Wespath

Inside Wespath
Latest Insights

NAACT Meeting | September 2025

Wespath Team Presenters

Johara Farhadieh

Chief Investment Officer and WII Chief Executive Officer

Eileen Kane

Chief Financial Officer

Tony Prestipino

Director, Plan Sponsor Relations

Many Changes Since 2022

18
New Treasurers
5 Searches?

13
New CBOs

2
Mergers completed
(1 underway)
Shared services or other potential mergers forming

Growing need for merged data to drive UMC insights

2022 → 2025

COVID

Boy Scouts of America (BSA) crisis

Disaffiliations

General Conference

New Bishops / New Boards

Derisking

The Goal

Minimize likelihood and extent of future contributions to clergy defined benefit plans

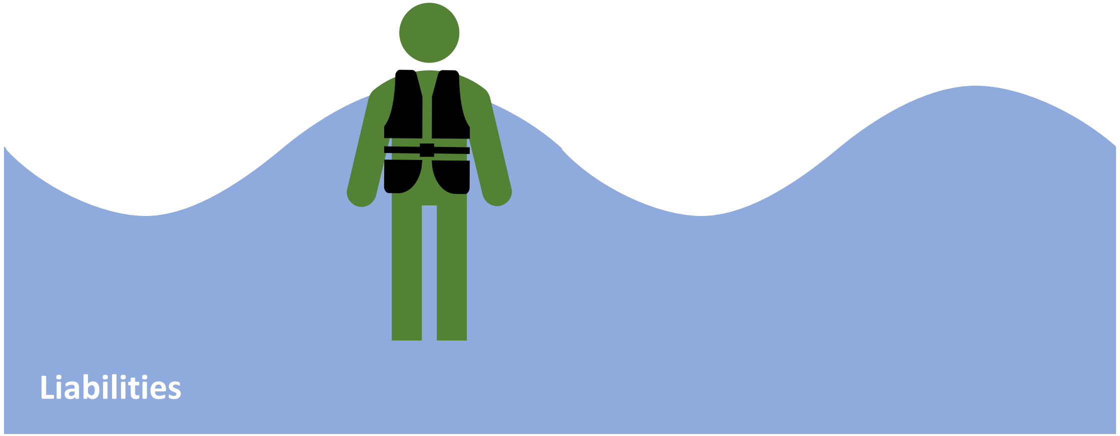
(beyond CRSP-DB normal cost for 2025)

Risky: Assets & Liabilities Move Independently

Risk of assets dropping below liabilities, resulting in underfunding and required additional contributions

De-Risked: Assets & Liabilities Move Together

Assets and liabilities move together, preserving funded status



De-Risked

New Resource—Coming Soon!

Wespath

Securing Retirement Futures

How Wespath's Approach to Liability Driven Investing Supports United Methodist Clergy and Plan Sponsors

Executive Summary

Wespath's transition to the Compass defined contribution (DC) retirement plan for United Methodist clergy, effective January 1, 2026, marks a pivotal shift from the legacy defined benefit (DB) model. As we head into this new era, Wespath remains committed to prudently managing the DB plans, which continue to carry long-term liabilities.

In response to the plans' strong funded status, Wespath initiated a de-risking strategy in 2022. Key drivers of the funded status at the time included robust equity market returns, rising interest rates and anticipated General Conference approval to use the CPP surplus for DB plan support. Our de-risking effort aimed to stabilize the funded status and minimize the risk of unplanned contributions from annual conferences.

Central to the strategy is liability-driven investing (LDI), which seeks to align key asset and liability characteristics. Rather than focusing on maximizing total returns, LDI is based on achieving strong returns *relative to plan liabilities*.The strategy aims to minimize funded status volatility by matching asset sensitivities to interest rate, credit spread and curve risks. Wespath partnered with PIMCO to implement a customized LDI strategy, leveraging the firm's expertise in active fixed income management and multi-decade history of managing bond strategies on behalf of Wespath.

The de-risking process involved two major steps: reducing exposure to return-seeking assets and closing the duration mismatch between assets and liabilities. This led to the creation of the Duration Matching Fixed Income Fund – P Series (DMFIF), a completion portfolio managed by PIMCO. DMFIF is tailored to hedge liability risks and is actively managed to outperform a custom benchmark aligned with plan liabilities.

As of June 2025, the DB plans' allocation to public equities and alternatives was 29% and its allocation to fixed income was 71%, compared to 55% and 45%, respectively, when we began the de-risking process in late 2022. Surplus volatility decreased from 8.3% to 3.5%, and even under adverse scenarios, the plans are projected to remain well funded.

The April 2025 "Tariff Tantrum" offered a real-world test of this strategy. Amid falling stocks and widening credit spreads, the DB plans experienced a 2–3% decline in funded status. However, DMFIF's exposure to government and high-quality bonds helped offset the impact of this short-term event. This period reinforced how Wespath's strategy is built to navigate volatility with resilience.

Wespath's de-risking journey has strengthened the financial foundation of the DB plans, reduced risk for plan sponsors, and reinforced our fiduciary commitment. Looking ahead, Wespath will continue refining asset allocations and collaborating with partners like PIMCO to adapt to evolving market conditions and demographics.

- Learn more about the de-risking process and the investment strategy supporting DB assets
- See a real-world case study of funded status during volatile market periods
- Will be shared with Conference Treasurers and CBOs

Investment Offerings

Reviewing Your Investments

- Wespath is committed to meeting the unique needs of each annual conference
- Historically, the P Series funds have served different types of investors well
- Transition to Compass, de-risking of defined benefit plans, enhancements to I Series fund lineup makes this a great time to review your Wespath investments

Wespath's Investment Philosophy

Our investment philosophy is grounded in delivering long-term, risk adjusted returns tailored to our investors.

Purposeful diversification through complementary managers and strategies

We construct resilient portfolios by strategically integrating complementary managers and investment strategies, thoughtfully blending active and passive management, and diversifying across asset classes—including alternatives—where they add long-term value.

Client-centric approach rooted in mission and values

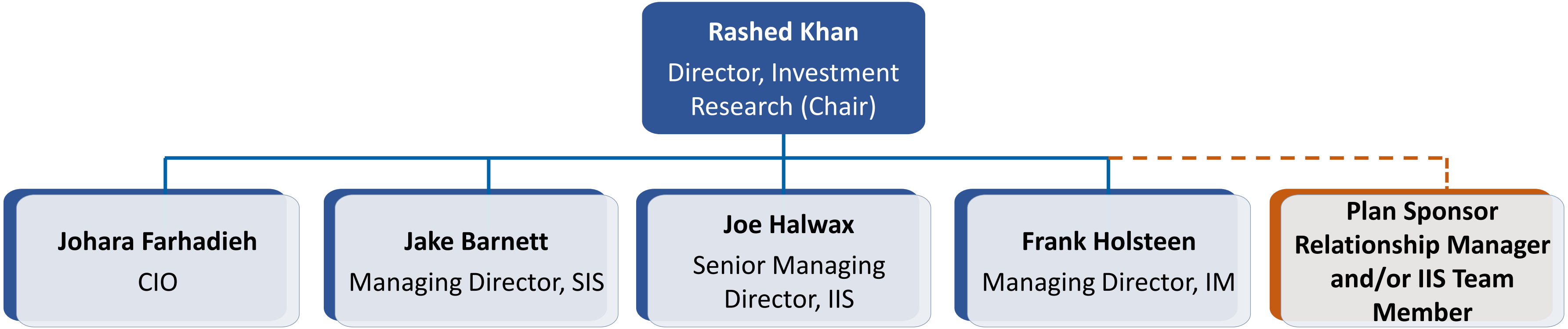
As a nonprofit serving nonprofits, we understand what drives our clients—their missions, the communities they serve and the impact they make. Our investment program is designed to support those goals through personalized service, tailored portfolio construction and values-aligned investment products.

Embracing research, rigor and innovation

We seek to deliver investment excellence by identifying and providing access to best-in-class asset managers and investment strategies. We maintain a disciplined yet flexible approach—grounded in research and rigor, open to innovation, and responsive to evolving markets, asset classes and investment approaches.

Your Partner in Reviewing Your Investments

Wespath's Client Asset Allocation Committee



Customized Support for Each Annual Conference

- Wespath's Client Asset Allocation Committee will review each annual conference's objectives and needs
- Determine annual conference's long-term assets and the purpose of those assets
- Draft or update Investment Policy Statement, as needed
- Create portfolios for the annual conference that meets their risk and return objectives while factoring in any other considerations (policy constraints, liquidity needs, etc.)

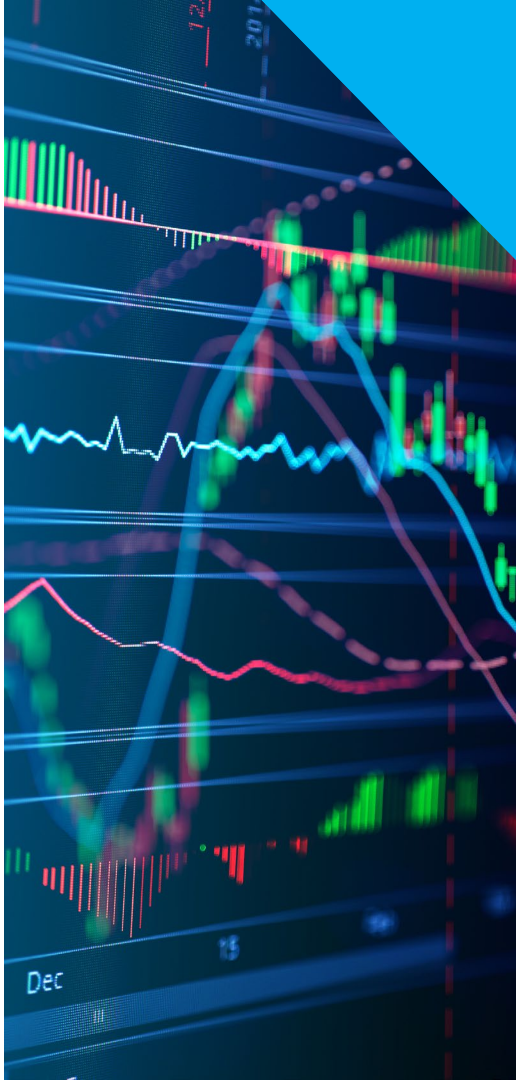
Different Series for Different Purposes

Wespath's Client Asset Allocation Committee is likely to recommend

- Wespath's P Series funds for assets used to routinely pay benefits
- Wespath's I Series funds for all other investment assets

Why Move Assets to the I Series?

- Asset goals and growth priorities more closely aligned with those of institutional investors
- I Series funds are well-positioned to help institutional investors achieve their long-term risk and return objectives
  - Access to exclusive funds like Alternative Asset Fund – I Series
  - Future I Series offerings may not be replicated in the P Series
- P Series fund strategies will increasingly focus on participant needs



Wespath's "Building Blocks"—I Series Funds

FUND	Asset Class	Allocations	
International Equity Fund – I Series (IEF-I)	Stocks	• Large-, mid- and small-cap stocks	• Private equity • Private real estate
U.S. Equity Fund – I Series (USEF-I)		• Large-, mid- and small-cap stocks	• Private equity • Private real estate
Social Values Choice Equity Fund – I Series (SVCEF-I)		• Global developed market stocks	• Additional exclusions
U.S. Equity Index Fund – I Series (USEIF-I)		• Large-, mid- and small-cap stocks	
Multiple Asset Fund – I Series (MAF-I)	Balanced	• USEF-I (35%) • IEF-I (30%)	• FIF-I (25%) • IPF-I (10%)
Alternative Asset Fund – I Series (AAF-I)	Alts	• Private equity	• Private credit
Inflation Protection Fund – I Series (IPF-I)	Bonds	• Global inflation-linked bonds • Commodities	• Floating rate senior secured loans
U.S. Treasury Inflation Protection Fund – I Series (USTPF-I)		• U.S. Treasury Inflation Protected Securities (TIPS)	
Short Term Investment Fund – I Series (STIF-I)		• Cash and cash equivalents	
Fixed Income Fund – I Series (FIF-I)		• Global government and corporate bonds • Non-U.S. dollar denominated bonds	• High-yield bonds • Market-rate community development loans
Social Values Choice Bond Fund – I Series (SVCBF-I)		• Global fixed income	• Additional exclusions

Target Timeline

October

A member of Wespath's
Plan Sponsor Relationships team
will contact each annual conference

Q4 2025 – Q1 2026

Client Asset Allocation Committee
works with each annual conference

Target – April 1, 2026

Wespath begins moving relevant
annual conference assets from
P Series to I Series

Dialog with Wespath

Johara Farhadieh

Tony Prestipino

Eileen Kane

Compass

2025 Annual Conference Sessions

THANK YOU!

Remittance Process: Today

Retirement Elective Deferrals and Contributions

Wespath

Annual Conference Sponsored Plans

Annual Conference

Conference Collection of Clergy Benefits

Remittance Process of the Future

Wespath

Annual Conference Sponsored Plans

Consolidated (UMC + clergy) Retirement Contributions

Annual Conference

Conference Collection of Clergy Benefits

Retirement Contributions

Recently Completed Work

- **Built it**
  - Compass plan and account structure
  - Conference-specific elections
- **Enrolled people in it**
  - Eligibility and enrollment
  - Deferral elections
  - Beneficiary designations
  - Parsonage value
- **Added money to it**
  - Conference contribution remittance billing and apportioned settlement
  - CRSP defined contribution (DC) account balance transfer
- **Participants can view it**

Anticipated Implementation Timeline

Q4 2025

Prepare for Compass

- Regular BAP data entry
- No change to processing in Wespath systems
- Compass not yet visible, still reflects CRSP & UMPIP
- Enter compensation and contribution elections effective 1/1/2026 as usual

January 5, 2026

Compass Live!

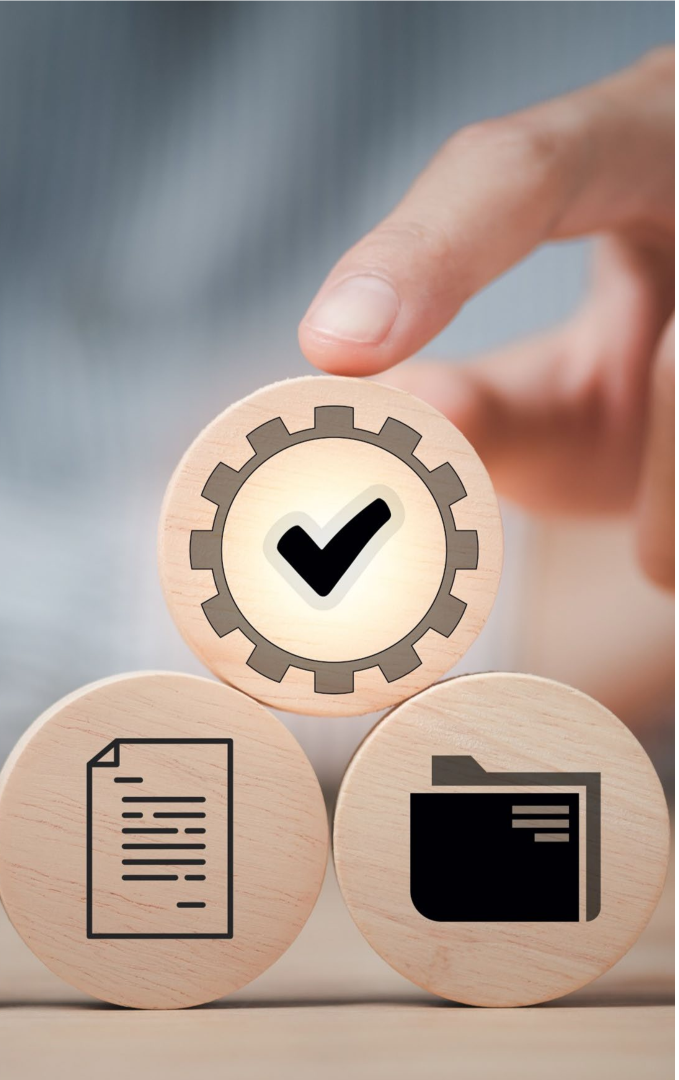
- Enter Compass waivers of plan participation
- Change Compass contribution elections as needed
- Begin entering automatic contribution escalation opt-outs
- Billing for January 2026 Compass contributions begins 1/8/2026

Wespath System Blackout Period

- Changes effective 1/1/2026 process
- UMPIP automatic contribution escalation processes for conferences currently sponsoring this feature
- Compass conversion activities

January 1 – 4, 2026

CRSP: Clergy Retirement Security Program
UMPIP: United Methodist Personal Investment Plan

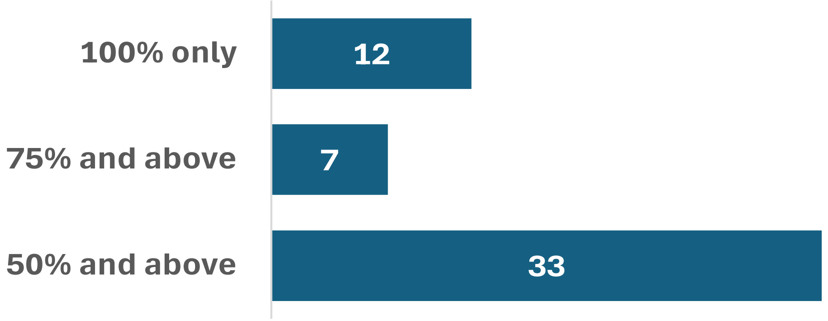


Post-Implementation Work

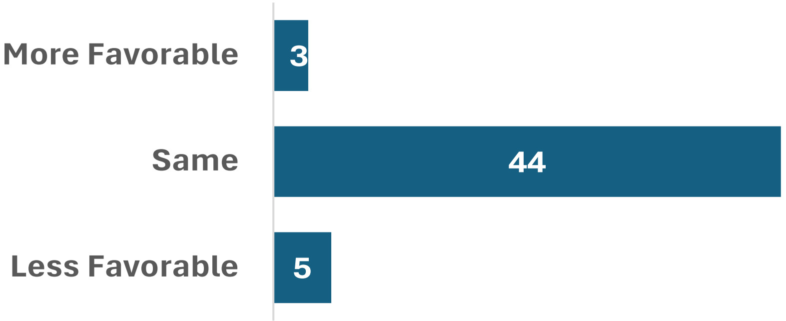
- Qualified Student Loan Payment
  - Participant self-certification via Benefits Access
  - Conference matching contribution remittance billing and apportioned settlement via Benefits Access for Plan Sponsors (BAP)
- Quarterly Statements
- Transfer of CRSP DC balances
- Automatic Contribution Escalation

Conference Elections—Eligibility

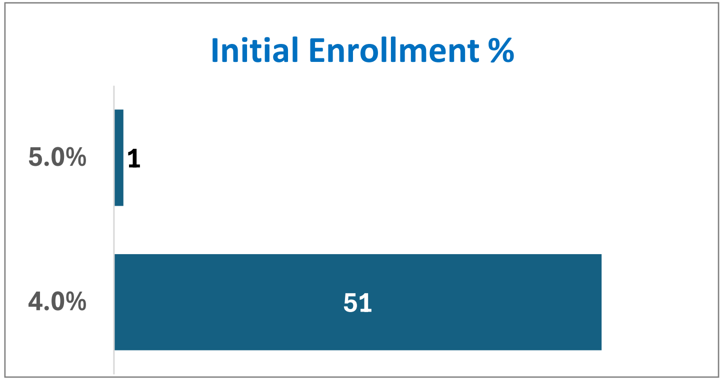
Eligible Participant Groups

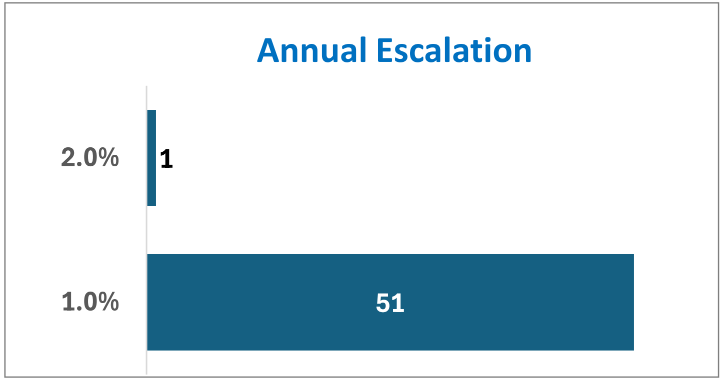


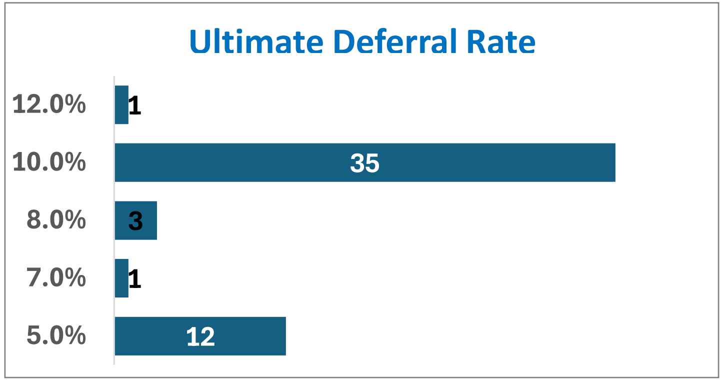
Change from CRSP Eligibility

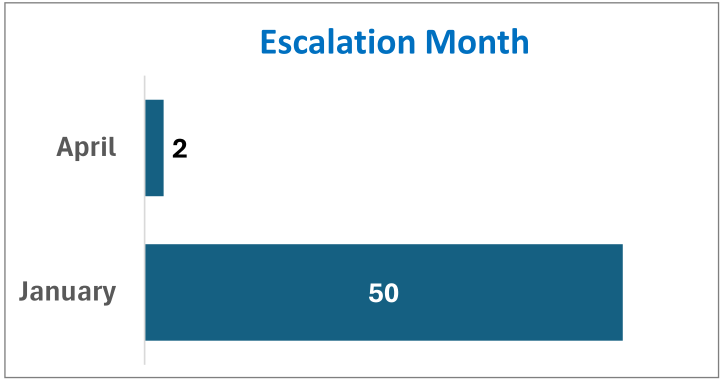


Conference Elections—Automatic Features









Wespath

BENEFITS | INVESTMENTS