ASSOCIATE REFORMED PRESBYTERIAN CHURCH RETIREMENT PLAN

INVESTMENT POLICY STATEMENT

November 2005

Associate Reformed Presbyterian Church
Investment Policy Statement

I. Introduction

Purpose of this Policy Statement

This Investment Policy Statement outlines the goals and investment objectives of the Associate Reformed Presbyterian Church's Retirement Plan as administered by the Retirement Committee of the Board of Benefits ("Plan Administrator"). Since this policy statement is intended to provide guidelines for the Plan Administrator which is responsible for monitoring the Plan's assets and outlines certain specific investment policies which will govern how those goals are to be achieved. This statement:

Specifies the target asset allocation policy,
Establishes investment guidelines regarding diversification and permissible securities

These policies will be reviewed and revised periodically to ensure they adequately reflect changes related to the Plan, the Church, and the capital markets.

Information about the Plan

The plan was originally established in 1961, to provide retirement benefits for the pastors, missionaries, and certain professional lay employees of the Associate Reformed Presbyterian Church. The Plan's assets are valued at approximately $30 million as of March 31, 2000. Although not technically required by law, the Plan Administrator will manage the Plan assets consistent with the fiduciary standards of the Employee Retirement Income Security Act of 1974 (ERISA) as amended.

Plan characteristics taken from the latest actuarial valuation report are shown below:

Market Value of Assets
#Active Participants
#Retired Participants

II. Investment Objectives

The retirement obligations of the Associate Reformed Presbyterian Church are long-term in nature; consequently the investment of the Plan's assets should have a long-term focus. The pension funds shall be invested in accordance with sound investment practices that emphasize long-term investment fundamentals. The investment objective for the retirement fund is to maintain a moderate level of current income and achieve an above average growth in principal over the long-term in excess of inflation. This objective can be obtained through a well-diversified portfolio structure in a manner consistent with this policy.

The Plan Administrator will monitor the Plan's performance on a quarterly basis through quarterly performance reports to be provided by the consultant. The Plan Administrator will evaluate the investment manager's contribution toward meeting the investment objectives outlined below over a five year time period or a full market cycle.

It is desired that the overall Plan produce a return higher than the "market" as represented by a blended benchmark index reflective of the Plan's return objectives and risk tolerance. This benchmark or "policy index" is to be constructed as follows:

40% Standard & Poor's 500 Stock Index (S&P 500)
8% S&P 600 Small Cap Index
12% MSCI EAFE
5% Hedged Equity
35% Lehman Aggregate

The Plan is expected to exceed returns of this benchmark over a five-year time period or a full market cycle.

It is understood that there can be no guarantees about the attainment of goals or investment objectives outlined herein.

III. Responsibilities of the Plan Administrator

The Plan Administrator acknowledges its responsibility as a retirement plan fiduciary. In this regard, it must act prudently and for the exclusive interest of the Plan's participants and beneficiaries consistent with the *Standards of the Associate Reformed Presbyterian Church*.

The Plan Administrator shall be cognizant of and shall seek to comply with policy guidelines adopted by the General Synod that pertain to appropriate investments (See Report of Committee on Theological and Social Concerns Adopted by 1993 General Synod, p 361, *1993 Minutes of General Synod*.)

More specifically, the Plan Administrator's responsibilities include:

- Developing investment goals, objectives and performance measurement standards that are consistent with the needs of the Plan.
- Determining how the Plans assets should be allocated among various asset classes.
- Hiring investment managers to manage the assets of the Plan. Preference will be given to
  - experienced investment management firms with a proven track record
  - investment management firms that exhibit credence to the moral and social standards consonant with Holy Scripture.
- Communicating the investment goals, objectives and standards to the investment managers, including any material changes that may subsequently occur. The standards shall include the intent of the Plan Administrator that the funds not be invested in obvious "sin stocks."
- Monitoring the holdings of the investment manager and advising the investment manager when and if objectionable investments are noted.
- Reviewing and evaluating the results of the investment managers in context with established standards of performance.

The Plan Administrator will notify the investment manager of:

- Significant changes in the Retirement Plan cash flow and/or cash flow needs.
- Any matter that bears upon the proper investment management of the Plan's assets, including pertinent financial, legal, and actuarial information involving the fund.

IV. Responsibilities of the Investment Manager

- Fiduciary Responsibilities
  The investment manager is expected to manage the Plan's assets in a manner consistent with

the investment objectives, guidelines, and constraints outlined in this statement and in accordance with Federal and State law. This would include discharging responsibilities with respect to the Plan consistent with the "Prudent Expert" and all other fiduciary responsibility provisions and regulations. The investment manager shall at all times be registered in good standing as an investment adviser under the Investment Advisers Act of 1940.

- Submit a written request to the Plan Administrator-whenever the investment manager feels that the Statement of Investment Objectives should be changed.
- Provide quarterly reports describing portfolio holdings, transactions, and performance.
- Vote proxies received after careful assessment of the issues involved.
- Promptly inform the Plan Administrator regarding all significant matters pertaining to the investment management of the assets of the Plan. For example, significant changes in the ownership, affiliation, organizational structure, financial condition, and staffing of the firm.
- Meet with the Plan on a regular basis. The Plan Administrator expects to meet with each investment manager at least annually.

V. Risk Tolerance

Investment theory and historical capital market return data suggest that, over long periods of time, there is a relationship between the level of risk assumed and the level of return that can be expected in an investment program. In general, higher risk (i.e., volatility of return) is associated with higher returns.

Given this relationship between risk and return, a fundamental step in determining the investment policy for the Plan is the determination of an appropriate risk tolerance. The Plan Administrator examined two important factors that affect the Plan's risk tolerance:

Financial Ability to accept risk within the investment program and,

Willingness to accept return volatility.

The Plan Administrator examined the Plan's risk tolerance by considering several relevant factors. A positive factor that contributes to the risk tolerance is the stable financial foundation of the Church. Offsetting this positive characteristic is the uncertainty of the cash flows in and out of the Plan over the long-term and unanticipated capital market volatility. The Plan Administrator is comfortable with a moderate risk strategy. This is a goal of relatively more stable returns over the longer term. However, the Plan Administrator acknowledges that the target asset mix could result in substantial short-term volatility.

VI. Asset Allocation Strategy

In line with the Plan's return objectives and risk parameters, the mix of assets should be maintained as follows:

Asset Class	*Minimum*	*Target*	*Maximum*
Large/Medium Cap Growth Stocks	15%	20%	25%
Large/Medium Cap Value Stocks	15%	20%	25%
Small Cap Growth	2.5%	4%	8%
Small Cap Value	2.5%	4%	8%
International Stocks	8%	12%	16%
Total Equity	**43%**	**60%**	**82%**
Hedged Equity	2.5%	5%	10%
Total Hedged Equity	**2.5%**	**5%**	**10%**
Domestic Fixed	25%	30%	35%
International Bonds	2.5%	5%	10%
Total Fixed Income	**27.5%**	**35%**	**45%**

VII. Investment Manager Guidelines

General

Restricted Transactions

- Purchasing of securities on margin or short sales.
- Borrowing of money.
- Pledging, mortgaging, or hypothecating of any securities except for loans of securities that are fully collateralized.
- Purchase of the securities of the investment managers, its parent, or its affiliates.
- Purchase or sale of futures or options for speculation or leverage.
- Purchase or sale of commodities, commodity contracts, or illiquid interest in real estate of mortgages.
- Purchase of illiquid securities such as private placements.

Note: The General Guidelines listed above pertain to separately managed accounts. Guidelines for mutual funds are outlined in each fund's prospectus

Diversification

Each investment manager is responsible for achieving a level of diversification in their portfolio that is prudent and consistently applied. Concentrations in individual securities, industries and economic sectors should not be so high as to subject the overall portfolio to undue risk.

Liquidity
When purchasing a security to place in a portfolio, it is expected that each manager will consider their aggregate holdings among all of their accounts to ensure that their total position in the security will not be so large as to inhibit rapid liquidation of the security.

Cash Equivalents
Cash is to be employed productively at all times by investment in short-term cash equivalents to provide safety, liquidity and return. Investments should be made in a broadly diversified commingled fund or other high-quality vehicle made available by the custodian.

Large/Medium Capitalization Equity Manager Guidelines

- The majority of the holdings in these portfolios should consist of domestic (U.S.) common stock. Large to medium capitalization issues are preferred. Other acceptable investments on a limited basis include preferred stock, convertible securities and cash equivalents.
- Portfolios should be diversified. Specifically, 75% of each investment manager's portfolio should be diversified to the extent that no individual security makes up more than 5% of total assets at the current market value. Discretion may be taken in the remaining 25% of a portfolio, but the manager should not allow any one position to exceed 8% of the portfolio's total market value.
- A concentration in one economic sector (e.g., transportation) should not be so great as to exceed 30% of the manager's portfolio measured at market value, or 1.5 times the weighting of the relevant benchmark.
- The manager should follow a clearly defined sell discipline.

Small Capitalization Equity Manager Guidelines

The current allocation to small cap equity has been made through mutual funds. The fund seeks capital appreciation by investing primarily in equity securities of companies with a small to middle market capitalization (generally between $1 to $10 billion). Dividend income is unlikely from this portfolio. The small-cap portfolio is expected to have greater risk and greater potential return than the general market.

International Equity Manager Guidelines

The current allocation to international equity has been made through mutual funds. This fund is designed to offer participants the potential for growth of capital by investment in equities of foreign or international companies. The fund manager's primary objective is to invest in equities with long-term growth potential. Growth is defined as either appreciation of the security itself or growth of the company's earnings. Any income will be secondary to the objective of capital growth. This portfolio will be designed for participants who are long-term investors. In addition, due to exposure to fluctuations in currency values, this portfolio will provide a higher than average degree of risk and potential for return.

Hedged Equity Manager Guidelines

The current allocation to a hedged equity fund portfolio has been made through mutual funds. A hedged equity fund seeks to capture the majority of the higher returns associated with the equity markets, while exposing the portfolio to significantly less risk. The objective of the fund is to earn consistently higher rates of return than fixed income investments over the long term.

Fixed Income Manager Guidelines

- Holdings should consist of domestic (U.S.) fixed-income securities of investment grade with adequate liquidity. The portfolio should maintain a weighted average portfolio quality rating of at least AA. Securities that are issued or guaranteed by the U.S. Treasury or Government agencies and instrumentalities will be considered AAA.
- The maximum position in a single issuer's securities should not exceed 5% of the portfolio's assets at current market value. Holdings in securities issued or guaranteed by the U.S. Treasury or U.S. Government agencies and instrumentalities are accepted from this restriction.

VIII. Investment Performance Objectives

Investment managers will be reviewed on a quantitative basis in the form of quarterly reports to be provided by the consultant. Qualitative factors will also be considered such as adherence to each manager's stated investment process, and to the policy guidelines stated in this document. Managers will be reviewed on a net of fees basis.

Large-Mid Capitalization Equity Manager(s)

Over a rolling five-year period/full market cycle, the annualized total return of the manager should exceed the annualized total return of the Standard & Poor's 500 Stock Index. The manager will also be measured against an appropriate "style" benchmark (e.g., S&P/BARRA Value Index). The manager should rank in the upper one third of a universe of similar managers.

Small Capitalization Equity Fund

Over a rolling five-year period/full market cycle, the annualized total return of the manager should exceed the annualized total return of the S&P 600 Small Cap Index. The manager should rank in the upper one third of a universe of similar managers.

International Equity Fund

Over a rolling five-year period/full market cycle, the annualized total return of the manager should exceed the annualized total return of the MSCI EAFE Index. The manager should rank in the upper one third of a universe of similar managers.

Hedged Equity Fund

Over a rolling five year period/full market cycle, the annualized return of the manager should exceed the annualized total return of benchmark comprised of 70% 90-day US T-Bills/30% S&P 500 Indices.

Fixed Income Manager(s)

Over a rolling five-year period/full market cycle, the annualized total return of the manager should exceed the annualized total return of the Lehman Aggregate Index. The manager should rank in the upper third of a universe of similar managers.

IX. Performance Monitoring

The Plan Administrator shall monitor the overall performance of the Plan to insure its meeting of its objectives. Individual manager monitoring will include the following:

Maintaining both a short-term and long-term perspective, the Plan Administrator-will evaluate whether each manager has:

- Performed satisfactorily when compared with the specific objectives for its portfolio;
- Produced results that compare favorably to other investment managers with similar portfolios; and
- Adhered to the relevant policies and objectives.

Among the events that the Plan Administrator will examine closely in its review of the investment managers are:

- Poor performance relative to objectives over a three to five year period;
- A change in the portfolio manager assigned to the Retirement Plan;
- The departure of one or more key investment professionals;
- Violation of an investment guideline; and
- A change in the ownership or control of the investment management organization.

X. Investment Consultant

The Plan Administrator has engaged the services of an investment consultant, Deutsche Banc Alex. Brown, to provide assistance in setting policies, goals, and guidelines; asset allocation strategy; investment manager due diligence and selection; performance reporting and monitoring, including assisting the Plan Administrator in assessing adherence to these guidelines by the investment managers.

ARP Retirement Plan Investment Policy Statement adopted November 6, 1998, amended 5/2001, 11/2002, 8/2004, 8/2005 and 11/2005.