

COMMUNITY OF CHRIST WORLD CHURCH AFFILIATE INVESTMENT POOL

Questions and Answers About the Purpose and Operation of the Pool

1. What is the purpose of the pool?

The Affiliate Investment Pool is a way for congregations, mission centers, campgrounds, and other Community of Christ affiliated organizations to take advantage of the professional investment management services used by the World Church.

2. Does that mean we have our own account with an investment manager?

No. Money from the participating jurisdictions is grouped with the World Church's investments to create a pool of funds. The World Church contracts with the investment managers to provide the services required to invest this pool of funds.

3. Who is watching over these funds for the Church and the participants?

The Presiding Bishopric appoints an Investment Committee to assist with this work. The Chair of the committee coordinates the work of a professional investment consultant and professional institutional investment managers.

4. Who is on the Investment Committee and what does the committee do?

Currently the Investment Committee is comprised of nine church members and two Graceland University representatives who have experience in institutional investing. This group meets quarterly with the Presiding Bishopric, our investment consultant, and our investment managers. They receive quarterly written reports from the consultant and managers and make recommendations to the Presiding Bishopric.

5. What does the investment consultant do for the committee?

Representatives of the independent investment consultant firm meet with the committee and Presiding Bishopric quarterly. They provide counsel and direction on investment manager selection and asset allocation as well as performance evaluation. Asset allocation has proven to be the single most important guideline in managing funds. The consultant also provides a tactical asset allocation service for the portfolio.

6. How many investment managers are there and how are they selected?

Currently there are seven independent institutional investment managers selected for their investment style and proven track record of successful investing. Institutional investing requires a matching of institutional goals with manager style. These goals should incorporate a long-term perspective against which recent performance is evaluated.

7. Does the committee have guidelines that the investment managers must follow?

There is an extensive written statement of investment objectives, policies, and guidelines. This statement was written with the assistance of our consultant to insure that it enables our investment managers to meet our goals. It also includes direction for investment managers to conform to World Church requirements that investments be socially responsible and satisfy the moral issues relating to investments according to World Conference rules and resolutions.

8. How long has the Affiliate Investment Pool been available?

A few jurisdictions have been participating since 1975. Most participants have joined since 1991 when the investment approach was changed to the method described above.

9. How many participants are there and how much do they have invested?

There are currently about 800 participants with approximately \$128 million invested.

10. Is there any advantage to having that much money pooled together?

The size of the investment pool allows us to benefit from diversification. This diversification includes asset type diversification, performance and risk characteristics diversification, industry diversification, country diversification, and issuing company diversification. Diversification benefits the institutional investor by reducing the volatility of returns (risk) while maintaining as high a return as possible. Another advantage is that investment management fees are reduced.

11. Couldn't we get diversification in our own account with an investment broker?

The size of the investment pool also allows us to have investment manager diversification by having multiple managers. This diversification reduces the return risk inherent when there is only one manager. We are also able to choose managers who specialize in equity, fixed income, or foreign investments to handle just a portion of the total portfolio.

12. Do the investment managers hold the pool's funds?

No. A custodian that specializes in institutional portfolio custodianship holds all funds. While most brokers acting as investment managers provide some kind of insurance for their clients, it is better to have a separate custodian for safety. The custodian monitors all day-to-day transactions of our investment managers, balances accounts with the managers monthly, and provides a written monthly transaction report.

13. How do we get reports on the activity in our affiliate pool account?

The Fiscal Team office of the World Church records all transactions made by investment managers and calculates the actual return for each affiliate pool account. A concise statement of each account is provided as of June 30 and December 31 each year. These statements show all activity in the account during the year with the allocation of investment returns shown for each month. In addition, you can register to be able to view your account at any time through the Internet.

14. What kind of funds should we consider investing in the pool?

The pool is an investment pool and should be used for investing funds that are not expected to be needed on a frequent basis. This would include operating reserves, building funds, endowment funds, and similar funds. It should not be used as a checking account or an account from which you make frequent withdrawals.

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15. Is there a guaranteed interest or return rate?

No. The earnings of the pool fluctuate with the return on the securities included in the investment portfolio.

16. Is it possible that the value of our account could decrease from one year to the next?

Yes, if the underlying investments in total decreased in value. The diversification mentioned previously serves to minimize the risk of a decrease in value in the total pool. While past performance is no guarantee of future returns, we believe our investment methods have been successful at reducing risk.

17. Must our funds remain on deposit for a minimum time such as with a CD?

No. There is no minimum time required for a deposit. However, since this is an investment account and the returns will fluctuate over short periods of time you should plan to leave the funds invested for enough time to allow good return periods to outperform lower return periods.

18. Is there a minimum amount to open an account?

Yes. We require a minimum deposit of \$1,000 to open an account. After that, additions may be made at any time in any amount.

19. When can we make withdrawals from our account?

Withdrawals may be made at any time in any amount as long as the remaining balance exceeds \$1,000. Because we keep all the funds fully invested, there is an advance notice required for withdrawals for cash flow purposes. Withdrawals up to \$100,000 require 7 banking days notice and withdrawals in excess of \$100,000 require a 14 banking day notice.

20. Is there any penalty for withdrawing funds late in the month or quarter?

No. Earnings are distributed based on the average daily balance in your account. Therefore, if you make a withdrawal on the 29th day of a month you will still receive earnings for the first 28 days based on the balance before the withdrawal.

21. Does the World Church charge any fee for providing the investment pool?

There is a declining scale of fees based on the average daily balance in your account. The annual fee for each tier is: 0.4% (four-tenths) on the first \$100,000 in an account, 0.3% (three-tenths) on the next \$900,000, 0.2% (two-tenths) on the next \$2,000,000, 0.1% (one-tenth) on the next \$2,000,000, and 0.05% (five-hundredths) on amounts over \$5,000,000. All quoted investment returns on the pool are net of all fees.

22. I've heard there is more than one pool. Is that correct?

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There is only one Affiliate Investment Pool. However, there are two options in the pool. The first option, referred to as Pool A, is a balanced investment pool. The second option, Pool B, is a cash investment pool.

23. What are the differences between the two?

Pool A, the balanced pool, invests in equity securities (stocks) in both the U.S. and other countries, fixed income securities, such as U.S. Treasury obligations and corporate bonds, and a real estate fund. Pool B, the cash pool, may invest in fixed income securities, such as U.S. Treasury obligations, CD's, and money market funds, having a maturity of less than three years, as well as the Houses of Worship loan portfolio.

24. Which one should we use for our funds?

That depends. Pool A returns will fluctuate more than Pool B returns but over the long term Pool A should produce a higher return. If the funds you are investing will be needed within five years, such as building funds for a new facility, you may want to use Pool B because of smaller fluctuations year to year. Other types of funds, such as operating reserves, can usually be invested for a longer term. This allows time to average out the lower return years with the higher return years. You may want to use Pool A to earn a higher long-term return for operating reserves and similar funds. You may also want to put some of your funds in Pool A and some in Pool B. You can decide how you want them allocated.

25. Is it possible for individual church members to participate in the pool?

No. The investment pool is only available for Community of Christ affiliated organizations.

26. What do we need to do if we want to open an account in the pool?

You can go to the INVESTMENTS section of the Community of Christ web page located at <http://www.cofchrist.org/CFO/fiscal.asp> or you can contact the Fiscal Team office and request a packet of materials needed to open an account.

27. Who should we contact if we have additional questions about the pool?

The Fiscal Team office handles participant contacts for the pool. You may direct questions to the Fiscal Team Leader, Gregory Booth, CPA or Andra T. Reynolds, Accounting Specialist.

Telephone: (800) 825-2806 or (816) 833-1000 - Gregory: ext. 1406; Andra: ext. 1422

Facsimile: (816) 521-3083

E-mail: Gregory: gbooth@cofchrist.org, Andra: areynolds@cofchrist.org, or Fiscal Team fiscalservices@cofchrist.org

Postal: Community of Christ, 1001 West Walnut, Independence, MO 64050-3562

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