



The MISSISSIPPI UNITED METHODIST  
FOUNDATION, INC.

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One of the primary purposes of The Mississippi United Methodist Foundation, Inc. is to hold and manage investment accounts for local churches, agencies, institutions, and extension ministries of The Mississippi Conference. Please find attached information concerning opening an account with The Foundation. It is our desire to be of service to our churches and provide any information needed to carry out the financial responsibilities with which you are entrusted.

To open an account, fill out the Investment Custodial Agreement and return to The Foundation along with a check for the initial deposit. We will send a copy of the executed Investor Custodial Agreement back to you with a statement of the opening transaction.

Funds placed on deposit with The Foundation in the Short Term Fund will earn interest until withdrawn at the current annual rate of two (2.0%) percent. Interest is posted to accounts June 30 and December 31. Income may be distributed to you June 30 and December 31 or held in the account until needed. Deposits and withdrawals may be made at any time without penalty. Investors are notified 30 days in advance of any change in the interest rate or any other change in policy.

Funds placed on deposit with The Foundation for investment in the Long Term Fund buy into the Fund at the beginning of each new quarter. Funds for investment in the Long Term Fund are held in the Short Term Fund until the next new quarter. Long Term Funds will earn a dividend as the market bears. The fund is revalued at the end of each quarter.

Please read the attached information in order to fully understand the distinction between the Long Term Fund and the Short Term Fund. You will also find enclosed the Investment Custodial Agreement, Statement of Investment Policy and Objectives, and Voluntary Distribution Plan Guidelines. These forms may be found on our website as well.

It will be a pleasure to work with you in meeting the mission of your organization. Please do not hesitate to contact us with any questions you may have.

Sincerely,

Rev. Mike Hicks  
Executive Director

**The Mississippi United Methodist Foundation, Inc.  
Information for Participants**

**Effective: March 31, 2015**

**For Organizations in the State of  
Mississippi:**

**The availability of the Investment Funds and portfolios and of investment custodial services by The Mississippi United Methodist Foundation, Inc., as described in this *Information for Participants*, is limited to only an organization that is an “Eligible Participant” as defined in this document.**

# **The Mississippi United Methodist Foundation, Inc.**

## **Information for Participants**

**Effective: March 31, 2015**

This Information for Participants describes the availability of certain Investment Funds and Portfolios, and the terms and conditions under which The Mississippi United Methodist Foundation, Inc., offers its investment custodial services to United Methodist organizations. This Information for Participants is given in compliance with the Philanthropy Protection Act of 1995, and is addressed only to organizations in the categories described below (*see “Eligible Participants”*). This Information to Participants is not intended to be distributed to any other person or entity, or for any other purpose. *There are certain investment risks associated with participation in the Investment Funds and Portfolios as described in this Information for Participants.*

**THIS INFORMATION STATEMENT HAS NOT BEEN REVIEWED OR APPROVED BY THE SECURITIES EXCHANGE COMMISSION OR ANY OTHER FEDERAL OR STATE REGULATORY AUTHORITY. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.**

**THE MISSISSIPPI UNITED METHODIST FOUNDATION, INC., IS NOT REGISTERED AS AN INVESTMENT ADVISER AND DOES NOT PROVIDE INVESTMENT ADVICE TO PARTICIPANTS OR THE COMMON INVESTMENT FUNDS OR PORTFOLIOS DESCRIBED HEREIN. INVESTMENT ADVICE, IF ANY, TO PARTICIPANTS OR THE COMMON INVESTMENT FUNDS OR PORTFOLIOS IS PROVIDED BY SEPARATELY COMPENSATED THIRD PARTY INVESTMENT ADVISERS WHO ARE REGISTERED UNDER FEDERAL AND/OR STATE LAW OR ARE EXEMPT FROM SUCH REGISTRATION.**

# **Mississippi United Methodist Foundation, Inc.**

## **Investment Information**

### **ABOUT THE FOUNDATION**

The Mississippi United Methodist Foundation, Inc. (the "Foundation "), is a Mississippi not-for-profit corporation operated as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1986. The Foundation was formed in 1967 from the vision of leaders of the Methodist Church across the State of Mississippi and has served the missional and financial needs of the United Methodist Church in Mississippi for over forty-five years.

It is the policy of the Foundation to make a conscious effort to invest in institutions, companies, corporations or funds whose practices are consistent with the goals outlined in the Social Principles of the United Methodist Church.

The business affairs of the Foundation are under the direction of a self-perpetuating Board of Directors which exercises complete control over the program and policies of the Foundation subject to the provisions of prevailing state and federal law governing not-for-profit charitable organizations. The Foundation receives no financial support from the Mississippi Annual Conference of the United Methodist Church budget or the conference apportionments. The Foundation has always operated as a separate not-for-profit organization.

The Foundation offers United Methodist churches, agencies, institutions, and affiliates of the Mississippi Annual Conference of the United Methodist Church, Inc., and related entities (referred to in this document as "Eligible Participants") professional money management services relevant to the intended use of the funds. These qualifying investors may choose to invest in the short-term fund and/or the long-term fund. These funds are not insured by the Federal Deposit Insurance Corporation. All funds deposited with the Foundation are kept strictly confidential.

### **GOALS OF INVESTING**

Before considering an investment, one of the first questions to be answered is "What is the purpose of the money you are investing?" The answer to this question will typically provide an understanding of how long the money will be invested and how you intend to use the income.

If the money is to be used for operating expenses, it should be readily available (liquid) and have very little risk. Typically a savings account or a money market fund would be an appropriate choice.

If the money is to be used as a permanent fund to provide income that is for funding scholarships, repairing buildings, or supporting other ministries, it should be invested in such a manner that the income can keep pace with inflation. If these funds are invested in savings accounts, money-market funds, or certificates of deposit, they may lose their purchasing power over time and would therefore buy fewer goods and services. For this reason, a long-term investment vehicle that combines several classes of assets would be an appropriate choice.

## **INVESTMENT OPTIONS FOR ELIGIBLE PARTICIPANTS WITH THE MISSISSIPPI UNITED METHODIST FOUNDATION, INC.**

### **1. SHORT TERM FUND**

For over forty-five years, the Foundation has provided a Short Term Investment Fund for churches and institutions of The Mississippi Annual Conference of the United Methodist Church, Inc. The principal purpose of this Short Term Fund is to provide a vehicle by which these eligible participants can invest money in an investment pool designed to provide a dependable source of income and liquidity that is consistent with a short-term time horizon.

The Short Term Fund has historically provided a stable rate of return on investments comparable to short and intermediate term fixed income investments such as bank certificates of deposit and intermediate government bonds.

Operating within the budgets and goals set by the Board of Directors, the Investment Committee meets quarterly to review current financial data. The Investment Committee then sets the rate of return paid to eligible participants in the Short Term Fund. The rate of return paid is based in large part on changes in broader interest rates and changes in the financial markets. Eligible participants will be given a thirty (30) day written notice in advance of any change in the interest rate.

The Short Term Fund operates very much like a simple savings account that pays a competitive market-driven rate of return for each full day the funds are on deposit. There is no required minimum investment and no required minimum retention period. Investors may request a withdrawal at any time with no penalty. Although the Foundation requests a three day notice of withdrawal, historically we have processed withdrawals within one business day of receiving a written request.

Earnings at the applicable rate of return on investments in the Short Term Fund are compounded semi-annually June 30 and December 31. On withdrawals, earnings are prorated for partial periods and computed daily based on the amount invested.

### **2. LONG TERM FUND**

The principal purpose of the Long Term Fund is to provide an investment vehicle designed to achieve long-term growth of capital through a combination of capital appreciation and income that is consistent with a long-term time horizon. Although the Long-Term Fund is designed for growth, there will be a bias towards lower volatility when compared to the overall market. The Foundation makes the Long Term Fund available as an investment vehicle for eligible participants with a similar investment purpose.

The Long Term Fund pools the Foundation's own funds and money invested by eligible participants. The performance objective of the Long Term Fund is to provide a rate of return over time that will allow for reasonable distributions to meet the goals and objectives of a traditional endowed account (4-5%), and to maintain the purchasing power of the account by keeping up with the rate of inflation (traditionally 2-5%). Unlike the Short Term Fund, the Investment Committee does not set the rate of return on the Long Term Fund. The return is based on the actual performance of the investments within the Long Term Fund.

Earnings on investments are reflected in the Long Term Fund's total valuation. The valuation is established on the last business day of each quarter. The value includes any interest earned, dividends earned and any realized and unrealized gains or losses as a result of market fluctuations less fees charged to the Long Term Fund. The Foundation charges an annual administration fee based on the market value of the respective assets invested in the Long Term Fund on the following graduated scale:

- 0.5% on balances up to \$100,000
- 0.3% on balances of \$100,000.01 to \$1,000,000
- 0.2% on balances of \$1,000,000.01 and above

The Foundation reserves the right to increase or decrease the administration fees based on actual experience. Any increase or decrease will be effective only on thirty days' prior written notice to all investors.

For planning purposes, the time horizon for an investment in the pooled Long Term Fund should be at least five years. The portfolio will fluctuate in value over time and eligible participants should recognize that the possibility of capital loss does exist. However, historical asset class return data suggest that the risk of principal loss over a holding period of five years or more can be minimized with the broad diversification and long-term asset allocation approach reflected in this investment vehicle.

The overall stability of the Long Term Fund is dependent on the nature and quality of its assets and changes in the financial markets. The Long Term Fund carries inherent risk associated with investments of this nature, thereby creating potential higher returns due to that risk.

The income (interest, dividends, or other income) and net realized capital gains less fees are eligible for distribution as a dividend from the Long Term Fund to each eligible participant account as of the last business day of each quarter. Net unrealized capital gains are not available for distribution. Each eligible participant account will be revalued at the end of each quarter to reflect these unrealized capital gains or losses.

Distribution of income (as defined above or according to a distribution plan) may be made through ACH to your checking or savings account, by transfer to a Foundation Short Term Account, or by check. The goal of a distribution plan is to strike an appropriate balance between the present and future needs of the participants. A distribution plan provides a predictable distribution stream for the year while providing for long term fund growth and preservation of the purchasing power of the principal in accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Investment and Finance Committee of the Foundation will review the Foundation suggested distribution rate at the close of the third quarter of each year based on current and historical market and economic conditions. The distribution rate is applied to the average market value of the account over the previous 12 quarters. Account holders may elect their own distribution plan/rate, which may have a direct influence on fund performance over time.

Distributions of income from the eligible participant account can be made quarterly, semi-annually, or annually depending upon the needs of the eligible participant. These distributions will be made as soon as possible after all transactions have been received for the end of the quarter. Income and realized gains can also be added to the principal book value of eligible participant accounts to be invested and reinvested; however, income so invested and reinvested becomes a part of the funds' principal account for the purposes of the Foundation's accounting system. The Foundation encourages eligible participants to consider adoption of a distribution plan to provide growth and protection against inflation for funds in this program.

Any withdrawal requests other than regular income distributions by the eligible participants shall be made five (5) business days prior to June 30 or December 31. These withdrawals will be distributed to the eligible participant after the revaluations at the end of those quarters. Valuations of some assets may take four to six weeks.

**Any assets received from a participant for investment during a quarter will be held in a short term interest-bearing account until the beginning of a new quarter. In order to protect the assets of the Funds and Portfolios, timing of redemptions of \$1,000,000 or more shall be negotiated with the Foundation as large redemptions may impact the Funds and Portfolios.**

**THE MISSISSIPPI UNITED METHODIST FOUNDATION, INC.  
INVESTMENT CUSTODIAL AGREEMENT**

This Investment Custodial Agreement (the “Agreement”) is made and entered into, effective as of \_\_\_\_\_, by and between The Mississippi United Methodist Foundation, a Mississippi nonprofit corporation, (hereinafter the “Foundation”), whose mailing address is P.O. Box 2415, Ridgeland, MS 39158-2415, and the \_\_\_\_\_, (hereinafter the “Participant”), whose mailing address is \_\_\_\_\_, \_\_\_\_\_.

Participant has or will transfer to the Foundation certain assets to be held and invested in accordance with the terms of this Agreement and Participant Application(s). The assets so transferred, together with any additional assets transferred to the Foundation by Participant for management under this Agreement (collectively, the “Asset”), will be held and invested in accordance with the following terms and conditions:

1. The Asset is owned by the Participant and control of the Asset remains with the Participant. The Asset is held by the Foundation in a custodial capacity only for investment purposes and not as a trust.
2. Foundation shall invest and reinvest the Asset in compliance with Participant’s written instructions. The Participant may choose to allocate the Asset among the investment options offered by the Foundation. Until written instructions are received, the Foundation shall invest the portion of the Asset for which instructions have not been received in its Short Term Fund. Foundation may employ consultants and advisors concerning management of the Asset and its common investment funds or investment portfolios. Foundation shall furnish Participant an account statement showing status and earnings of the Asset. Foundation shall pay income, or make distribution, on the Asset in accordance with the written directions of the Participant and the then current policies of the Foundation. Foundation shall at all times hold and administer the Asset in accordance with the terms of Foundation’s applicable Statement of Investment Policy, Objectives, and Guidelines, as the same may be modified by the Foundation from time to time. The Foundation is not registered as an investment adviser and does not provide investment advice to the Participant or the common investment funds or investment portfolios. Investment advice, if any, to the Participant or the common investment funds or investment portfolios is provided only by the separately compensated professional investment managers engaged by the Foundation to manage the common investment funds and investment portfolios, which managers are registered investment advisers under federal and/or state law or are exempt from such registration.
3. Participant in the Long Term Fund acknowledges that the Foundation will receive fees in accordance with the applicable fee schedules contained in the “Investment Information” with applicable supplement(s) attached hereto. The fee is based on the market value of the assets under management on the last day of the previous quarter in the year. The quarterly fee is calculated by applying the annual fee percentage to the total market value of the Asset, multiplied by a fraction, the denominator of which is the number of days in the applicable year and the numerator of which is the number of days during which such assets were invested in the



applicable quarter. All fees shall be payable from the assets invested by the Participant with the Foundation.

4. Participant or Foundation may cancel this Agreement at any time by a 30 day advance written notice. Long Term Funds will be held by the Foundation until either December 31 or June 30 in accordance with the "Investment Information".
5. The Agreement shall be governed by and interpreted in accordance with laws of the State of Mississippi.
6. Participant represents that it is recognized as exempt from federal income tax under §501(c)(3) of the Internal Revenue Code of 1986, as amended, and is one, or more, of the following: (i) a general agency of The United Methodist Church; or (ii) an official United Methodist organization affiliated with The Mississippi Annual Conference of the United Methodist Church, Inc.; or (iii) an official United Methodist organization that is or could be included within the United Methodist Church's group exemption ruling issued by the Internal Revenue Service; or (iv) an entity outside of The United Methodist Church, which is described in §501(c)(3) or §509(a)(1 or 2) of the Code and has a financial or structural relationship to The United Methodist Church as defined in its then-current Book of Discipline.
7. Participant acknowledges that the entirety of the Asset consists only of one or more of the following: (1) assets of the general endowment fund or other funds of one or more charitable organizations; (2) assets of a pooled income fund; (3) assets of a charitable remainder trust or of any other trust in which the remainder interests are irrevocably dedicated to any charitable organization; or (4) assets of a charitable lead trust. The Participant warrants that none of the assets transferred by the Participant to the Foundation are held for retirement plans.
8. Participant acknowledges that it has received and reviewed the applicable Statement(s) of Investment Policy, Objectives, and Guidelines of Foundation and that it, or its representatives, possesses such knowledge and experience in investments of this type to evaluate the risks and merits of the investment options made available by the Foundation. The Participant also acknowledges that it has received and read the Foundation's "Investment Information" with applicable supplement(s) listed below as attachments hereto, that describe the material terms of operation of the investment portfolios and common investment funds offered by the Foundation. The Foundation will update or supplement the information contained in such documents as necessary. The Participant acknowledges that the Foundation does not guarantee the results of its investment strategies. Past investment performance history of the investment portfolios, common investment funds or other investment options, is neither an indicator nor a guarantee of future performance.
9. All notices and requests solely affecting this Agreement after the date of this Agreement shall be deemed to have been duly given if in writing and delivered or sent by certified or registered mail, return receipt requested, to the respective addresses set forth at the beginning of this Agreement.
10. The Participant is prohibited from assigning, encumbering or otherwise transferring its interests in the investment portfolios, common investment funds or any other investment option made

available by the Foundation under the terms of this Agreement. This paragraph shall not affect the Participant's right to distributions as provided elsewhere in this Agreement.

11. In consideration of the services provided in this Agreement, Participant agrees to release and hold harmless Foundation, its officers, directors and employees for any errors or omissions that may occur in relation to Foundation's good faith performance of its duties. In particular and without limitation, Participant acknowledges that it understands that the Asset is subject to gains or losses due to market conditions, the economy and the performance of particular investments, and agrees to, and hereby does, release and hold the Foundation harmless from any claims that Participant might have in the future arising out of such errors or omissions.

IN WITNESS WHEREOF, this Investment Custodial Agreement has been executed by Foundation and Participant effective as of the date first written above.

**PARTICIPANT:**

Name of Participant: \_\_\_\_\_  
(set forth at the beginning of this Agreement )

Mailing Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Executed By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date signed: \_\_\_\_\_

**FOUNDATION:**

The Mississippi United Methodist  
Foundation, Inc.  
P. O. Box 2415  
Ridgeland, MS 39158-2415

By: \_\_\_\_\_  
Title: \_\_\_\_\_

**THE MISSISSIPPI UNITED METHODIST FOUNDATION**  
**STATEMENT OF INVESTMENT POLICY AND OBJECTIVES**

**INTRODUCTION**

It is the purpose of The Mississippi United Methodist Foundation, Inc. to acquire, hold, and manage investment accounts for the exclusive benefit of individual United Methodists, local churches, United Methodist Institutions, and associated and related organizations.

The Foundation offers individuals, churches, institutions and related organizations to the Mississippi Annual Conference investment management services through professionally managed investment funds. The choices include a Short-Term and a Long-Term Fund. The principal purpose of the Short-Term Fund is to provide a dependable source of income and liquidity which is consistent with a short-term time horizon. The principal purpose of the Long-Term Fund is to provide long-term growth of capital through an attractive total return generated through a combination capital appreciation and income which is consistent with a long-term time horizon. Given this mission and the purposes of the Short-Term and Long-Term Funds (“Funds”), the Investment Committee has established the following Investment Policy Statement which it deems appropriate.

**PURPOSE**

The purpose of the Investment Policy Statement (“IPS”) is:

1. Provide written documentation stating the Committee’s attitudes, expectations and objectives for the Funds;
2. Encourage effective communications between the Committee and all parties involved with the investment management decisions;
3. Create guidelines and standards for investment performance evaluation and establish criteria to select, monitor and evaluate investment managers;
4. Comply with all applicable fiduciary, prudence and due-diligence requirements experienced investment professionals would utilize, and with all applicable laws, rules and regulations from various local, state, federal and international entities that may impact the Funds.

**STATEMENT OF OBJECTIVES**

The objectives for the Funds are:

1. Maintain the purchasing power of the current assets and all future contributions.
2. Maximize return within reasonable and prudent levels of risk.

3. Maintain an appropriate asset allocation based on each Fund's return objectives and liquidity needs while still having the potential to produce positive real returns.
4. Follow general "safe harbor" rules:
  - a. Use professional management such as registered investment advisers (including mutual funds, commingled funds and limited partnerships), banks or insurance companies to make investment decisions.
  - b. Demonstrate that the investment manager was selected by following a due diligence process.
  - c. Give the investment managers discretion over the assets.
  - d. Have investment managers acknowledge their co-fiduciary responsibility status (mutual funds, commingled funds and limited partnerships are exempt from this requirement as their prospectus or offering memorandum is deemed to serve as fiduciary acknowledgement).
  - e. Monitor the activities of the investment managers to ensure that the expert is performing the agreed upon tasks.

#### TIME HORIZON

The Short Term Fund will have a time horizon of three to five years while the Long Term Fund will have a time horizon of five years or longer. Each Fund's strategic asset allocation will be based upon these time horizons. Short term liquidity requirements for the Funds are anticipated to be limited, or at least should be covered by cash inflows.

#### RISK TOLERANCES

The Committee recognizes that some risk must be assumed in order to achieve each Fund's investment objectives. In establishing the risk tolerances for each Fund, the ability to withstand short and intermediate term volatility were considered. Each Fund's time horizon, current financial condition and other factors suggest collectively some interim fluctuations in market values and rates of return may be tolerated in order to achieve each Fund's objectives. However, it is expected that each Fund's volatility (as measured by standard deviation) be commensurate to each Fund's composite index as described below.

#### PERFORMANCE GOALS

It is expected that each Fund should earn a competitive real rate of return (in excess of inflation) and outperform a composite index comprised of the appropriate market indexes in the same allocation as each Fund. The performance of the Short-Term Fund will be evaluated over three and five year time periods while the performance of the Long-Term Fund will be evaluated over five and ten year time periods.

## **DUTIES AND RESPONSIBILITIES**

### **INVESTMENT COMMITTEE**

As fiduciaries to the Funds, the primary responsibilities of the Committee are:

1. Prepare and maintain the investment policy statement
2. Prudently diversify the portfolios' assets to meet an agreed upon risk/return profile;
3. Prudently select investment options;
4. Control and account for all investment, record keeping and administrative expenses associated with the Funds;
5. Monitor and supervise all service vendors and investment options.
6. Avoid prohibited transactions and conflicts of interest.

### **CUSTODIAN**

Custodians are responsible for the safekeeping of the Funds' assets. The specific duties and responsibilities of the custodian are:

1. Value the holdings;
2. Collect all income and dividends owed to the Funds;
3. Settle all transactions (buy-sell orders);
4. Provide monthly reports that detail transactions, cash flows, securities held and their current value, and change in value of each security and the overall Fund since the previous report.

### **INVESTMENT ADVISOR**

The Investment Advisor serves as an objective, third-party professional retained to assist the committee in managing the overall investment process. The Advisor is responsible for guiding the Committee through a disciplined and rigorous investment process to enable the Committee to meet the fiduciary responsibilities outlined in the IPS.

# INVESTMENT GUIDELINES

## ASSET ALLOCATION

The Committee believes investment performance is primarily a function of the asset allocation and that diversification is a way to optimize portfolio returns and diversify investment risk. Therefore, the Committee will globally diversify the Funds across a variety of traditional (equities, fixed income, cash) and non-traditional (hedged strategies, private equity, real assets) asset classes. Non-traditional asset classes are utilized to broaden the investment opportunities, diversify portfolio risk through their low correlations to traditional equity and fixed income, and improve the risk-adjusted returns of the Funds over the long-term. From an investment decision point of view, the year by year volatility may be worth accepting given each Fund's time horizon.

## ASSET CLASSES

Focusing on balancing the risk and return of a variety of asset classes, the following investment strategies shall be used to diversify the Funds. These strategies will also include a variety of different investment styles in order to provide additional diversification for the Funds (i.e. growth, value, and core equity, small, mid and large capitalization equities, short and intermediate duration fixed income, etc).

- US Equity
- International Equity
- Emerging Market Equity
- Private Equity
- US Fixed Income
- International Fixed Income
- Emerging Markets Fixed Income
- Real Assets
- Hedged Equity
- Multi-Strategy Hedged
- Cash

The following assets/strategies shall be prohibited as stand-alone strategies within each Fund:

- Covered or Uncovered Call Strategies
- Net Short Selling Strategies
- Commodity Strategies

## ASSET CLASS RANGES

The Committee is responsible for allocating the Funds among a diversified mix of assets within the maximum/minimum ranges below:

### **Short-Term Fund:**

| <u>Asset</u>         | <u>Minimum</u> | <u>Maximum</u> |
|----------------------|----------------|----------------|
| US Equity            | 10.0%          | 60.0%          |
| International Equity | 0.0%           | 20.0%          |
| US Fixed Income      | 25.0%          | 90.0%          |
| Real Assets          | 0.0%           | 15.0%          |
| Private Equity       | 0.0%           | 5.0%           |
| Hedged Strategies    | 0.0%           | 25.0%          |
| Cash & Equivalents   | 0.0%           | 100.0%         |

### **Long-Term Fund:**

| <u>Asset</u>               | <u>Minimum</u> | <u>Maximum</u> |
|----------------------------|----------------|----------------|
| US Equity                  | 15.0%          | 50.0%          |
| International Equity       | 5.0%           | 20.0%          |
| Emerging Markets Equity    | 0.0%           | 10.0%          |
| US Fixed Income            | 10.0%          | 80.0%          |
| International Fixed Income | 0.0%           | 15.0%          |
| Real Assets                | 0.0%           | 15.0%          |
| Private Equity             | 0.0%           | 10.0%          |
| Hedged Strategies          | 0.0%           | 35.0%          |
| Cash & Equivalents         | 0.0%           | 10.0%          |

Working within these ranges, the Committee, along with any professionals retained to assist the Committee, will determine the allocation that they believe is appropriate for each Fund under prevailing market conditions. The allocation of the Funds will be reviewed at least quarterly.

## REBALANCING

The percentage allocation to each asset class may vary depending upon market conditions. When necessary and/or available, cash inflows/outflows will be deployed in a manner consistent

with each Fund's strategic allocation. If there are no cash flows or if the Committee determines cash flows to be insufficient to bring the Funds within the allocation range, the Committee shall decide whether to effect transactions to bring the allocation of the Funds within the allowable ranges.

### CASH & CASH EQUIVALENTS

All cash, wherever and whenever possible, should be invested in interest bearing instruments. These investments should be free from price fluctuations and have instant liquidity.

### OTHER INVESTMENTS

Assets contributed to the Funds as gifts shall be disposed of as soon as practical with the subsequent proceeds being reinvested in the Fund's asset mix. In the event such assets are not readily convertible to cash for investment purposes or the conditions attendant to the transfer of such assets to the Fund prohibit such conversion, those assets shall be held separately.

### DELEGATION OF AUTHORITY

Investment managers retained by the Funds will be held responsible for making all investment decisions regarding the assets under their direction. For those managers who are retained under a mutual fund, commingled trust or limited partnership, it is expected that the fund will operate under the specific guidelines outlined in its prospectus or offering memorandum.

### MANAGER EVALUATION

The decision to retain or terminate an investment manager cannot be made by a formula. Also, extraordinary market events do occur that may interfere with the manager's ability to prudently manage investment assets. The Committee acknowledges fluctuating rates of return characterize the securities markets, particularly during short-term time periods. Recognizing that short-term fluctuations may cause variations in performance, the Committee intends to evaluate investment performance from a long-term perspective. Manager retention or termination will be determined by a thorough analysis of various qualitative and quantitative factors. Factors considered in the due-diligence of a manager should include but not be limited to the following:

1. Track record: The fund should have a minimum three year history.
2. Assets under management: Manager's strategy should have at least \$100 million.
3. Stability of the organization: The manager should have at least a two-year tenure. In a management team setting, the most senior manager's tenure should be at least two years.
4. Composition consistent with asset class: A minimum of 80% of the fund's securities should be consistent with the peer group's asset class.
5. Style consistency: The manager investment style should be consistent over time. Investment



style will be analyzed using both fundamental portfolio analysis and return-based regression analysis.

6. Management Fees: The management fees should be in the bottom half (least expensive) of the peer group. Expense ratios will be used to measure mutual fund fees.
7. Risk-adjusted performance relative to peers: The fund's Alpha and Sharpe Ratio should be above the peer group's median.
8. Relative performance: A manager's performance will be analyzed net of fees and relative to a market benchmark and peer group of managers of similar style. The manager's performance should be above the market benchmark as well as above the peer group median over a market cycle.

The performance of the investment managers will be monitored on an ongoing basis and it is at the Committee's discretion to take corrective action by replacing a manager if they deem it appropriate at any time. Factors that may lead to termination of a manager may include but not limited to the following:

1. Material changes to the organization including personnel changes or ownership changes;
2. Material changes to the investment strategy or management style;
3. Any legal, SEC and/or other regulatory agency proceedings affecting the investment manager's organization;
4. Relative underperformance of the manager's portfolio relative to its market benchmark or peer group.

### MONITORING BENCHMARKS

The Committee has determined that performance benchmarks be established for each strategy and investment manager employed by the Funds. Manager performance will be evaluated in terms of an appropriate market index (e.g. the S&P 500 stock index for large-cap domestic equity manager) and the relevant peer group (e.g. the large-cap growth mutual fund universe for a large-cap growth mutual fund).

#### Strategy

US Fixed Income  
International Fixed Income  
US Large Cap Equity  
US Small/Mid Cap Equity  
International Equity  
Emerging Markets Equity  
Private Equity  
Hedged Equities  
Multi-Strategy Hedge  
Real Assets  
Cash

#### Benchmark Index

BC Gov/Credit Intermediate Index  
Citigroup World Gov Bond ex US Index  
S&P 500 Index  
Russell 2500 Index  
MSCI EAFE Index  
MSCI Emerging Markets Index  
S&P 500 Index  
HFR Fund of Funds Strategic Index  
HFR Fund of Funds Index  
, Alerian MLP Index  
90-day T-Bills

### MONITORING – MEASURING COSTS

The Committee will review at least annually all costs associated with the management of the Funds, including:

1. Management fees – fees charged by the manager’s employed by the Funds including mutual funds, commingled funds or limited partnerships;
2. Administrative Fees – fees charged to administer the Funds, including record keeping, custody and trust services;
3. Advisory Fees – fees charged by independent advisors including consulting fees, legal fees and account fees charged to the Funds.

### PROXY VOTING

The Committee recognizes that proxy voting is a fiduciary responsibility and requires that proxies be voted based on those factors which would enhance the value of the Funds’ investments. The Committee delegates its authority to vote proxies to the investment managers and instructs them to maintain accurate voting records and to vote proxies for the exclusive benefit of the Funds. If the Funds have not retained investment managers, or has assets not in the control of an investment manager, then the Committee shall vote all proxies.

### REPORTING

Where appropriate, reports detailing investment holdings and account transactions will be submitted to the Funds quarterly. A performance evaluation report will be submitted to the Investment Committee quarterly.

### INVESTMENT POLICY REVIEW

The Committee will review this IPS at least annually to determine whether stated investment objectives are still relevant and the continued feasibility of achieving the same. It is not expected that the IPS will change frequently. In particular, short-term changes in the financial markets should not require adjustments to the IPS. Any modifications to the IPS shall be in writing, agreed upon by the Committee and signed by an authorized representative.

APPROVED AND ADOPTED:

DATE: \_\_\_\_\_

BY: \_\_\_\_\_

Rev. Mike Hicks, Executive Director

## The Mississippi United Methodist Foundation, Inc.

# Voluntary Beneficiary Distribution Plan Guideline

### A. General Information

Many of the beneficiaries of The Mississippi United Methodist Foundation, Inc. (The Foundation) rely on routine distributions of income from Foundation accounts and endowments to support their mission.

The Foundation offers the Voluntary Distribution Plan Guideline for its permanently restricted endowments. It is available to participants in the Long Term Fund. The participant is advised to utilize whatever distribution plan best meets their financial and long-term goals.

### B. Purpose

The Voluntary Distribution Plan Guideline is available for LONG TERM FUND participants. The Guideline gives endowment, investment, and finance committees additional options to manage fund distributions while strengthening the financial base of accounts and endowment funds.

### C. Objectives

The goal of the Voluntary Distribution Plan Guideline is to give investors a tool to strike an appropriate balance between the present and future needs of the participants and beneficiaries with the following objectives:

To provide a predictable and relatively stable stream of revenue.

To protect the real value (i.e. purchasing power) of the revenue stream over the long term.

To protect the real value (i.e. purchasing power) of the assets over the long term.

To reduce the effects of up or down markets on fund distributions.

**Disclaimer: Actual investor results may vary depending upon timing of investments. Past performance is not indicative of future results.**

### D. Specific Guidelines

#### 1. Distribution Rate

The Foundation's Distribution Rate refers to a suggested percentage of restricted funds set aside for distribution each year. The suggested rate is established by The Foundation Finance and Investment Committee (The Committee) on an annual basis. The suggested rate may increase or decrease. The Committee considers historical as well as estimated future rates of return and inflation rates. Participants may determine that a different rate will better accomplish their goals and objectives.

## **2. Application of Spending Rate**

The Distribution Rate as determined above shall be applied each September 30 to the average account balance at the end of the previous 12 calendar quarters. The resulting amount available for distribution shall be communicated to the participant. The suggested Distribution Rate is based upon a total return approach which allows both income and capital appreciation to be distributed in accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

## **3. Limitation on Spending**

The Foundation recommends that a fund not participate until it has been in existence for a minimum of four calendar quarters. This waiting period allows the fund to appreciate and make distributions from the earnings.

The Foundation suggests that if the 12 quarter rolling average market value of an account, on the date for which a distribution is being determined, is less than the fund's Historic Gift Value, the suggested Distribution Rate be reduced or distributions suspended at the discretion of the endowment, investment, or finance committee.

## **4. Unspent Income**

Income available for distributions, as determined under the above policies, definitions and formula, but which is not disbursed for any reason, may be retained in an interest bearing account and available for disbursement in future years. Endowment Committees of participants may add undistributed income to principal at the discretion of the participant on a case-by-case basis.

This Voluntary Distribution Plan Guideline shall be reviewed annually by The Committee. The Committee may adjust the suggested Distribution Rate percentage as it deems appropriate in order to fulfill the purposes described in Investor and Endowment Agreements.

**Adopted by \_\_\_\_\_  
The Mississippi United Methodist Foundation, Inc.**

**on \_\_\_\_\_, \_\_\_\_\_.**