

A view of Salt Lake Temple, which belongs to the Church of Jesus Christ of Latter-day Saints. LINDSAY D'ADDATO FOR THE WALL STREET JOURNAL.

FINANCE

## The Mormon Church Amassed \$100 Billion. It Was the Best-Kept Secret in the Investment World.

A look inside the vast but little-known fund of the Church of Jesus Christ of Latter-day Saints: 'We've tried to be somewhat anonymous.'

By *Ian Lovett and Rachael Levy*

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PRINT TEXT

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### *Salt Lake City*

For more than half a century, the Mormon Church quietly built one of the world's largest investment funds. Almost no one outside the church knew about it.

Some of that mystery evaporated late last year when a former employee revealed in a whistleblower complaint with the Internal Revenue Service that the fund, called Ensign Peak Advisors, had stockpiled \$100 billion. The whistleblower also alleged that the church had improperly used some Ensign Peak funds. Officials of the Church of Jesus Christ of Latter-day Saints, colloquially known as the Mormon Church, denied those claims.

They also declined to comment on how much money their investment fund controls. "We've tried to be somewhat anonymous," Roger Clarke, the head of Ensign Peak, said from the firm's fourth-floor office, above a Salt Lake City food court. Ensign Peak doesn't appear in that building's directory.

Interviews with more than a dozen former employees and business partners provide a deeper look inside an organization that ballooned from a shoestring operation in the 1990s into a behemoth rivaling Wall Street's largest firms.





Roger Clarke, the head of Ensign Peak Advisors.

PHOTO: LINDSAY D'ADDATO FOR THE WALL STREET JOURNAL

Its assets did total roughly \$80 billion to \$100 billion as of last year, some of the former employees said. That is at least double the size of Harvard University's endowment and as large as the size of SoftBank's Vision Fund, the world's largest tech-investment fund. Its holdings include \$40 billion of U.S. stock, timberland in the Florida panhandle and investments in prominent hedge funds such as Bridgewater Associates LP, according to some current and former fund employees.

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Church officials acknowledged the size of the fund is a tightly held secret, which they said was because Ensign Peak depends on donations—known as tithing—from the church's 16 million world-wide members. The church is under no legal obligation to publicly report its finances.

But the whistleblower report—filed by David Nielsen, a former Ensign Peak portfolio manager—has heaped pressure on the church to be more transparent about its finances, something the church has avoided for decades.

The firm doesn't tell business partners how much money it manages, an unusual practice on Wall Street. Ensign Peak employees sign lifetime confidentiality agreements. Most current employees are no longer told the firm's total assets under management, according to some of the former employees; few employees understand what the money is intended for.

The Church of Jesus Christ of Latter-day Saints has 16 million members world-wide.

PHOTO: LINDSAY D'ADDATO FOR THE WALL STREET JOURNAL

In their first-ever interview about Ensign Peak's operations, Mr. Clarke and church officials who oversee the firm said it was a rainy-day account to be used in difficult economic times. As the church continues to grow in poorer areas of the world like Africa, where members cannot donate as much, it will need Ensign Peak's holdings to help fund basic operations, they said.

"We don't know when the next 2008 is going to take place," said Christopher Waddell, a member of the ecclesiastical arm that oversees Ensign Peak known as the presiding bishopric. Referring to the economic crash 12 years ago, he added, "If something like that were to happen again, we won't have to stop missionary work."

During the last financial crisis, they didn't touch the reserves Ensign Peak had amassed, church officials said. Instead, the church cut the budget.

A former employee and the whistleblower in his report said they heard Mr. Clarke refer to the second coming of Jesus Christ as part of the reason for Ensign Peak's existence. Mormons believe before Jesus returns, there will be a period of war and hardship.

Mr. Clarke said the employees must have misunderstood his meaning. "We believe at some point the savior will return. Nobody knows when," he said.

When the second coming happens, "we don't have any idea whether financial assets will have any value at all," he added. "The issue is what happens before that, not at the second coming."

Whereas university endowments generally subsidize operating costs with investment income, Ensign Peak does the opposite. Annual donations from the church's members more than covers the church's budget. The surplus goes to Ensign Peak. Members of the religion must give 10% of their income each year to remain in good standing.

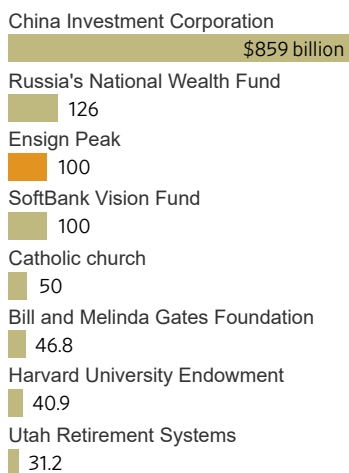
Dean Davies, another member of the ecclesiastical arm that oversees Ensign Peak, said the church doesn't publicly share its assets because "these funds are sacred" and "we don't flaunt them for public review and critique."

Mr. Clarke said he believed church leaders were concerned that public knowledge of the fund's wealth might discourage tithing.

"Paying tithing is more of a sense of commitment than it is the church needing the money," Mr. Clarke said. "So they never wanted to be in a position where people felt like, you know, they shouldn't make a contribution."

#### Among the Elite

The Mormon Church's investment fund, Ensign Peak Advisors, has total assets comparable to some of the world's largest investors.



Note: China Investment and Utah Retirement data as 2018. Ensign Peak and Catholic Church are estimates.  
Sources: Fund documents and people with knowledge of the fund sizes

Some members are now asking why details about the fund have been tightly held for so long, what the money is for, and whether tithing so much to the church should still be the standard practice.

Carolyn Homer, a church member who lives in Virginia, resolved to tithe less and give more to other charities after she heard about the money managed by Ensign Peak. A theme of the Book of Mormon, she said, is that God condemns churches that care more about wealth than feeding the poor. “When I hear members of the church say, ‘It’s none of your business how wealthy we are,’ that to me is echoing the very scripture we revere, and not in a good way.”

The church officials and Mr. Clarke declined to disclose the size of the church’s annual budget or to say how much money goes to Ensign Peak but gave estimates for its main areas of expenditure that, collectively, total about \$5 billion.

A majority of the money held by Ensign Peak is from returns on existing investments and not member donations, according to Mr. Clarke. In recent years, the fund has gained about 7% annually, he said.

The former employees offered more details of Ensign Peak’s operations. During the bull market of the last decade, some of them said, the fund grew from about \$40 billion in 2012 to \$60 billion in 2014 to around \$100 billion by 2019. About 70% of the money is liquid, one of the former employees said. As its assets swelled, Ensign Peak grew more secretive, said some of the former employees.

The firm doesn’t borrow money—the church warns members against going into debt. It also doesn’t invest in industries that Mormons consider objectionable—including alcohol, caffeinated beverages, tobacco and gambling. Mr. Clarke said the fund has pulled some of its money from an investment firm called Fisher Investments after the founder, Ken Fisher, made remarks last year that Mr. Fisher later called “inappropriate.” A spokesman for Fisher declined to comment.

### A Calling

The church established the investment division, which would later become Ensign Peak, in the 1960s, during a period of economic hardship for the faith. In 1969, construction on the church’s office building was halted when the money for construction ran out.

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### DIVERSIFICATION

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Ensign Peak invests all over the world in all types of assets. Here’s a selection of some significant investments:

#### Money managers

Bridgewater Associates—hedge fund  
Fisher Investments—Investment manager

#### Individual stocks

Apple Inc.  
Chevron Corp.  
Visa Inc.  
JP Morgan Chase  
Home Depot  
Google

SOURCE: Securities filings and Wall Street Journal reporting

Church leaders had long told members to put away provisions for hard times. Nathan Eldon Tanner, a counselor of the first presidency, the highest level of church leadership, said the church itself should do the same.

At first, the investment division had just three employees, and one of the church’s top three leaders had to approve every trade. By the late 1970s, the division managed about \$1 billion, according to the Sovereign Wealth Fund Institute.

The investment division reported monthly to an oversight body called the investment committee, which included ecclesiastical leaders. They would compare the division’s performance against market benchmarks.

“If we were not doing as well, they’d ask, ‘How come?’” one former employee said.

In 1997, the investment division was spun off into Ensign Peak Advisors, a separate legal entity named after a hill that overlooks downtown Salt Lake. The peak has its own significance: in 1847, Brigham Young and other Mormon pioneers scaled it to survey the valley as a potential settling place.

Mr. Clarke was tapped to lead the firm and charged with “bringing the investment department into the 20th Century,” a former employee said.

Previously, Mr. Clarke had worked as a professor at Brigham Young University, which is owned by the church. He was running an investment firm in Los Angeles when the presiding bishopric called him.

“It certainly wasn’t the most attractive financial office,” Mr. Clarke said. “But you want to make a difference in your life...This was an opportunity.”

The firm has steadily grown under Mr. Clarke’s tenure. When the 2008 financial crisis hit, “We got whacked, like everybody else,” Mr. Clarke said. Ensign Peak went into a hiring freeze, but soon resumed adding staff.

It now employs about 70 people. About one in seven are women, Mr. Clarke said.

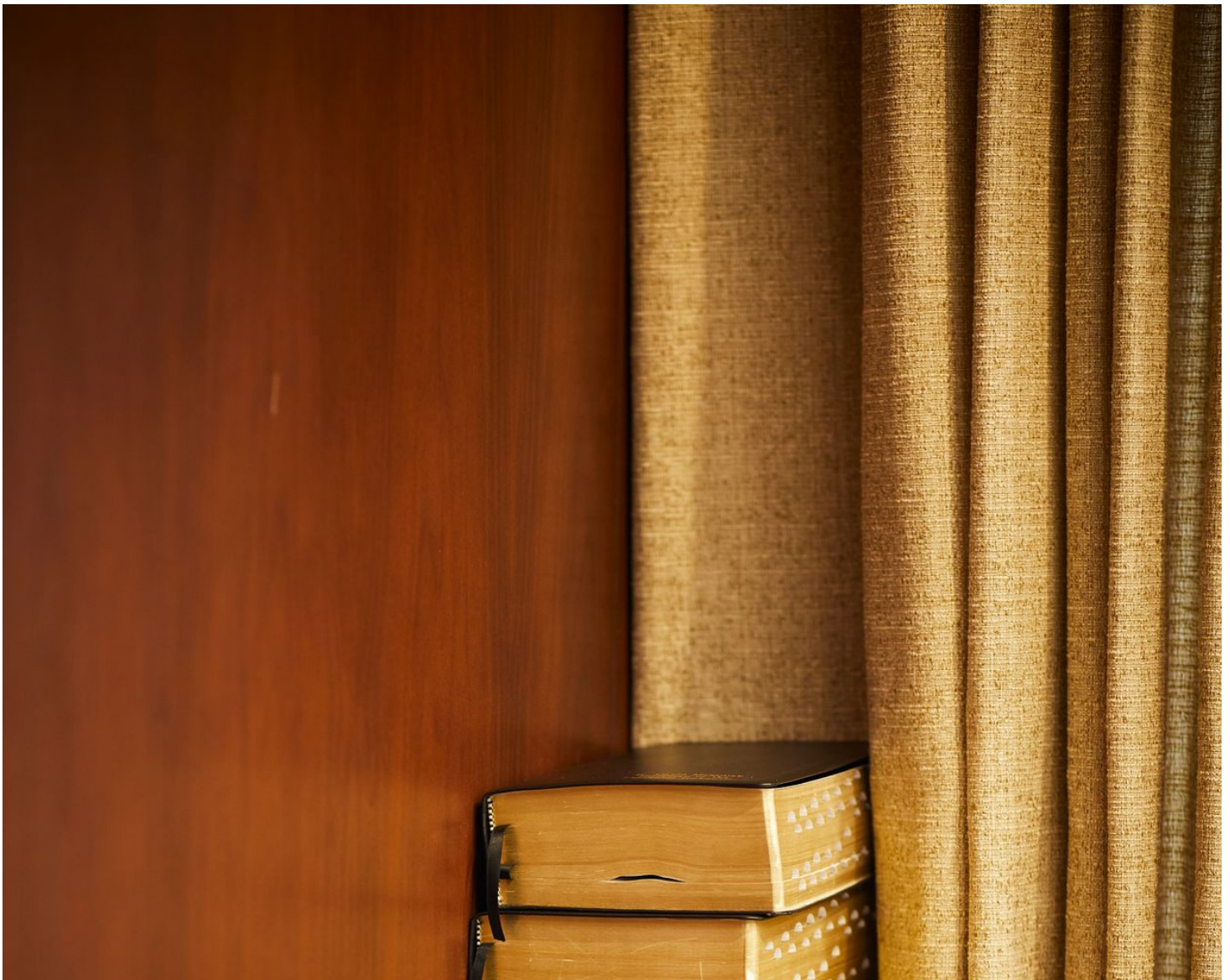
In most respects, Ensign Peak’s offices look much like those of any other investment firm. CNBC plays on the television by the entrance and newspapers are strewn across a lobby table.

But the walls hint at Ensign Peak’s religious nature. Paintings depict scenes from the Bible and Mormon history, including several that depict pioneers who trekked in the 1800s to what is now Utah.

Employees need a temple recommend—an honor, which allows them to enter the faith’s holiest spaces, that is not afforded to all members—to work at Ensign Peak. They earn far less than they would on Wall Street. One former employee said they make less than \$150,000 a year, a fraction of the fortunes possible in finance.

“It was not glamorous or religious 99.9% of the time,” one of the former employees said. For most, working at the firm was “a religious calling,” he said.

Executives used to share information about the assets under management with employees. That changed in recent years; now few employees are explicitly told the number, according to Mr. Clarke and some of the former employees.





Bibles are stacked inside a church conference room.

PHOTO: LINDSAY D'ADDATO FOR THE WALL STREET JOURNAL

The firm also created a system of more than a dozen shell companies to make its stock investments harder to track, according to the former employees and Mr. Clarke. This was designed to prevent members of the church from mimicking what Ensign Peak was doing to protect them from mismanaging their own funds with insufficient information, according to Mr. Clarke.

Neuburgh Advisers LLC, one of the shell companies, held hundreds of stocks, including [Apple Inc.](#) shares valued at more than \$175 million and [Amazon.com Inc.](#) shares worth more than \$70 million, according to a recent regulatory filing.

From time to time, church leaders in the ecclesiastical arm that oversees Ensign Peak arranged lunch meetings with Ensign Peak employees. During Q&A sessions at the end, employees sometimes asked what the money might be used for, according to one of the former employees, who attended.

Church leaders responded by saying they wanted to know that, too, according to this person.

"It was so amorphous," the former employee said. "It was always, 'When we have direction from the prophet.' Everyone was waiting, as it were, for direction from God." The prophet is the president of the church.

#### The Quiet Giant

Ensign Peak's scale went relatively unknown on Wall Street. The firm doesn't tell business partners how much money it manages, an unusual level of secrecy in the financial world.

One outside expert said the financial industry didn't suspect it might be approaching \$100 billion. "People thought it was between \$30 and \$40 billion," said Michael Maduell, president of the Sovereign Wealth Fund Institute, which tracks large pools of money.

Employees in the fund rarely shared with outsiders much of what they did, even to friends in the same line of work. A person who worked at a money management firm said when that firm sought an investment from Ensign Peak, officials at the Mormon fund declined to share how much money they managed. Ensign Peak told this person that a small investment for the fund would be about \$30 million and a large investment about \$350 million.

The fund invests conservatively, Mr. Clarke said, in part because it has “a longer term horizon” than many other firms. In recent years, Mr. Clarke developed a quantitative stock trading program, incorporating one of the hottest recent trends in finance.

On his office bookshelf, Mr. Clarke keeps a copy of “Principles” by [Ray Dalio, the founder of Bridgewater Associates](#). He said Bridgewater deputies have visited in the past, and that Mr. Dalio’s firm “helped us think about what’s happening kind of in the broader economy.” Bridgewater declined to comment.



Mr. Clarke of Ensign Peak keeps an ancient Roman coin in his office, a reference to the biblical story of the widow’s mite, in which a poor widow donates to the temple treasury.

PHOTO: IAN LOVETT/THE WALL STREET JOURNAL

Mr. Clarke also keeps an ancient Roman coin in his office, a reference to the biblical story of the widow’s mite, in which a poor widow donates to the temple treasury.

“It’s just a reminder of the purpose of the funds,” he said. “Many of the funds come from people who don’t make a lot of money.”



## A Debate That Started in Salt Lake

Among rank-and-file members of the church, the whistleblower report unleashed an intense debate about tithing and how the church uses its vast resources.

On a recent snowy Sunday at a Salt Lake City meetinghouse, members said they trusted church leaders with their own money, and would continue to donate 10% of their income. "They use it well," said Lasi Kioa, a 61-year-old immigrant from Tonga and a lifelong church member. "They help other people. They build the church. I believe in that."

But Sam Brunson, a church member and tax law professor at Loyola University, said he wished church officials would use the \$100 billion to help those in need today.

"They could go a good way to eradicating malaria, or fix Puerto Rico's electrical grid," he said. Alternatively, he said, the church could change what it considers tithing, allowing members to give 10% of their income to charity, rather than to the church itself.

Mr. Waddell, the member of the ecclesiastical arm that oversees Ensign Peak, said that with more than 16 million members there would always be some difference of opinion, but the vast majority of members have "expressed appreciation for the success we have had in managing the finances."



Dean Davies, left, and Christopher Waddell, right, are members of the ecclesiastical arm that oversees Ensign Peak. Gerald Causee, center, is the presiding bishop.

PHOTO: LINDSAY D'ADDATO FOR THE WALL STREET JOURNAL

Mr. Nielsen's report, which was first reported by the Washington Post, stoked this debate. The report alleged the fund made no charitable contributions despite being incorporated as a tax-exempt charity. Fund and church officials said they haven't violated any tax laws, and that the church organization as a whole, of which Ensign Peak is a part, puts nearly \$1 billion a year toward humanitarian causes and charities. The IRS, which hasn't accused the church of any wrongdoing, said it doesn't comment on specific whistleblower claims. Mr. Nielsen didn't respond to requests for comment.

Tax specialists familiar with the IRS's whistleblower program said they didn't expect the claim against Ensign Peak to be successful. The program receives many more claims than it acts on, and it has historically been reluctant to pursue tax issues involving churches, which have special status under the tax code. If the whistleblower's claim is successful, that person could receive up to 30% of the proceeds collected by the IRS.

The whistleblower also accused Ensign Peak of illegally using tax-exempt donations to bail out two business ventures during the financial crisis—a life insurance company the church owned and construction of the City Creek Center, a Salt Lake City mall across the street from the church's offices. Church officials confirmed to the Journal they had made these payments but denied they were illegal.

Gerald Causse, the presiding bishop, said the payouts during the financial crisis weren't charitable disbursements at all, but investments. "It's not an expenditure," he said. "Tomorrow we can sell it and it will come back with a return."

In the interview with the Journal, church officials maintained the payouts were not made with tithing funds, because, they said, most of the money in Ensign Peak doesn't come directly from tithing but from returns on investment.

Tax lawyers have publicly debated whether Ensign Peak violated any laws as alleged by the whistleblower. Mr. Brunson, the tax law professor, doesn't think so. But as a church member, he said he finds the lack of transparency frustrating, even if it is legal.

"I'm a stakeholder in the church, and society has some stake in the church too," he said. "Even though I'm willing to tithe blindly, I would like to see what's happening with that money."

—*Laura Saunders contributed to this article.*

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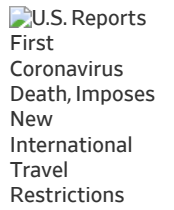
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