

**UNITED METHODIST FOUNDATION OF THE
NORTHERN ILLINOIS CONFERENCE, INC.**

**Statement of Investment Policy
Objectives and Guidelines**

Revised September 3, 2008

Statement of Investment Policy, Objectives, and Guidelines
UNITED METHODIST FOUNDATION OF NORTHERN ILLINOIS CONFERENCE, INC.

GENERAL INFORMATION

The United Methodist Foundation of Northern Illinois Conference, Inc. was organized October 14, 1949. As a Christian stewardship resource for Conference churches, agencies and related institutions, the Foundation offers planned giving programs and asset management services. The vision of the Foundation is to be a leader within the Northern Illinois Conference in multiplying resources for ministry in the name of Jesus Christ. To achieve this vision, the Foundation offers asset management services for Conference-affiliated churches, agencies and institutions.

SCOPE OF THIS INVESTMENT POLICY

This statement of investment policy reflects the investment policy, objectives, and constraints of the entire UNITED METHODIST FOUNDATION OF NORTHERN ILLINOIS CONFERENCE, INC.

PURPOSE OF THIS INVESTMENT POLICY STATEMENT

This statement of investment policy is set forth by The Board of Directors of the UNITED METHODIST FOUNDATION OF NORTHERN ILLINOIS CONFERENCE, INC. in order to:

1. Define and assign the responsibilities of all involved parties.
2. Establish a clear understanding for all involved parties of the investment goals and objectives of Foundation assets.
3. Offer guidance and limitations to all Investment Managers regarding the investment of Foundation assets.
4. Establish a basis for evaluating investment results.
5. Manage Foundation assets according to prudent standards as established in the Uniform Prudent Management of Institutional Funds Act (UPMIFA), “in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances.”
6. Establish the relevant Investment Horizon to be applied in the management of Foundation assets .

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

DELEGATION OF AUTHORITY

The Board of Directors of the UNITED METHODIST FOUNDATION OF NORTHERN ILLINOIS CONFERENCE, INC. is a fiduciary, and is responsible for directing and monitoring the investment management of Foundation assets. As such, The Board of Directors is authorized to delegate certain responsibilities to professional experts in various fields. These include, but are not limited to:

1. Investment Management Consultant. The consultant may assist The Board of Directors in: establishing investment policy, objectives, and guidelines; selecting investment managers; reviewing such managers over time; measuring and evaluating investment performance; and other tasks as deemed appropriate.
2. Investment Manager. The investment manager has discretion to purchase, sell, or hold the specific securities that will be used to meet the Foundation's investment objectives.
3. Custodian. The custodian will physically (or through agreement with a sub-custodian) maintain possession of securities owned by the Foundation, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Foundation accounts.
4. Co-Trustee. The Board of Directors may appoint an outside individual or entity, such as a bank trust department, to be co-trustee. In the event of such appointment, the Co-trustee will assume fiduciary responsibility for the administration of Foundation assets.
5. Additional specialists, such as attorneys, auditors, actuaries, retirement plan consultants, and others, may be employed by The Board of Directors to assist in meeting its responsibilities and obligations to administer Foundation assets prudently.

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

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

DEFINITIONS

1. "Foundation" shall mean the UNITED METHODIST FOUNDATION OF NORTHERN ILLINOIS CONFERENCE, INC.
2. "The Board of Directors" shall refer to the governing board established to administer the Foundation as specified by applicable ordinance.
3. "Fiduciary" shall mean any individual or group of individuals that exercise discretionary authority or control over fund management or any authority or control over management, disposition or administration of the Foundation assets.
4. "Investment Manager" shall mean any individual, or group of individuals, employed to manage the investments of all or part of the Foundation assets.
5. "Investment Management Consultant" shall mean any individual or organization employed to provide advisory services, including advice on investment objectives and/or asset allocation, manager search, and performance monitoring.
6. "Securities" shall refer to the marketable investment securities which are defined as acceptable in this statement.
7. "Investment Horizon" shall be the time period over which the investment objectives, as set forth in this statement, are expected to be met. The Investment Horizon for this Foundation is three to five years (a typical market cycle).

ASSIGNMENT OF RESPONSIBILITY

Responsibility of the Board of Directors of the UNITED METHODIST FOUNDATION OF NORTHERN ILLINOIS CONFERENCE, INC.

The Board of Directors is charged by law with the responsibility for the management of the assets of the Foundation. The Board of Directors shall discharge its duties solely in the interest of the Foundation, with the care, skill, prudence and diligence under the circumstances then prevailing, that a prudent person, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of a like character with like aims. The specific responsibilities of the Board of Directors relating to the investment management of Foundation assets include:

1. Project the Foundation's financial needs, and communicating such needs to the Investment Consultant on a timely basis.
2. Determine the Foundation's risk tolerance and Investment Horizon, and communicating these to the appropriate parties.
3. Establish reasonable and consistent investment objectives, policies and guidelines which will direct the investment of the Foundation's assets.

4. Prudently and diligently select qualified investment professionals, including Investment Manager(s), Investment Consultant(s), and Custodian(s).
5. Regularly evaluate the performance of the Investment Manager(s) to assure adherence to policy guidelines and monitor investment objective progress.
6. Develop and enact proper control procedures. For example, replacing Investment Manager(s) due to fundamental change in investment management process, or failure to comply with established guidelines.

Responsibility of the Investment Manager(s)

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

1. Discretionary investment management, including decisions to buy, sell, or hold individual securities, and to alter asset allocation within the guidelines established in this statement.
2. Reporting, on a timely basis, monthly investment performance results.
3. Communicating any major changes to economic outlook, investment strategy, or any other factors which affect implementation of investment process, or the investment objective progress of the Foundation's investment management.
4. Informing The Board of Directors regarding any qualitative change to investment management organization. Examples include changes in portfolio management personnel, ownership structure, investment philosophy, etc.
5. Annually, The Foundation will review its responsibility as a socially responsible investor as it relates to the Foundation's investment funds and holdings. The Foundation may identify specific corporations within its portfolios for which to provide proxy voting guidelines to the Investment Managers through the Investment Consultant. The guidelines will represent positions on current proxy voting issues that are aligned with both the financial interests of Foundation's investors and the values of the United Methodist Church (as described in *The Book of Discipline of The United Methodist Church* and *The Book of Resolutions of The United Methodist Church*). Informing all positions are ¶160-165, "The Social Principles", from *The Book of Discipline*, and Resolution 312, "Investment Ethics," from *The Book of Resolutions*. Investment Managers will annually communicate their proxy voting records for the corporations (and issues related to the votes) to the Foundation Board of Directors.

Responsibility of the Investment Consultant(s)

The Investment Consultant's role is that of a non-discretionary advisor to The Board of Directors of the UNITED METHODIST FOUNDATION OF NORTHERN ILLINOIS CONFERENCE, INC. Investment advice concerning the investment management of Foundation assets will be offered by the Investment Consultant, and will be consistent with the investment objectives, policies, guidelines and constraints as established in this statement. Specific responsibilities of the Investment Consultant include:

1. Assisting in the development and periodic review of investment policy.
2. Conducting investment manager searches when requested by The Board of Directors.
3. Monitoring the performance of the Investment Manager(s) to provide The Board of Directors with the ability to determine the progress toward the investment objectives.
4. Communicating matters of policy, manager research, and manager performance to The Board of Directors.
5. Provide ongoing analysis of the global capital markets and advise on overall plan structure.
6. Reviewing Foundation investment history, historical capital markets performance and the contents of this investment policy statement with any newly appointed member(s) of The Board of Directors upon request.

GENERAL INVESTMENT PRINCIPLES

1. Investments shall be made solely in the interest of the beneficiaries of the Foundation.
2. The Fund shall be invested with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the investment of a fund of like character and with like aims.
3. Investment of the Fund shall be so diversified as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.
4. The Board of Directors may employ one or more investment managers of varying styles and philosophies to attain the Fund's objectives.
5. Cash is to be employed productively at all times by the use of investment in short term cash equivalents, which provide safety, liquidity, and return.

INVESTMENT MANAGEMENT POLICY

1. Preservation of Capital - Consistent with their respective investment styles and philosophies, investment managers should make reasonable efforts to preserve capital, understanding that losses may occur in individual securities.
2. Risk Aversion - Understanding that risk is present in all types of securities and investment styles, The Board of Directors recognizes that some risk is necessary to produce long-term investment results that are sufficient to meet the Foundation's objectives. However, the investment managers are to make reasonable efforts to control risk, and will be evaluated regularly to ensure that the risk assumed is commensurate with the given investment style and objectives.
3. Adherence to Investment Discipline - Investment managers are expected to adhere to the investment management styles for which they were hired. Managers will be evaluated regularly for adherence to investment discipline.

SOCIAL RESPONSIBILITY

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

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

1. Investments shall not knowingly be made in securities in which the corporate entity has a significant interest in distilled spirits, wine, or other fermented juices, tobacco, gambling or pornography.
2. Investments in corporations likely to support racial discrimination, violation of human rights, sweatshops or forced labor should be avoided.
3. The Foundation will make no further investment in non-voting securities of companies whose ratio of Department of Defense contracts (or contracts with the comparable agency or department of any foreign government) related to the production and distribution of military armaments to gross revenue is higher than 5%.

4. The Foundation will make no further investment in voting or equity securities of companies whose ratio of Department of Defense contracts (or contracts with the comparable agency or department of any foreign government) related to the production and distribution of military armaments to gross revenue is higher than 15%.
5. The Foundation will make no purchase of any security of a company whose identifiable ratio of nuclear weapons contract awards to gross revenue is higher than 3%. The measurement of any nuclear weapons contract award will be based on the most current information available to the Foundation from the Interfaith Center on Corporate Responsibility (ICCR).

INVESTMENT OBJECTIVES

In order to meet its needs, the investment strategy of the UNITED METHODIST FOUNDATION OF NORTHERN ILLINOIS CONFERENCE, INC. is to emphasize total return, that is, the aggregate return from capital appreciation and dividend and interest income.

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

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

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

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

SPECIFIC INVESTMENT GOALS

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

1. Meet or exceed the market index, or blended market index, selected and agreed upon by The Board of Directors, that most closely corresponds to the style of investment management.
2. Display an overall level of risk in the portfolio which is consistent with the risk associated with the benchmark specified above. Risk will be measured by the standard deviation of quarterly returns.

VOLATILITY OF RETURNS

The Board of Directors understands that in order to achieve its objectives for Foundation assets, the Foundation will experience volatility of returns and fluctuations of market value. The Board of Directors supports an investment strategy that minimizes the probability of losses. However, it realizes that the Foundation's return objective is its primary concern.

LIQUIDITY

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

INVESTMENT GUIDELINES

Allowable Assets

1. Cash Equivalents
 - Treasury Bills
 - Money Market Funds
 - STIF Funds
 - Commercial Paper
 - Banker's Acceptances
 - Repurchase Agreements
 - Certificates of Deposit
2. Fixed Income Securities
 - U.S. Government and Agency Securities
 - Corporate Notes and Bonds
 - Preferred Stock
3. Equity Securities
 - Common Stocks
 - Convertible Notes and Bonds
 - Convertible Preferred Stocks
 - American Depository Receipts (ADRs) of Non-U.S. Companies
 - Foreign Stocks
 - Real Estate Investment Trusts
4. Mutual Funds
 - Mutual Funds which invest in securities as allowed in this statement.

Asset Allocation Guidelines

Investment management of the assets of the UNITED METHODIST FOUNDATION OF NORTHERN ILLINOIS CONFERENCE, INC. shall be in accordance with the following asset allocation guidelines:

1. Asset Allocation Guidelines (at market value) for the Conservative Portfolio:

<u>Asset Class</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Preferred</u>
U.S. Stocks	15%	25%	20%
International Stocks	5%	15%	10%
Fixed Income	50%	80%	65%
Real Assets	0%	10%	5%

2. Asset Allocation Guidelines (at market value) for the Moderate Portfolio:

<u>Asset Class</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Preferred</u>
U.S. Stocks	20%	30%	25%
International Stocks	20%	30%	25%
Fixed Income	30%	50%	40%
Real Assets	5%	15%	10%

3. Asset Allocation Guidelines (at market value) for the Aggressive Portfolio:

<u>Asset Class</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Preferred</u>
U.S. Stocks	20%	40%	30%
International Stocks	30%	50%	40%
Fixed Income	10%	20%	15%
Real Assets	10%	20%	15%

4. The Board of Directors may employ investment managers whose investment disciplines require investment outside the established asset allocation guidelines. However, taken as a component of the aggregate Foundation, such disciplines must fit within the overall asset allocation guidelines established in this statement. Such investment managers will receive written direction from The Board of Directors regarding specific objectives and guidelines.
5. In the event that any individual Investment Manager's portfolio is in violation of its specific guidelines, for reasons including, but not limited to, market price fluctuations, The Board of Directors expects that the Investment Manager will bring the portfolio into compliance with these guidelines as promptly and prudently as possible without instruction from The Board of Directors.

Guidelines for Fixed Income Investments and Cash Equivalents

1. Average credit quality should be A (or equivalent) or better.
2. Fixed income maturity restrictions are as follows:
 - Weighted average portfolio maturity may not exceed 10 years.
 - Weighted average portfolio duration may not exceed 7 years.
3. Money Market Funds selected shall contain securities whose credit rating at the absolute minimum would be rated investment grade by Standard and Poors, and/or Moody's.

SELECTION OF INVESTMENT MANAGERS

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

INVESTMENT MANAGER PERFORMANCE REVIEW AND EVALUATION

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

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

Investment managers shall be reviewed regularly regarding performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results.

INVESTMENT POLICY REVIEW

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

This statement of investment policy is adopted on _____, ____ 2008 by The Board of Directors of the UNITED METHODIST FOUNDATION OF NORTHERN ILLINOIS CONFERENCE, INC. whose signatures appear below.

Chair of Board

President

**ADDENDUM TO INVESTMENT POLICY STATEMENT
Summary of Asset Allocations and Benchmark Indexes**

	Conservative Allocation %	Moderate Allocation %	Aggressive Allocation %	Benchmark Indexes
Growth Assets				
US Large Stocks	10%	13%	14%	Russell 1000
US Large Growth Stocks	5%	6%	8%	Russell 1000 Growth
US Large Quality Stocks	5%	6%	8%	S&P 500
<i>US Stocks</i>	<i>20%</i>	<i>25%</i>	<i>30%</i>	
International Large Stocks	8%	20%	32%	MSCI EAFE
International Emerging Market Stocks	2%	5%	8%	MSCI Emerging Markets
<i>Intl Stocks</i>	<i>10%</i>	<i>25%</i>	<i>40%</i>	
Total Growth Assets	30%	50%	70%	
Risk Reduction Assets				
US Fixed Income	30%	20%	5%	Lehman Aggregate Bond
Global Fixed Income	10%	5%	5%	Citigroup World Govt Bond
Total Risk Reduction Assets	40%	25%	10%	
Inflation Protection Assets				
US Inflation-Protected Fixed Income	25%	15%	5%	Lehman U.S. TIPS
Real Estate	3%	6%	9%	DJ Wilshire REIT
Natural Resources	2%	4%	6%	GS Natural Resources
Total Inflation Protection Assets	30%	25%	20%	
Total	100%	100%	100%	