhere to socially responsible investment screens.

Investment managers shall be reviewed regularly[4] regarding performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results including management fees and reporting. The Investment Consultant monitors investment managers through quarterly questionnaires, regular telephone calls and e-mails, and annual face-to-face meetings.

INVESTMENT POLICY REVIEW

To assure continued relevance of the guidelines, objectives, financial status and capital markets expectations as established in this statement of investment policy, the Administrative Council plans to review the investment policy at least annually.

[4] This means that investment managers will be reviewed quarterly by the Investment Consultant, and the investment committee of PUMC will review the total portfolio performance quarterly and performance of each manager no less than every two years.