The Pension Boards
United Church of Christ, Inc.
WHERE FAITH AND FINANCE INTERSECT

Statement of Investment Policy

(Revised July 2019)

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*Revised: July 2019 (Tobacco Revenue screening increased)

I. INTRODUCTION

This Statement of Investment Policy sets forth the Pension Boards' plan for administering the pension assets entrusted to it. It will be reviewed periodically by the Investment Committee and revised as necessary to ensure that the policies remain consistent with the best interests of pension plan members and beneficiaries.

The Statement describes:

- The nature of the pension plan and the Pension Boards' philosophy in designing an appropriate investment program.

- The responsibilities of the Board of Trustees, the Investment Committee, the Investment Advisory Committee, the President, the Chief Investment Officer, the investment managers and the investment consultants.

- A description of the investment program detailing the investment objectives, investor profiles, permitted investments, asset allocation and ranges and performance criteria established by the Pension Boards for each of its Funds.

- Risk categories and definitions.

- An outline of the asset allocation supporting the annuities offered by the Pension Boards.

- The process to be followed in reviewing and evaluating the investment program.

- Policies on additional investment issues.

II. PLAN DESIGN

The pension plan administered by the Pension Boards is a defined contribution plan and is the primary retirement income vehicle for most plan members. In designing the plan and its investment structure, the Pension Boards focused primarily on long-term considerations to assist members in achieving an adequate level of income at retirement. Projected plan cash-flows, together with some of the plan's account balance transfer and lump sum payment options, are summarized below. These and other features of the plan are set forth in the rules of The Annuity Fund – United Church of Christ.

- Members may shift account balances between all Accumulation Funds monthly.

- Upon retirement or disability, members may withdraw up to 20% of their employer contribution and up to 100% of their personal employee contribution balance from the Accumulation Fund. Amounts not so withdrawn must be converted into annuities offered by the Pension Boards. Other UCC institutions that enter the plan may have different arrangements concerning withdrawals and conversion to annuities.

- As the Pension Boards saving program matures and changes with the demographics of the plan, liquidity needs to be monitored and managed. Historically, any shortfall between new contributions and benefit payments has been covered by investment income. Currently, Annuity Fund assets are liquidated every month to meet benefit payments.

III. RESPONSIBILITIES OF FIDUCIARIES (See Investment Guidelines)

As fiduciaries, the members of the Board of Trustees and of the Investment Committee, the President, the Chief Investment Officer, the investment managers and the investment consultants all have responsibilities with respect to the assets of the pension plan. These responsibilities are summarized below.

THE BOARD OF TRUSTEES

The Board of Trustees is responsible for ensuring that all investments of the plan are managed effectively and in full compliance with all applicable laws and standards of prudence. It has delegated supervisory authority with respect to the management of the assets to an Investment Committee of the Board. The Board of Trustees receives and reviews reports from the Investment Committee on investment activities.

THE INVESTMENT COMMITTEE

The Investment Committee of the Board of Trustees is responsible for supervising the Pension Boards' investment program. It has delegated management authority with respect to the investments for which the Pension Boards are responsible to a Chief Investment Officer. The Investment Committee reports to the Boards of Trustees at its regularly scheduled meetings, and at such other times as requested by the Board.

The Investment Committee:

1. Makes recommendations on the structure of the products offered in the Pension Boards' investment program to the Board of Trustees;

2. Approves asset classes to be included in the Pension Boards' investment program;

3. Ensures that the Pension Boards has adequate resources, both internal and external, to fulfill its investment responsibilities;

4. Formulates investment policies and objectives;

5. Establishes investment guidelines, and approves pre-investment exceptions to those guidelines;

6. Monitors investment performance and fees;

7. Retains and dismisses investment managers and consultants;

8. Considers recommendations by the Corporate Social Responsibility Committee with respect to proposed amendments to the Corporate Governance Proxy Voting Guidelines of the Pension Boards and takes appropriate action.

9. Has responsibility for investment policy for non-retirement assets, as per “The Statement of Investment Policy for Non-Retirement Assets”. (see Investment Guidelines)

THE INVESTMENT ADVISORY COMMITTEE

The Investment Advisory Committee is a Special Committee of the Board that assists the Investment Committee in carrying out its functions and responsibilities.

The Investment Advisory Committee:

1. Provides advice to, and serves as a research base for, the Investment Committee and its members;

2. Attends Investment Committee meetings;

3. Actively participates in and contributes to Investment Committee and Investment Committee discussions and deliberations; and,

4. Fulfills other duties and responsibilities as may be specified by the Investment Committee or its Chair.

THE PRESIDENT

The President is a member of the Investment Committee and participates in the Committee’s decision-making process. The President also oversees the activities of the Investment Department which is managed by the Chief Investment Officer.

THE CHIEF INVESTMENT OFFICER

The Chief Investment Officer is responsible for managing the investment program of the Pension Boards. The Chief Investment Officer may work with investment consultants in performing the responsibilities delegated by the Investment Committee. The Chief Investment Officer reports to the Investment Committee at its regularly scheduled meetings and at such other times as requested by the Committee.

The Chief Investment Officer:

1. Makes recommendations to the Investment Committee on:
    a. the structure of the Pension Boards' investment program;
    b. asset classes to be included in the Pension Boards' investment program;
    c. investment policies, objectives and guidelines;
    d. the retention and dismissal of investment managers and investment consultants and engaging, retaining and replacing investment managers.

2. Approves exceptions according to current guidelines;
3. Provides the Investment Committee with reports on investment performance;
4. Manages the Pension Boards' Investment Department;
5. Oversees the Pension Boards' outside manager program;
6. Works with investment consultants on behalf of the Investment Committee;
7. Allocates assets among asset classes and sub-classes, and among investment managers within policies and ranges established by the Investment Committee;
8. Approves post-investment exceptions to investment guidelines as contemplated in the Pension Boards' Statement of Investment Policy;
9. Signs investment-related contracts on behalf of the Investment Committee;
10. Serves as the primary contact for the Plan’s investment managers and investment consultants;
11. Maintains detailed knowledge of the portfolio and its managers and monitors performance of the investment portfolio;
12. Has responsibility for rebalancing the assets within the allowable range specified in the policy portfolio and identifying the source of cash withdrawals and the allocation of cash additions to principal;
13. Monitors and reports on policies and guidelines; and,
14. Has responsibility for reviewing Operating Procedures regularly and makes adjustments as necessary.

INVESTMENT MANAGERS

Each investment manager as a fiduciary is primarily responsible for its actions, through the Investment Committee and the Trustees, to our Plan members and beneficiaries. Each manager is responsible for managing the assets entrusted to them effectively, in accordance with all applicable laws and standards of prudence, in full compliance with the Pension Boards' policies and guidelines and in conformity with the investment style for which they were retained. Within the context of their fiduciary responsibility, each investment manager is expected to be sensitive to the church and to its members.

Investment managers:

1. Manage the assets for which they are responsible in accordance with the objectives and in compliance with the guidelines outlined in the Statement of Investment Policy unless otherwise indicated in a separate written agreement between the Pension Boards and the manager;

2. Exercise investment discretion within the context of the objectives and guidelines outlined in the Statement of Investment Policy;

3. Initiate written communication with the Investment Committee if the manager believes that deviation from the guidelines would be in the best interest of Plan members and their beneficiaries. The Investment Committee will consider the manager's request based upon the facts and circumstances at the time. Approval from the Investment Committee must be obtained in writing before an investment manager is authorized to deviate from the guidelines; and,

4. Furnish the Investment Committee with the reports listed in the Investment Guidelines.

INVESTMENT CONSULTANTS

Investment consultants retained by the Investment Committee as fiduciaries are responsible for providing advice and counsel to the Investment Committee and to the Chief Investment Officer on issues identified by the Investment Committee. Investment consultants work closely with the Chief Investment Officer, participate in certain Investment Committee meetings and provide the Committee and/or the Chief Investment Officer with written reports on specific issues. The investment consultants are a source of information regarding current trends on investment strategy, asset allocation, return and risk objectives and investment manager universe rankings.

Investment consultants generally provide advice and counsel on:

1. The structure of the Pension Boards' investment program;
2. Asset classes to be included in the Pension Boards' investment program;
3. Investment policies, objectives and guidelines;
4. The allocation of assets among assets classes, sub-classes and investment managers;
5. Investment performance; and,
6. The selection, retention and dismissal of investment managers.

IV. INVESTMENT PROGRAM

The pension plan administered by the Pension Boards for accumulating plan members includes these investment options: a Stable Value Fund, a Bond Fund, a Balanced Fund, an Equity Fund, a Northern Trust Global Sustainability Index Fund and Target Annuitization Date (TAD) Funds. The Balanced Fund and TAD Funds are "fund of funds". The Balanced Fund invests in the Bond and Equity Funds and the TAD Funds invest in the Stable Value, Bond and Equity Funds. These Funds have different return/risk characteristics so that plan members may create an investment program to match their objectives and their levels of risk tolerance. The allocation of contributions and balances between each of the Funds is determined by each member.

Annuitants have two options summarized in Section V.

Broad diversification in the Funds is achieved through the allocation of each Fund's assets into a number of market segments appropriate to each Fund. Within each Fund the Investment Committee approves eligible investments and sets asset allocation guidelines to be followed by the Chief Investment Officer. The Investment Committee also approves exceptions to the guidelines to be followed by each investment advisor. The net asset values for the Pension Boards' Funds are based on the fair market value of the underlying assets. The Funds are available to all members that have deposits on account with the Pension Boards.

Alternative Asset Investments

The Investment Committee has established an allocation of the total Plan to alternative investments to provide an opportunity for the Funds to invest in various funds or strategies that seek to improve risk-adjusted returns. Alternative assets include private equity, real assets and hedge fund strategies. Private equity investments may include buyout funds, venture capital, secondaries, mezzanine finance and debt including distressed opportunities. Real assets may include real estate, energy-related investments, commodities, infrastructure and timber. Hedge Fund strategies include a number of strategies employed by hedge funds that seek to provide diversification to the overall portfolio. Risk and return expectations should fall between equity and fixed income. These strategies may include relative value, market directional, event-driven, trading and other strategies that seek to provide low correlation with traditional asset classes.

Direct investments in alternative assets are made through investment structures such as limited partnerships and commingled funds and do not fit the normal model of evaluating investment managers of traditional asset classes. Due diligence and monitoring requirements are extensive. The governance process for reviewing and approving an alternative asset investment is outlined in the Investment Guidelines as well as guidelines for these types of assets.

Risk Philosophy

In its broadest sense, risk refers to the risk that the investment associated with the Pension Boards' investment program are not sufficient to provide the required returns and liquidity to meet the investment objectives. Secondarily, risk in the investment program is the unpredictability of future asset value and specifically, the volatility of asset values over time. Investment principles and practical experience both support the notion that expected returns are proportional to market risk taken. The Investment Committee recognizes that the assumption of risk is necessary to meet the Pension Boards' objectives; that is, there are no "risk free" assets, which are sufficient to generate the appropriate return needed to support objectives over the appropriate time horizon. Thus, investment risk management does not require the elimination of risk, but the balancing of risk and expected return. Risk in itself is not intrinsically negative; it is a resource used to generate investment returns. Some but not all risk can be reduced through diversification at the asset class level, manager level and security level. Thoughtfully constructed portfolios of asset classes and investment managers, with both a historical perspective and a forward-looking view, can help minimize risk for a certain level of expected return.

The Investment Committee determines the Pension Boards' risk tolerance in consideration of return requirements and tolerance for volatility respective to each fund and "fund of funds". In practice, risk tolerance is difficult to quantify and the theoretically optimal asset allocation may vary widely within a reasonable range of capital market risk and return estimates. Therefore, the Investment Committee's determination of the Pension Boards' risk tolerance is highly subjective. In general, however, investment risk is managed by maximizing investment opportunities net of fees, assessing risk-adjusted returns, and considering the investment objectives and time horizon.

Investment Risk

The principal investment risks that impact the Pension Boards' Funds are as follows:

Risk	Definition
Total Investment Risk	The risk that the investment associated with the Pension Boards' investment program asset allocation policy is not sufficient to provide the required returns and liquidity to meet the investment objectives.
Capital Market Risk	The risk in the investment program of the unpredictability of future asset value, as measured by the volatility of asset values over time.
Tactical/Strategic Risk	The performance differential between policy allocations for the asset categories and its investment managers and the actual allocations.
Manager Value-Added Risk	Risk associated with the implementation of an active investment management program. It is the performance differential between the aggregate of the managers' actual (active) portfolios, net of fees, and the aggregate of the managers' benchmarks, both at policy allocation.

Investment Objectives, Investor Profile, Fund Investments and Performance Objectives

The Investment Committee established the following policies in an effort to achieve the stated investment performance objective for each fund. The Pension Boards may retain more than one manager within each asset class based on the size of the portfolio and the nature of a particular market segment. Policy guidelines are viewed as long term in nature, although they will be reviewed periodically by the Investment Committee to ensure that they continue to serve the best interest of program members.

Over appropriate market cycles (typically three to five years for investment managers of primarily liquid, publicly traded investments), the gross rate of return earned by each investment manager is expected to exceed the rate of return of an index composed of the type of securities that typically comprise the manager's universe. For less liquid markets such as private equity and real assets, the market cycle is considerably longer and each investment manager is expected to exceed an appropriate index composed of the type of assets representative of the manager's strategy. The rate of return earned by the manager is expected to be sufficient to place the account for which that manager is responsible in the top 50% of similar accounts managed by a relevant peer group of managers in an industry standard robust peer universe. Returns relative to market indices are calculated net of fees, while returns relative to peer groups are calculated before fees. Investment managers and their specific performance benchmarks are listed in the Investment Guidelines.

STABLE VALUE FUND

Investment Objective

The Stable Value Fund seeks to preserve both invested principal and earned interest, to earn a stable fixed income yield and to provide liquidity for member-directed disbursements

Investor Profile

Stable value funds are suitable for investors who are risk averse and who want to safeguard the principal value of their accumulated savings while earning an attractive rate of interest. The Fund is suitable for investors who are looking for liquidity and stability of principal and earned interest, perhaps in anticipation of annuitizing their Accumulation Account balances, or to balance by using stable value in a portfolio with other more aggressive investments. Although past performance is no guarantee of future results, historically stable value funds have provided preservation of principal and accumulated interest throughout all interest rate cycles. The crediting rate of the Fund will fluctuate with changing interest rates.

Over long periods of time, the return to investors in this Fund will most likely fall short of the return to investors in any of the other Funds. Over short periods of time, however, the return to investors in this Fund could exceed the return to investors in the other Funds.

Fund Investments

The Fund invests in high quality fixed income investments that may include guaranteed investment contracts issued by insurance companies, bank investment contracts, U.S. Treasuries and its agencies, asset-backed and mortgage backed securities, corporate bonds, and cash and cash equivalents such as Treasury Bills and commercial paper. Investment maturities are short to intermediate term (10 years or less).

Performance Objective

The performance of the Fund is measured against the Lipper Money Market Fund Index return.

BOND FUND

Investment Objective

The Bond Fund seeks to provide maximum total return through active management of a broadly diversified portfolio of fixed income securities. Principal and income in this Fund will fluctuate with changing market conditions.

Investor Profile

This Fund is suitable for investors willing to sacrifice stability of principal for greater return for some portion of their assets.

Over long periods of time the return to investors in this Fund should exceed the return to investors in the Stable Value Fund, but it is likely to fall short of the return to investors in the Balanced, the Equity or Target Annuitization Date Funds. Over shorter periods of time, however, the reverse could be true. At times the total return to investors in this Fund may be negative.

Fund Investments

The Fund is a broadly diversified, actively managed portfolio that invests primarily in U.S. Treasury securities, government agency bonds, corporate bonds, mortgage-backed and asset-backed securities, U.S. dollar-denominated foreign bonds and cash equivalents. The Fund may also invest in senior secured bank loans, high yield bonds, non-investment grade and emerging market debt securities denominated in U.S. dollar or any other currency within established limits. An average maturity of 80% to 120% of the benchmark duration is normally maintained in this Fund. Predominantly fixed income based alternative assets may be approved by the Investment Committee. Alternative investments may result in a small percentage of assets in the fund that have non-fixed income characteristics.

Performance Objective

The performance of the Fund is measured against the return of the Barclays Capital Government/Corporate Index.

BALANCED FUND

Investment Objective

The Balanced Fund seeks to provide long-term growth of principal and income.

Investor Profile

This Fund is suitable for investors who are willing to accept a greater degree of short-term principal and income volatility for a portion of their assets than will be typical of the Stable Value Fund or the Bond Fund, in pursuit of long-term growth of principal and income. This Fund, however, will typically be less volatile than the Equity Fund and the two longer dated Target Annuitization Date Funds. This Fund is also suitable for investors seeking a fund in which the Pension Boards will manage the allocation of asset classes approved by the Investment Committee. Under normal conditions, between 40% and 70% of the Fund's assets will be invested in stocks, 30% to 60% will be invested in bonds and 0% to 10% will be invested in alternative assets and cash.

Over long periods of time the return to investors in this Fund should exceed the return to investors in the Stable Value Fund, the Bond Fund, and the two shorter dated Target Annuitization Date Funds but it should fall short of the return to investors in the Equity Fund and two longer dated Target Annuitization Date Funds. Over shorter periods of time, however, returns to investors in this Fund could be less than the returns to investors in the other Funds, and at times they may be negative.

Fund Investments

The Fund achieves broad diversification by investing in units of the Bond and Equity Funds. Alternative assets are permitted up to limits established by the Investment Committee and subject to Investment Committee approval and may include private equity (buyouts, venture capital and debt including distressed), real assets (real estate, timber, natural resource based assets) and hedge fund strategies, (which may include arbitrage, relative value, directional and event-driven strategies). Futures guidelines are provided in The Investment Guidelines.

Performance Objective

The Performance of the Fund is measured against a benchmark composed of a 55% weighting of the return of the Equity Policy Benchmark and a 45% weighting of the return of the Barclays Capital Government/Credit Index.

EQUITY FUND

Investment Objective

The Equity Fund seeks to provide long-term growth of principal and income.

Investor Profile

This Fund is suitable for investors who are willing to accept a greater degree of principal and income volatility for some portion of their assets than will be typical of the Stable Value Fund, the Bond Fund, the Balanced Fund or the Target Annuitization Date Funds in the pursuit of long-term growth. Over long periods of time, the return to investors in this Fund should exceed the return to investors in the other Funds. Over shorter periods of time, however, returns to investors in this Fund could be less than the returns to investors in the other Funds, and at times the returns from this Fund will be negative.

Fund Investments

The Fund invests primarily in a broadly diversified portfolio of domestic and international equity securities further diversified by market capitalization, sector and style. Alternative assets are permitted up to limits established by the Investment Committee, subject to approval by the Investment Committee. Alternatives may include private equity (buyouts, venture capital, distressed), real assets (real estate, timber and other natural resource based assets) and hedge fund strategies such as arbitrage, relative value, directional and event-driven strategies. Futures, exchange-traded funds and cash guidelines are provided in the Investment Guidelines.

Performance Objective

The Fund is measured against the return of the Equity Policy Benchmark.

NORTHERN TRUST GLOBAL SUSTAINABILITY INDEX FUND (GSIF)

Investment Objective

The Northern Trust Global Sustainability Index Fund (GSIF) seeks to provide long-term growth of principal and income.

Investor Profile

This Fund is suitable for investors who are willing to accept a greater degree of principal and income volatility for some portion of their assets than will be typical of the Stable Value Fund, the Bond Fund, the Balanced Fund or the Target Annuitization Date Funds, in the pursuit of long-term growth. Over long periods of time, the return to investors in this Fund should exceed the return to investors in the other Funds. Over shorter periods of time, however, returns to investors in this Fund could be less than the returns to investors in the other Funds, and at times the returns from this Fund will be negative.

Fund Investments:

The Fund invests primarily in a broadly diversified portfolio of domestic and international equity securities further diversified by market capitalization, sector, and style. In addition, GSIF is a registered mutual fund that utilizes one of the best-known measures of ESG factors (environmental, social and governance). The Fund will be indexed to the MSCI World ESG Index, which it will seek to replicate. In addition to the environment, GSIF is sensitive to social issues involving human rights and governance issues involving the leadership of the companies in which we invest on your behalf.

Performance Objective

The Fund is measured against the return of the MSCI World ESG Index

TARGET ANNUITIZATION DATE (TAD) FUNDS

Target Annuitization Date 2020 Fund
Target Annuitization Date 2025 Fund
Target Annuitization Date 2030 Fund
Target Annuitization Date 2035 Fund
Target Annuitization Date 2040 Fund

Investment Objective

Each TAD Fund seeks levels of capital appreciation, principal preservation and current income that are consistent with its asset allocation at a particular time. A TAD Fund with a relatively long-time horizon (defined as the time before a Fund's target date) will have more emphasis on seeking capital appreciation, whereas a TAD Fund with a relatively short time horizon will have more emphasis on income and principal preservation.

Investor Profile

These Funds are suitable for investors who plan to annuitize in or around the year of a specific Fund, who want a portfolio that automatically becomes more conservative as time passes and who do not have the time, interest or inclination to rebalance their portfolios as their annuitization date approaches.

Fund Investments

The TAD Funds are "fund of funds" that invest in the Pension Boards' Equity, Bond and Stable Value Funds and thus invest in the securities permitted in those funds.

Performance Objective

Due to the unique nature of the TAD Funds, there are no appropriate performance benchmarks for these Funds.

Long-Term Diversification Guidelines

The Pension Boards has established the following diversification guidelines in an effort to achieve an appropriate “blend” of investments within the Funds. Investment styles and asset classes were identified based on their appropriateness for the Pension Boards’ program, their long-term return and volatility characteristics and the diversification benefits offered within a multiple manager and a multiple asset class structure. The Pension Boards may retain more than one manager within each style category based on the size of the portfolio and the nature of a particular market segment.

These guidelines are viewed as long term in nature, although they will be reviewed periodically by the Investment Committee to ensure that they continue to serve the best interest of plan members. The actual distribution of assets between each style category and within the Balanced Fund will be allowed to fluctuate within the policy guidelines, and is managed by the Pension Boards’ staff within the policy guidelines. The Investment Committee may adjust as deemed appropriate.

Stable Value Fund Structure

Asset Class		Allocation of Stable Value Fund Assets	
		Minimum	**Maximum**
Fixed Income Investments	High quality fixed income investments that may include guaranteed investment contracts issued by insurance companies, bank investment contracts, U.S. Treasuries and its agencies, asset-backed and mortgage-backed securities, corporate bonds, and cash and cash equivalents such as Treasury Bills and commercial paper.	100%	100%

Bond Fund Structure

Investment Style		Allocation of Bond Fund Assets	
		Minimum	Maximum
Core Fixed Income	Long-term total return approach incorporating interest rate anticipation, sector concentration, coupon level and credit rating strategies.	65%	100%
High Yield	Below investment grade U.S. dollar denominated securities.	0%	10%
Bank Loans	Floating-rate below investment grade U.S. dollar debt instruments that have minimal sensitivity to changes in the prevailing level of interest rates.	0%	20%
Emerging Markets Debt	Emerging Markets investments include fixed income securities and derivative investments (including, but not limited to, spot and currency contracts, futures, options and swaps) that are economically tied to an emerging market country and denominated in the U.S. dollar or any other currency.	0%	15%
Alternative Assets	Alternative investment strategies.	0%	10%

Balanced Fund Structure

Asset Class		Allocation of Balanced Fund	
		Minimum	Maximum
Equity Fund		40%	70%
Bond Fund		30%	60%
Alternative Assets	Private equity, real assets and hedge funds.	0%	10%
Cash		0%	10%

*Revised: July 2019 (Tobacco Revenue screening increased)

Equity Fund Structure

Investment Style		Allocation of Equity Fund Assets* Minimum	Maximum
Large Cap	Broadly diversified portfolio; broad characteristics similar to the domestic large cap market.	30%	50%
Small Cap	Smaller cap oriented with emphasis on growth or value characteristics.	5%	25%
U.S. Equities	Equities of U.S. companies	40%	80%
International	Equities of non-U.S. companies primarily headquartered in developed countries in Europe and, the Far East.	15%	40%
Emerging Markets	Equities of non-U.S. companies headquartered in developing countries in Europe, Asia and Latin America.	5%	20%
Alternative Assets	Private equity, real assets and hedge funds.	0%	10%
Exchange-Traded Funds	Liquid Exchange-Traded Funds on broad market index	0%	10%
Cash	Cash, Money Market Instruments	0%	10%

* No more than 15% of the Equity Fund's assets may be invested in cash and equivalent investments without prior Investment Committee approval.

Investment Guidelines

The Investment Committee of the Pension Boards establishes guidelines to ensure that the investments in each of the Pension Boards' Funds maintain appropriate diversification and quality targets. Investment managers retained by the Pension Boards are expected to adhere to their respective guidelines. Individual investment manager guidelines for separately managed accounts are included in the Investment Guidelines.

Guideline Changes

Any manager believing that a change in the guidelines would be beneficial to the members in the Pension Boards' Funds should communicate this belief to the Investment Committee. The Committee will consider the manager's recommendations based on the facts and circumstances at the time. Approval of the Investment Committee must be obtained in writing before the investment manager is authorized to deviate from the guidelines.

Socially Responsive Investment Guidelines

There is a growing recognition that financial performance is strongly linked to sustainable business practices. Environmental, social and governance issues (ESG) are coming forward as important considerations for investors and corporate managers.

The reason is simple: a company that considers ESG an integral part of its operations and strategy is more likely to perform well over the long term, because it reduces risk and cost while increasing efficiency and competitiveness.

We advocate an incorporation of ESG factors into our investment policy guidelines and proxy voting policy guidelines based upon the sole purpose of the financial best interest of plan participants. The United Nations, along with 25 other leading practitioners of responsible investing practices, co-authored its Principles for Responsible Investment, asserting the importance of ESG issues in investment decision making. There are more than 800 signatories to the initiative, representing approximately $22 trillion in assets. Therefore, managers of funds should agree to become signatories to those Principles and incorporate them into their investment strategies on our behalf.

PBUCC sees the growing importance of ESG as affirmation of our belief that corporate responsibility and long-term performance are not mutually exclusive but are complementary. It reflects our central goal of providing returns aligned with values. We embrace ESG in our investment strategy, but because it is an integral element of sustainable business practices and ultimately, profitability.

We believe that:

Responsible investing should be a proactive, positive force, rather than the widely-held view that it relies solely on the negative, exclusionary screening of so-called "sin stocks."

We can influence corporate behavior through the encouragement of responsible actions, because a steadfast focus on ESG can help make a company's stock more desirable and profitable.

Encouraging Desirable Corporate Behavior

Our sole obligation is to act as a prudent fiduciary, managing the investments of our participants in a manner consistent, so far as legally possible, with the historic social justice witness and polity of the UCC. Promoting ESG issues in the companies in which we invest serves both parts of our mandate – to generate good returns while honoring the values of the organization we serve.

Our activities include:

Advocacy —
Engaging management by promoting sustainable business practices that consider the impact of ESG policies.

Proxy Voting and Shareholder Resolutions —
PBUCC utilizes respected proxy advisers to help us analyze issues presented to shareholders for voting, and also file shareholder resolutions. We exercise our votes in a manner that promotes long-term sustainability.

Public Policy Engagement —
We collaborate with like-minded organizations and officials to influence public policy as it affects the rights and long-term interests of shareholders.

The Investment Committee has decided that companies in the tobacco, gambling industries, companies that derive a significant portion of their potential emissions, based on proven reserves, from the extraction of thermal coal or oil from tar sands and domestic companies that are engaged in the production of small arms ammunition or firearms should be avoided to the extent possible within the above policy. In its selection process, the investment manager should avoid securities of companies which derive a significant portion (as defined below) of their business from the manufacture, sale or distribution of products or services in these industries.

Product/Service	Approximate Percentage
U.S. Firearms	10%
Gambling	10%
Tobacco	10%
Thermal coal and Tar Sands	50%

If an investment manager wishes to purchase securities of a company in an industry which the Investment Committee has determined should be avoided, that manager must first obtain permission to do so from the Investment Committee. Any request for permission must be submitted in writing to the Investment Committee by the manager, and it must include the research performed by the manager supporting the conclusion that no alternative with the same or superior risk/reward relationships compared to the security in question could be found.

Partners –

We engage shareholder advocacy alongside ecumenical partners, especially the Interfaith Center for Corporate Responsibility (ICCR), and other like-minded investor organizations, within our sole discretion, that share our values and concern for sustainability and good governance.

Asset Concentration by Firm and Strategy

When considering asset managers, the Investment Committee will consider business risk. In addition, the Investment Committee will also consider on a case-by-case basis whether it is prudent to place a limit on the size of the Pension Boards' investment mandate, or potential mandate, in terms of the percentage the mandate represents of 1) the total firm assets of the investment manager, and 2) the total assets managed by the investment manager in the strategy.

Money Manager Structures

The assets of the Pension Boards may be invested as separately managed accounts or in commingled funds such as mutual funds, limited partnerships, and hedge funds depending upon investment, administrative and cost considerations. The Investment Committee recognizes that commingled funds are subject to the diversification and quality guidelines of the investment advisor managing the fund. When selecting commingled vehicles, the Investment Committee will attempt to choose funds with portfolio policies and guidelines that are consistent with the pension plan objectives and with socially responsive investment guidelines. However, there may be circumstances under which a commingled fund may not be entirely consistent with these guidelines and yet represent the best or only alternative means of participating in a particular asset class. These circumstances may include an asset class where costs, diversification requirements, limited access to available managers and the availability of separately managed accounts may necessitate the use of such a fund.

V. ANNUITY ASSET ALLOCATION

After March 31, 2006 members have two annuity choices to convert their accumulated balances at retirement—the Participating Annuity and the Basic Annuity. Members who had annuitized prior to April 1, 2006 and who did not choose to convert to one of these annuities remain in the Equity Benefit Annuity and/or the Balanced Benefit Annuity. Annuity reserves are invested in the Pension Boards' Equity, Bond or Balanced Fund. A portion of the Basic Annuity reserves may be invested in a "Completion Fund" strategy. Annually, the Investment Committee reviews the anticipated liability payments of the Basic Annuity as provided by the Pension Boards' actuary in relation to the cash flows provided by the Treasury strip portfolio. The asset allocation for the Annuity Funds is detailed in the following table.

Annuity	**Equity Fund**	**Bond Fund**	**Balanced Fund**	**Real Assets and other Private Assets**	**Completion Fund**
Participating	55%	35%		10%	
Basic		Portion not covered by Basic Annuity "Completion Fund" strategy			Portion not covered by Bond Fund
Equity Benefit	100%				
Balanced Benefit			100%		

VI. REVIEW AND EVALUATION PROCESS

The Pension Boards believe that the interest of plan members and their beneficiaries is best served by the adoption of a long-term view of the investment process. The Pension Boards also recognize that careful monitoring of results and timely decision-making when needed are critical to its success. Within this context, the Pension Boards have established the following formal program reviews as part of the ongoing monitoring process.

A. During the course of each year, the Investment Committee will review the overall investment program. This review will include an evaluation of:

1. The structure of the investment program in relation to the needs of plan members;

2. The objectives of each Fund;

3. The investment structure of each Fund, including the allocation of assets between asset classes, market segments and investment managers; and,

4. The performance of each Fund in relation to its objectives.

B. At least once each year, the Investment Committee formally will review each of its investment managers. In conjunction with this review, or apart from it, the Committee has the ability, but is not obligated, to meet with each investment manager. The Investment Committee may delegate this responsibility to the Chief Investment Officer (CIO), who will report findings back to the Investment Committee. The yearly management reviews will include an evaluation of:

1. The manager's investment performance in relation to appropriate indexes and universes. The indexes and universes to be used when evaluating each manager's performance are listed in the Investment Guidelines;

2. The manager's adherence to its stated investment approach;

3. The manager's observance of the investment guidelines; and,

4. Developments within the investment manager's organization of importance to the Pension Boards.

C. As needed, the Pension Boards' staff will visit each manager at the manager's place of business. Staff will report on these visits to the Investment Committee.

D. At least once every two years the Investment Committee will review the Statement of Investment Policy in its entirety.

VII. POLICIES ON EXECUTION AND SOFT DOLLAR TRANSACTIONS

Execution

Investment managers should seek "best execution" on all investment transactions. For security sales, best execution is defined as maximum net proceeds considering price, commissions or other similar expenses and all other transactions costs. For security purchases, best execution is defined as minimum net cost considering price, commissions or other similar expenses and all other transactions costs.

Soft Dollar Transactions

Soft dollar transactions are permitted under the following guidelines in situations in which the Pension Boards determines that the service being acquired serves the best interest of plan members and beneficiaries. A soft dollar transaction is defined as a transaction in which a portion of the commission paid by an investment manager to a broker/dealer is made available to the Pension Boards, for the purchase of goods and/or services that benefit Fund members.

1. The trading policy requiring best execution may not be violated.
2. The investment manager will select the broker to be used and will negotiate the hard dollar/soft dollar ratio to be applied to transactions. This ratio will be included in the brokerage allocation report referred to in the Investment Guidelines.
3. The investment manager's normal commission policy will be followed.

Conflict of Interest

Trustees and Officers of the Pension Boards serve the public trust and have a clear obligation to fulfill their responsibilities in a manner consistent with this fact. All decisions of the Board of Trustees and Officers of the Pension Boards are to be made solely on the basis of a desire to advance the best interests of the Pension Boards.

The Board of Trustees has adopted a Conflict of Interest Policy to protect the interests of the Pension Boards in any transactions or arrangements that might benefit the private interests of a member of the Boards of Trustees or an Officer, or a Trustee's or Officer's Family Member; and to monitor the activities of a member of the Board of Trustees or Officer, or Trustee's or Officer's Family Member, that may compete with, or be detrimental to, the interests of the Pension Boards. The Conflict of Interest Policy governs all Trustees, Officers, and Consultants within the investment process of the Pension Boards.

VIII— POLICIES ON SECURITIES LENDING

The objectives of securities lending are to preserve principal and to earn incremental income consistent with prudent risk management and portfolio diversification. In accordance with these objectives, equity and fixed income securities may be lent to approved borrowers in order to increase the total return earned. Prior to any lending activity, there must be a properly executed securities lending agreement between the Pension Boards and the lending agent which includes, but is not limited to, provisions for appropriate collateral accepted for securities on loan and indemnification against borrower defaults. Guidelines for securities lending can be found in the Investment Guidelines.