

Pension Boards–UCC

Stewardship • Partnership • Accountability



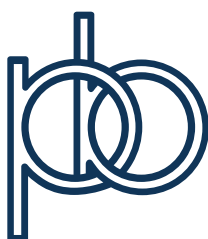
2009

Annual Report

The Pension Boards
administers comprehensive employee
benefits programs for the
United Church of Christ,
providing the highest standards of
service, access and options
to active and retired
UCC clergy and lay employees.

2009

Annual Report



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Report of the Chairman and President/CEO

We agree with those who say, “Don’t let a good crisis go to waste.”

In response to the severe economic decline in 2008, the Pension Boards increased activities that support Member Education, Public Relations and Communications, and responded to a three-fold increase in requests for Ministerial Assistance. Staff examined every aspect of the Pension Boards’ operations to look for process improvements while validating all expenses. The approved 2010 budget is less than the approved 2009 budget, which was less than the approved 2008 budget. Goals for growth, improving performance and expanding services to our members remain.

The following is a summary of some specific examples:

Member Education and Communications

In October 2008, we began a series of monthly “fireside chat” conference calls with members of the Annuity Plan. More than 1,400 discrete callers participated in these calls over seven months. We doubled the number of Regional Pre-Retirement Seminars. Monthly Member Education conference calls and webinars on specific employee benefits topics drew between 25 and 125 participants at each session, with many more members later accessing the recordings of these events on the Pension Boards’ web site. We expanded staff presence at meetings in national and Conference settings, meeting with church leaders as well as with active and retired members. A skilled and trained group of Annuitant Visitors called on more than 7,000 retirees, presenting information on Pension Boards’ Plans and programs and identifying those with special needs. Our web-based “print-on-demand” resources are widely used throughout the Church. We now have more than 10,000 accurate member e-mail addresses to which regular, topic-specific e-blasts are sent. One-third of UCC Conference Ministers come to New York each year on a three-year cycle for orientation and training. WebEx online conferencing technology is being offered to the national setting of the Church and to Conferences at no charge. A Pension Boards’ volume license provides 60 “hubs,” each with 250 “spokes,” all capable of operating simultaneously.

Compliance, Regulation and Risk Control

In 2008, the Board approved a new Annuity Plan Document that conformed to the IRS rewrite of 403(b) Regulations. To fully comply, UCC employers were required to complete an adoption process by January 1, 2010. Each employer was furnished with the necessary documents and instructions, as well as those employers with two or more 403(b) Plans. The UCC Medical and Dental Benefits Plan Document was amended to include provisions of the Mental Health Parity Act, Michelle’s Law, and updated definitions and terms. Securities Lending Guidelines were amended and

other investment procedures strengthened. We converted to Northern Trust for custodial and other banking services. All investment accounting procedures and controls were reviewed and automated wherever possible. An audit firm, RSM McGladrey, Inc., was selected as the Pension Boards’ new internal auditor. An external actuary, The Hay Group, regularly reviews the reserves for annuities. A redundant review was conducted by Buck Consultants. The Enterprise Risk Management (“ERM”) Sub-Committee of the Board of Trustees selected an external firm that will lead implementation of an ERM system for the Pension Boards in 2010. Business continuity planning systems are tested and evaluated every 90 days.

Investments

All Pension Boards’ accumulation Funds recorded positive 2009 returns relative to their benchmarks. The Equity Fund, benefiting from allocations to international developed and emerging markets, returned 28.01%. The Bond Fund continued to outpace its index, returning 11.31% for the year. The Fund’s overweighted allocation to corporate securities relative to the benchmark was the primary factor in its large margin of outperformance. The Balanced Fund returned 21.14%, outperforming the policy index due to the strong performance of both the Equity and Bond Funds. The Stable Value Fund continued its outperformance of the average return of money market funds with a return of 3.27%. All Target Annuitization Date (“TAD”) Funds were solidly positive, with returns in double-digits across the board. The Investment Committee completed a thorough evaluation of PBUCC’s investment consultant. A search was completed for a position that will support the Chief Investment Officer in manager evaluations, research and technical writing. Funding for this position will be split with United Church Funds.

In addition to voting 492 corporate proxy ballots in 2009, the Pension Boards’ Corporate Social Responsibility (“CSR”) office used a combination of shareholder resolutions and corporate dialogues to encourage corporations to become more sustainable. CSR engaged corporations on the issues of child labor on cocoa farms, executive compensation and credit card lending practices.

Medical and Dental Benefits Plan

The 2010 rates for the UCC (Non-Medicare) Health Plan increased by 5.7%, and the UCC Medicare Supplement Plan increased by 2.1%. This is the eighth consecutive year that rates have been about one-half the national trend. The net result of being below trend these eight years is that local churches and retirees are paying approximately \$15 million less in premium allocations than would have been the case had we been at trend. A special Committee of the Board began meeting in 2009 to review the Medicare Supplement Plan and continued their work until March 2010. The

Medicare Supplement Plan serves approximately 3,400 participants. The UCC Healthy Stewards Program—which includes the **optimalhealth** condition management program and the **myhealthIQ** wellness program—continues to be well received by all UCC (Non-Medicare) Health Plan participants. There are 1,040 individuals participating in **optimalhealth** and more than 500 individuals participating in **myhealthIQ**, now in its second year. The **optimalhealth** condition management program has a payback of two to one for 14 identified chronic disease conditions. A new initiative is underway for 2010 that should triple the number of participants in our wellness programs.

Ministerial Assistance

A one-time, \$1 million grant was designated by the Board for Ministerial Assistance to support clergy during these challenging times. Approximately \$600,000 was sent to retirees and \$400,000 to low-income active clergy. The response from recipients and from the wider Church was overwhelmingly favorable. More than 500 letters, cards, notes, e-mails and voicemails were received offering thanks and personal testimonies. A contribution of \$400,000 to retirees from the \$1 million grant helped to qualify for this year's \$1.4 million subsidy from the Center for Medicare and Medicaid Services. The annual Annuitant Visitors' Meeting was a splendid success with a record turnout of 165 attendees. The Christmas Fund for the Veterans of the Cross and the Emergency Fund, administered by the Pension Boards on behalf of the United Church of Christ, completed its 107th year of "serving those who serve the Church." The Executive Council of the United Church of Christ approved a return to the offering's historic name beginning with the 2009 appeal. This annual offering, one of four Special Mission Offerings received each year in the United Church of Christ, supports ministries to lower-income retired clergy and lay employees, as well as to active clergy facing unforeseen financial crisis. The 2009 Christmas Fund promotion included a coin box for use by youth and other church groups and a church-wide art

project for young people in grades 5 through 8. The Target 2030 Next Generation Leadership Initiative for UCC pastors in their 20s and 30s will be launched on January 1, 2011.

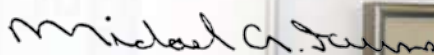
Church Benefits Association (CBA) and Church Alliance

The Church Benefits Association is an incorporated entity that has been meeting for 98 years and now represents 165,000 ministers, priests and rabbis in 52 diverse denominational benefits plans. The Church Alliance is an unincorporated group composed of the CEOs of church benefit plans and meets independently on a regular basis to monitor both threats and opportunities. A theme for these groups, and for the Pension Boards going forward, is *Coalitions and Collaborations*. Pension Boards' senior staff serves in many leadership positions with the CBA and Church Alliance.

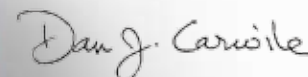
This year's goals and activities were accomplished by a staff of 69 and six consultants, and a budget that over the past five years has increased 3.29%; less than the Northeast Region Urban CPI change of 14.50% and the nationwide Urban CPI change of 13.70%.

It continues to be a privilege and blessing to lead an incredible staff and to serve the thousands of clergy and lay employees who depend upon us as they provide leadership and ministry to all settings of our Church.

Faithfully,



Michael A. Downs
President/CEO



Dan J. Carwile
Chairman, Board of Trustees



Report of the Chief Investment Officer

2009 Review

Equity markets staged a remarkable recovery in 2009, following a turbulent 2008. Equities started 2009 on a weak note, extending the previous year's bear market well into the first quarter 2009. Then on March 9, the markets turned positive, moving up sharply over the remainder of the year. Triggering the rebound was an increase in investor confidence that financial markets would not sink into total collapse as massive government injections of liquidity on a global basis and unprecedented initiatives helped to stabilize the situation. Also supporting the recovery, the Federal Reserve maintained its historically low 0% to 0.25% target for the federal funds rate throughout the year.

Stimulus measures bore fruit in the second half of the year with the economy recording positive growth in the final two quarters. For the year, however, the economy declined 2.4%. The unemployment rate continued to climb and ended the year at 10%. Given the considerable slack in resource use, the inflation rate in 2009 was only 1.2%.

Worldwide, equities recorded strong returns in 2009. U.S. stocks, as represented by the Standard & Poor's ("S&P") 500 Index, returned 26.5% while international stocks returned 31.8% (MSCI EAFE Index). Emerging markets—the steepest decliners during the financial crisis—were the best performing equity markets in 2009 with a 78.5% return (MSCI Emerging Markets Index).

The bond market rallied as well, led by corporate credit, most notably high yield or "junk bond" issues, which were boosted by the narrowing of record-wide credit spreads (the difference between corporate bond yields and U.S. Treasuries) once it became clearer that the economy was starting to stabilize and risk of corporate defaults lessened. Even though the Federal Reserve was on hold during the entire year, interest rates on longer dated U.S. Treasuries rose in anticipation that economic recovery would require higher interest rates at some point in the future. Bonds, as represented by Barclays Capital Government/Credit Index, returned 4.5% for the year.

All of the Pension Boards' accumulation Funds exceeded their respective benchmarks in 2009. Exhibits on the following pages illustrate the performance history for the accumulation Funds and benefit payment trends for the annuities over various periods.

Outlook

The past decade was a tough environment for equities with returns well below long-term averages due to the fallout from the bursting of the tech bubble in 2000-2003 and the severe global financial crisis in 2008-2009. Bonds fared better than equities in this environment. However, looking forward, over the next decade we believe that equities will reemerge as the better performing asset class. We are encouraged that the economy will show positive growth in 2010. Economists expect an economic growth rate of 2.8% to 3.5%. Consensus estimates for unemployment show that the rate will likely remain at elevated levels, averaging around 9.6% for the year. Although inflation does not look like an immediate threat, the Federal Reserve will have to be vigilant that stimulus measures are reined in before inflation fears gain steam. Despite the 65% increase in the S&P 500 since March 2009, the Index at year-end remains 29% below its peak in October 2007. It is unlikely that a new high will be set in 2010 as further gains will likely be modest. However, positive growth, albeit at a moderate pace given the depth of the recession, continued slow employment gains, controlled inflation and higher corporate earnings are supportive of further gains. As for bonds, as the economy gains traction, the Federal Reserve will be compelled to raise interest rates. Interest rates will also come under pressure from the government's need to issue large amounts of Treasuries to finance the burgeoning deficit. Longer term, structural issues remain in the global economy. The U.S. must save more while emerging economies must stimulate domestic consumption. Finally, it remains to be seen what regulatory changes are made to lessen the chance of another financial crisis and to limit the fallout in the aftermath of one.

Investment Funds

Accumulation

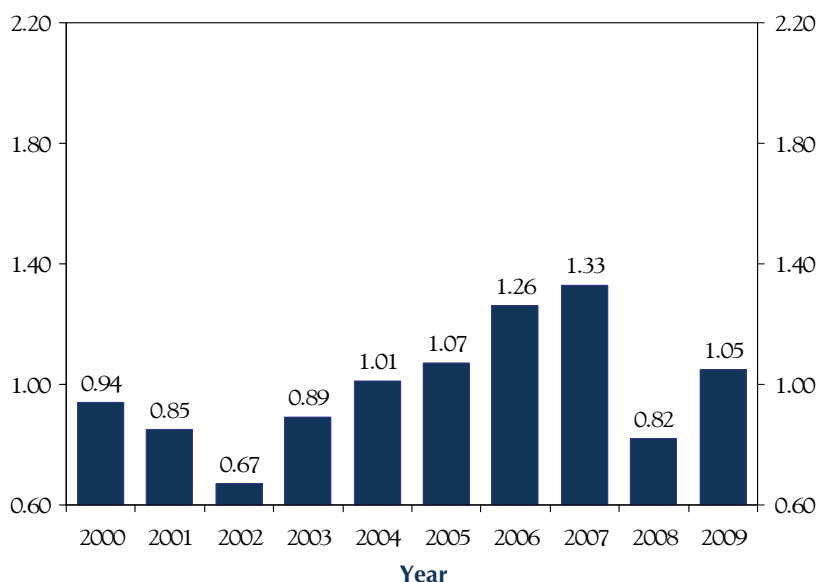
Exhibits showing the growth of \$1 in our Funds are included below. The exhibits for the Equity and Balanced Funds show the growth of a dollar for the 10 years ending December 31, 2009. The exhibit for the Bond Fund shows the growth of a dollar over the seven full calendar years it has been available to members. The Stable Value Fund shows the growth of a dollar over the period 2005 through 2009, the five full calendar years since it was transitioned from a money market fund on October 1, 2004.

The Target Annuitization Date (“TAD”) Funds were introduced in the second quarter of 2007 and are premixed funds that invest in the Pension Boards’ Equity, Bond and Stable Value Funds. The asset allocation in these Funds automatically adjusts to a more conservative mix as the target date specified in the Fund’s name (2015, 2020, 2025, and 2030) approaches. The exhibits for these Funds show the growth of a dollar since their introduction as well as their percentage allocation to the Equity, Bond and Stable Value Funds at year-end 2009.

Equity Fund

The value of an investment in the Equity Fund increased by 28.0% last year. One dollar invested at the beginning of 2000 would have grown to \$1.05 by year-end 2009, a growth rate of 0.5% annually. One dollar invested in the S&P 500 Index over this same period would have declined to \$0.90, a growth rate of -1.0% annually. This 10-year period ranks as one of the worst 10-year periods for equities in the last century and illustrates why an investor should have a long investment time horizon when investing in equities.

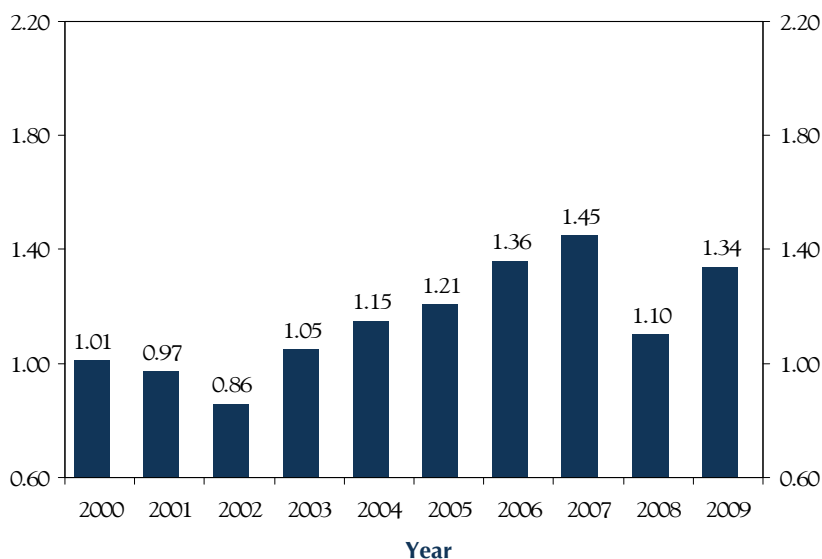
GROWTH OF \$1 INVESTED IN THE EQUITY FUND 2000 - 2009



Balanced Fund

The value of an investment in the Balanced Fund increased by 21.1% last year. One dollar invested at the beginning of 2000 would have grown to \$1.34 by year-end 2009, an annualized growth rate of 2.9%. One dollar invested in the Policy Benchmark (55% S&P 500 and 45% Barclays Government/Credit Index) over this same period would have grown to \$1.30, a growth rate of 2.6% annually.

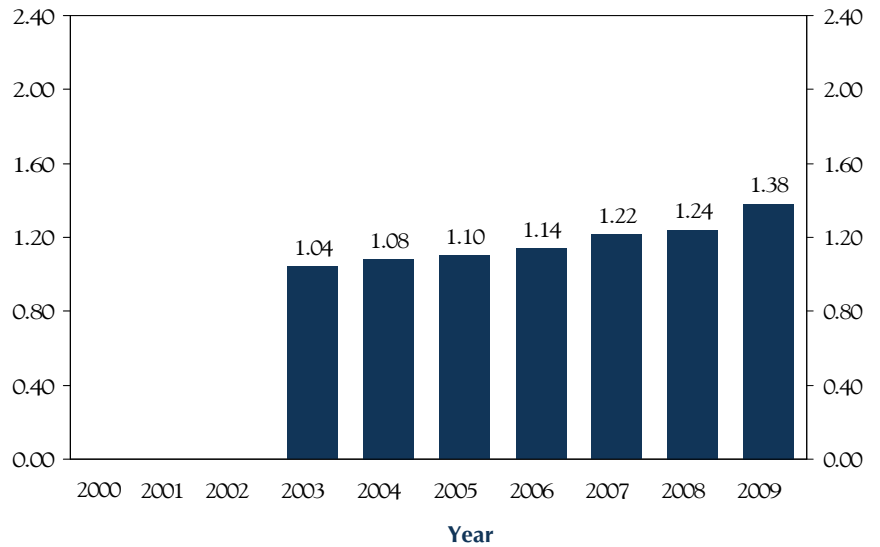
GROWTH OF \$1 INVESTED IN THE BALANCED FUND 2000 - 2009



Bond Fund

The value of an investment in the Bond Fund increased by 11.3% last year. One dollar invested at the beginning of 2003 would have grown to \$1.38 by year-end 2009, a growth rate of 4.7% annually over the seven-year period. One dollar invested in the Barclays Government/Credit Index over this same period would have grown to \$1.37, a growth rate of 4.6% annually.

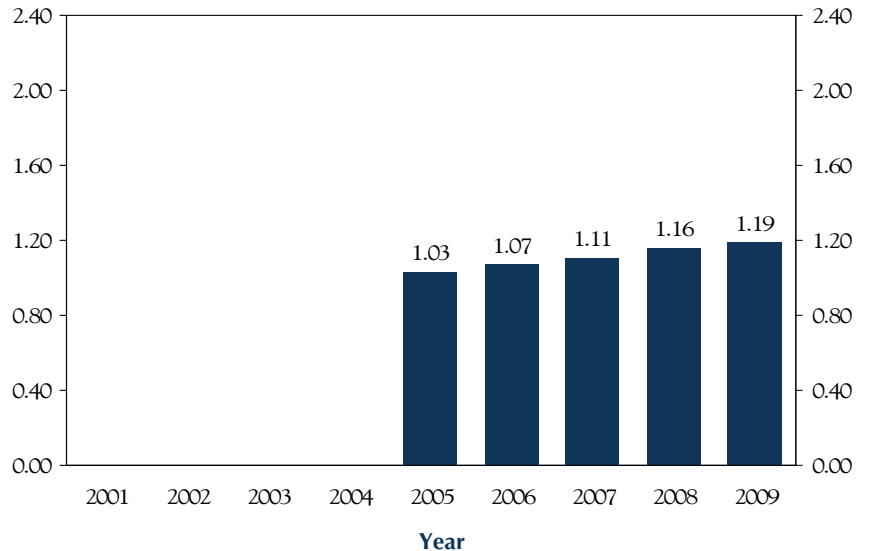
GROWTH OF \$1 INVESTED IN THE BOND FUND 2003 - 2009



Stable Value Fund

The value of an investment in the Stable Value Fund increased by 3.3% last year. One dollar invested at the beginning of 2005 would have grown to \$1.19 by year-end 2009, a growth rate of 3.5% annually. One dollar invested in the Lipper Index over this same period would have grown to \$1.15, a growth rate of 2.8% annually.

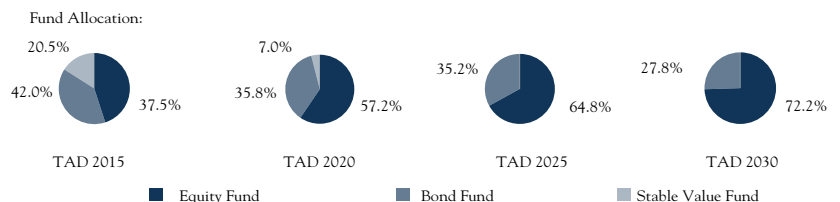
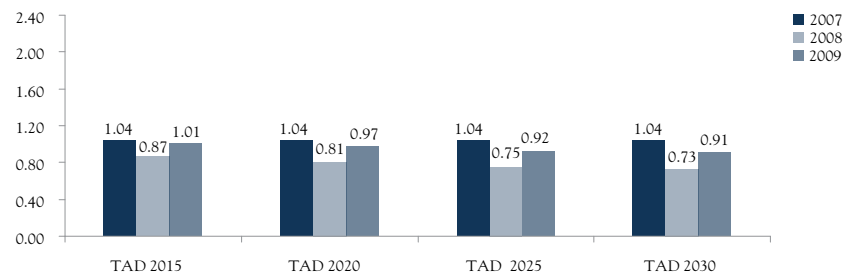
GROWTH OF \$1 INVESTED IN THE STABLE VALUE FUND 2005 - 2009



Target Annuitization Date Funds

One dollar invested in the four Target Annuitization Date (“TAD”) Funds at their April 1, 2007 inception would have increased or decreased as shown at right by year-end 2009. The percentage of each Fund invested in the Equity, Bond and Stable Value Funds at year-end is shown as well.

GROWTH OF \$1 INVESTED IN THE TAD FUNDS (Inception - April 1, 2007)



Annuities

Members have a choice of two annuities—the Participating Annuity and the Basic Annuity which were introduced on April 1, 2006. Benefit payment adjustments for these annuities, if any, are made annually at the beginning of each year. January 1, 2007 was the first adjustment date for these annuities.

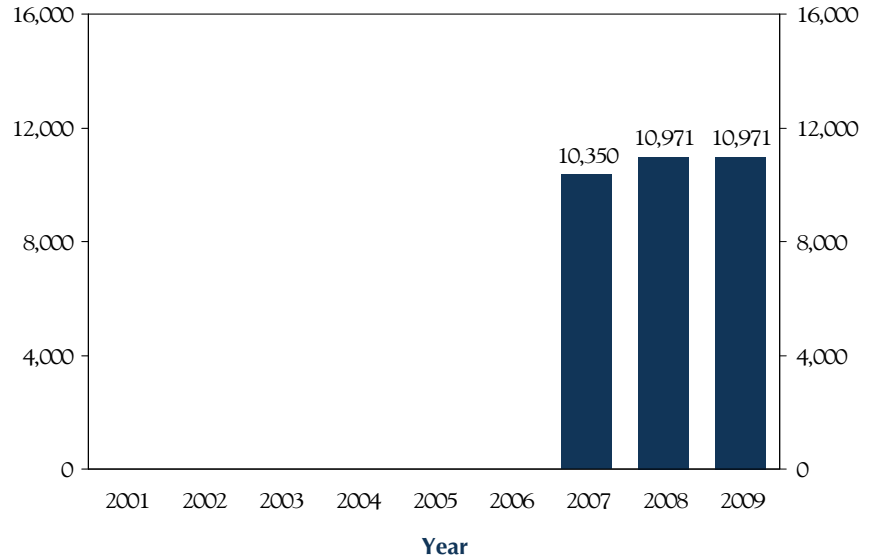
Annuitants who retired prior to April 1, 2006 and who chose to remain in the Equity Benefit and Balanced Benefit Annuities continue to receive payments as they have in the past, with payment adjustments effective April 1 and October 1.

Trends in annuity payments, together with brief comments, are shown in the following exhibits. In each exhibit, an initial annual base annuity payment of \$10,000 is assumed.

Participating Annuity

The assets supporting this annuity are invested in a balanced portfolio of stocks and bonds (targeted with a 60% allocation to stocks and 40% allocation to bonds). Over longer periods of time, this annuity should produce average returns that are higher than the 4% return assumption built into the base level of annuity benefits and should allow for benefit increases from time to time that are expected to continue to be paid over the annuitant's lifetime. Of course, if investment and mortality experience result in decreased assets that no longer support the benefit levels, then monthly benefit payments may be reduced. Benefit payments increased 3.5% and 6.0% on January 1, 2007 and 2008, respectively. Benefit payments were unchanged on January 1, 2009 from the level paid in 2008 and will remain unchanged in 2010.

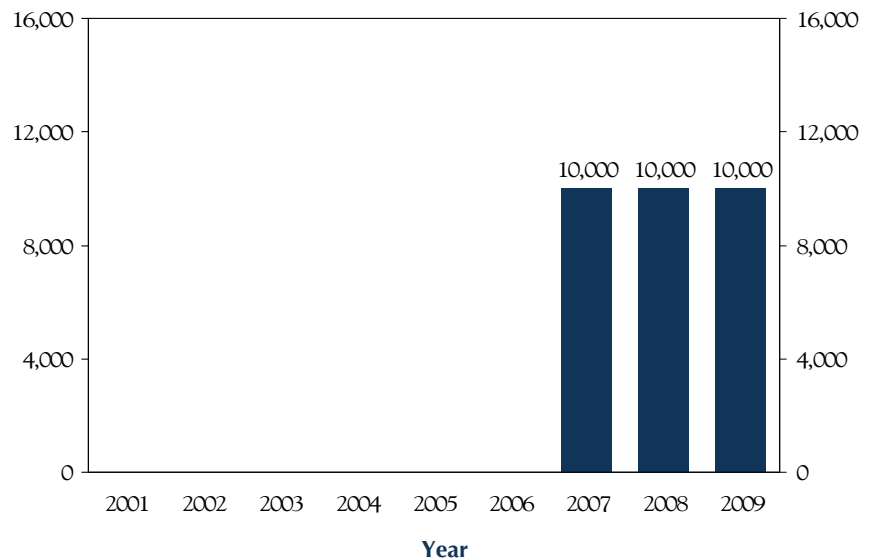
PARTICIPATING ANNUITY 2007 - 2009



Basic Annuity

The assets supporting this annuity are invested entirely in fixed-income securities that overall have high quality ratings. Given that most of these securities pay a fixed amount of interest, it is expected that these securities will produce an average investment return that is close to the 4% return assumption built into the base level of annuity benefits. For this reason, it is not expected that the benefit will be adjusted to increase or decrease in the near-term future. However, if interest rates rise or fall significantly above or below the 4% earnings assumption, there is always a possibility that the benefit could change. Benefit payments have remained the same over the last three years, unchanged since January 1, 2007 and will remain unchanged in 2010.

BASIC ANNUITY 2007 - 2009

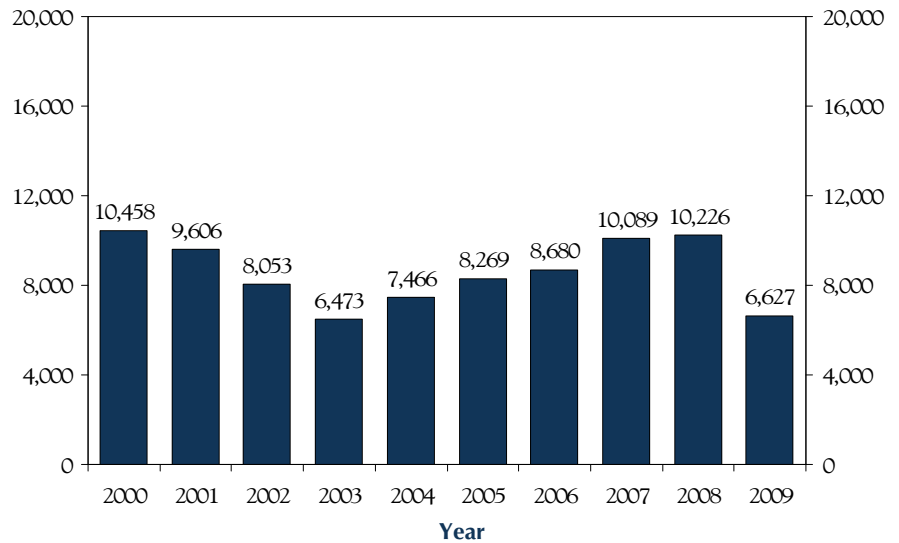


Equity Benefit Annuity

(Closed to new investment since April 1, 2006)

Payments from this annuity are supported 100% by equity securities and fluctuate with the movement in equities with a three-month lag. Payments are adjusted twice a year, effective April 1 and October 1, and incorporate the 4% annual growth assumption that is built into the level of a member's initial annuity payment. Payments on this annuity in 2009 decreased 35.2% from benefits received in 2008, reflecting the sharp decline in equity values in 2008 and continued weak performance in the first part of 2009. Given the historically weak performance of equities over the last 10 years and the severe downturn in the financial crisis, an initial \$10,000 benefit payment in 2000 would have increased above the initial level in only 3 of the last 10 years. Benefit payments on this annuity will increase 18.87% on April 1, 2010, reflecting improvement in the equity markets in 2009.

EQUITY BENEFIT ANNUITY 2000 - 2009
(CLOSED TO NEW INVESTMENT)

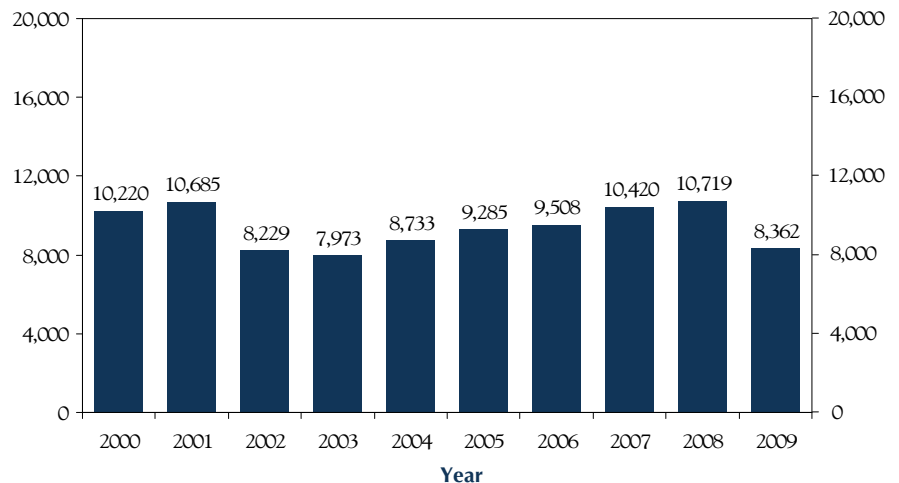


Balanced Benefit Annuity

(Closed to new investment since April 1, 2006)

Payments from this annuity are supported by investments in fixed-income and equity securities and fluctuate with movements in equity and fixed-income markets with a three-month lag. Payments are adjusted twice a year, effective April 1 and October 1 and incorporate the 4% annual growth assumption that is built into the level of a member's initial annuity payment. Payments on this annuity declined 22% from benefits received in 2008, reflecting the sharp decline in equity values in 2008 and early 2009. An initial \$10,000 benefit payment in 2000 would have increased above the initial level in 4 of the last 10 years, reflecting the subpar performance of equities in the last decade. Benefit payments on this annuity will increase 13.57% on April 1, 2010, reflecting improvement in the equity markets in 2009.

BALANCED BENEFIT ANNUITY 2000 - 2009
(CLOSED TO NEW INVESTMENT)



Selected Data

The table below highlights important aspects of The Pension Boards–United Church of Christ’s stewardship obligations.
For comparison purposes, data has been provided for the years ending December 31, 2009, 2008 and 1999.

<i>Dollar amounts in thousands except for member counts and average compensation.</i>	2009	2008	1999	Percent Change 2009-2008	Percent Change 2009-1999
Total Assets	\$ 2,844,908	\$ 2,502,754	\$ 2,527,648	13.7%	12.6%
Net Assets	\$ 2,684,515	\$ 2,398,092	\$ 2,500,993	11.9%	6.8%
Retiree Data					
Net Assets of Present Annuitants	\$ 1,320,076	\$ 1,232,363	\$ 1,131,966	7.1%	16.6%
Benefits Paid	\$ 116,017	\$ 129,974	\$ 90,196	-10.7%	28.6%
Number of Annuitants	9,423	9,332	7,592	1.0%	24.1%
Pre-Retiree Data					
Net Assets of Accumulation Members	\$ 1,173,236	\$ 1,000,078	\$ 1,305,109	17.3%	-10.1%
Number of Active Members	5,712	5,822	7,010	-1.9%	-18.5%
Number of Inactive Members	6,355	6,299	5,056	0.9%	25.7%
Ministerial Assistance and Supplementation Data					
Emergency and Regular Grants	\$ 1,736	\$ 878	\$ 566	97.7%	206.7%
Christmas Gift Checks	\$ 204	\$ 306	\$ 162	-33.3%	25.9%
Supplementation of Small Annuity Grants	\$ 1,795	\$ 1,850	\$ 1,008	-3.0%	78.1%
Health Supplementation Grants	\$ 650	\$ 600	\$ 406	8.3%	60.1%
Benefit Services Data					
<i>Health Benefits:</i>					
Health Benefits Paid to Non-Medicare Members	\$ 31,136	\$ 21,408	\$ 24,946	45.4%	24.8%
Health Benefits Paid to Medicare Members	\$ 4,431	\$ 3,673	\$ 3,402	20.6%	30.2%
Pharmacy Benefits Paid	\$ 15,722	\$ 12,577	\$ 5,664	25.0%	177.6%
Number of Non-Medicare Members	3,180	4,637	4,284	-31.4%	-25.8%
Number of Medicare Members	2,496	2,528	2,110	-1.3%	18.3%
Number of Claims	188,391	217,179	*Note 1	-13.3%	N/A
<i>Dental Benefits:</i>					
Dental Benefits Paid	\$ 2,688	\$ 2,505	\$ 2,281	7.3%	17.8%
Number of Dental Members	6,293	6,309	5,064	-0.3%	24.3%
Number of Claims	40,893	40,048	*Note 1	2.1%	N/A
<i>Life Insurance and Disability Income Plan:</i>					
Total Insurance Coverage	\$ 157,839	\$ 160,525	\$ 160,000	-1.7%	-1.4%
Life Insurance Benefits Paid	\$ 749	\$ 816	\$ 228	-8.2%	228.5%
Number of Plan Members	5,171	5,233	5,114	-1.2%	1.1%
<i>Long-Term Disability:</i>					
Benefits Paid	\$ 657	\$ 805	\$ 815	-18.4%	-19.4%
Members Receiving Benefits	52	52	58	0.0%	-10.3%
<i>Short-Term Disability:</i>					
Benefits Paid	\$ 90	\$ 114	*Note 1	-21.1%	N/A
Members Receiving Benefits	22	25	*Note 1	-12.0%	N/A
Clergy Compensation					
Average Annual Compensation of Male Clergy	\$ 56,066	\$ 55,484	*Note 1	1.0%	N/A
Average Annual Compensation of Female Clergy	\$ 48,083	\$ 46,890	*Note 1	2.5%	N/A
Percentage of Male Clergy Receiving Dues at 14% of Salary Basis	90.0%	90.0%	*Note 1	0.0%	N/A
Percentage of Female Clergy Receiving Dues at 14% of Salary Basis	87.0%	87.0%	*Note 1	0.0%	N/A

***Note 1: Not Available**

2009 Gifts and Legacies

\$50,000 - Over

Joseph E. and Mary Roy Trusts

\$10,000 - \$25,000

Edith H. Fobes Trust
The First United Church of Christ Evangelical & Reformed of Pomeroy, Iowa
Howard P. Dallas Trust
John A. Beard Trust

\$5,000 - \$10,000

Helen J. Busiel Trust
Lena Thompson Trust
Robert A. Roberts Family Trust

Up to \$5,000

Anonymous Donor (5)
The Pittsburgh Foundation Grant from C.H. Snyder Fund
Elva Marsh Webner Irrevocable Trust
Gilman L. Parker Trust
The Reverend Dr. George A. Ehrgood & Sue M. Griffith Ehrgood Charitable Trust

“The financial help I received has given me a lift, not only physically but more so emotionally. I realized that the church I have served for all of these years has not abandoned me. Thank you. God is good all of the time.”

“How fortunate I am to be a recipient of a gift from the Christmas Fund. This check will allow me to visit my 96-year old sister. She is looking forward to me being with her for the holidays.”

“It is a blessing to know I worked [for]
an organization that cares.”

“We are deeply grateful to the United Church of Christ for these generous ministerial emergency gifts. They will truly help us as we are seeking to help our son receive the necessary and vital health treatment that he needs. And, in turn, hopefully bring new health and recovery to our family!”

“. . . My family is one that has been affected by the downtrend in [the] economy; my husband was laid-off. Hence, your kindness in letting me know that you care meant so much more to me. Thank you very much for your kind words, your empathy and a most generous and unexpected gift.”

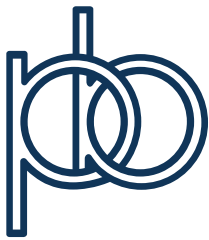
“A million thanks to you and the United Church Board for Ministerial Assistance for your generosity and passionate assistance to humanity during this time of heavy economic burden on seniors and those of low income. I am 82 years [old] and lost my entire home and contents to Katrina. I have recently moved back in my home and am now facing this new crisis.”

“How gracious, how discerning, how pro-active that the UCBMA stepped forward in faith to share this abundance rather than wait for desperate appeals or hugging it closer in hard financial times. It is hard for servants to ask for help and it is a special blessing when a gift comes as such sheer grace.”

“Comforting. Unexpected. Helpful. Grateful. Blessing. Needed. Words, too often, seem inadequate to express our heart-felt appreciation for the gift we recently received.”

2009

Financial Statements



The Pension Boards–United Church of Christ, Inc.

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Report of Management

Responsibility for the integrity and objectivity of the financial information presented in this Annual Report resides with the management of The Pension Boards–United Church of Christ, Inc. (the “Pension Boards”). The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, applying certain estimates and judgments as required.

The 20-member Board of Trustees, all of whom are independent of the Pension Boards’ internal management, oversees the financial statements through its Audit Committee. The Audit Committee is responsible for recommending to the Board of Trustees the appointment of independent public accountants and for approving their compensation.

The Pension Boards’ financial statements have been audited by Ernst & Young LLP, independent public accountants, whose report appears on Page 15. The independent auditors, engaged to express an opinion on the financial statements, meet periodically with, and have been given free access to the Audit Committee, without management present, to discuss internal controls, auditing and financial reporting matters.

The Pension Boards’ system of internal control plays an important role in meeting its responsibilities for reliable financial statements. It is designed to provide reasonable assurance that assets are safeguarded and that transactions are properly recorded and executed in accordance with management’s authorization. The control environment is enhanced by the selection and training of competent personnel; the retention of an independent, internal auditor; maintaining and reinforcing the highest standards of conduct by employees in carrying out the Pension Boards’ affairs (including providing employees with the ability to anonymously report concerns under a Whistleblower Policy); organizational arrangements that provide for segregation of duties and delegation of authority; and, the communication of accounting and operating policies and procedures to employees.

In the event of unforeseen irregularities or errors, management believes the Pension Boards’ internal accounting control system provides reasonable assurance that errors or irregularities that could be material to the financial statements are prevented or would be detected on a timely basis and corrected in the normal course of business.

Michael A. Downs
President/Chief Executive Officer

Maxine Seifert
Chief Financial Officer/Treasurer

April 8, 2010



Ernst & Young LLP
5 Times Square
New York, New York 10036-6530
Tel: 212 773 3000

Report of Independent Auditors

To the Board of Trustees of The Pension Boards-United Church of Christ, Inc.

We have audited the accompanying combined statements of net assets of The Pension Boards-United Church of Christ, Inc. (the "Pension Boards") as of December 31, 2009 and 2008, and the related combined statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Pension Boards' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of Pension Boards' internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pension Boards' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined net assets of the Pension Boards as of December 31, 2009 and 2008, and the combined changes in their net assets and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedules are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in our audits of the financial statements and, accordingly, we express no opinion on it.

Ernst & Young LLP

April 8, 2010

THE PENSION BOARDS—UNITED CHURCH OF CHRIST, INC.**COMBINED STATEMENTS OF NET ASSETS**

(Dollars in Thousands)

	<u>December 31, 2009</u>	<u>December 31, 2008</u>
ASSETS		
Cash	\$ 2,944	\$ 2,131
Investments	2,673,458	2,393,847
Securities Lending Collateral	147,010	90,306
Accrued Investment Income Receivable	13,092	11,003
Due from Brokers for Securities Sales	5,138	2,105
Other Assets	3,266	3,362
TOTAL ASSETS	<u>2,844,908</u>	<u>2,502,754</u>
LIABILITIES		
Cash Overdraft	1,103	1,707
Payables under Securities Lending Agreements	147,010	90,306
Due to Brokers for Securities Sales	1,721	2,935
Health Benefits Payable	3,925	4,032
Deferred Income	4,096	3,882
Other Liabilities	2,538	1,800
TOTAL LIABILITIES	<u>160,393</u>	<u>104,662</u>
NET ASSETS	<u>\$ 2,684,515</u>	<u>\$ 2,398,092</u>
NET ASSETS BY FUND		
UNRESTRICTED NET ASSETS:		
Annuitant Fund	\$ 1,320,076	\$ 1,232,363
Accumulation Fund	1,173,236	1,000,078
Benefit Services Fund	90,067	75,648
Ministerial Assistance Fund	43,023	37,808
Operating Fund	9,761	9,844
Total Unrestricted Net Assets	<u>2,636,163</u>	<u>2,355,741</u>
TEMPORARILY RESTRICTED NET ASSETS:		
Ministerial Assistance Fund	2,957	2,195
Operating Fund	477	195
Total Temporarily Restricted Net Assets	<u>3,434</u>	<u>2,390</u>
PERMANENTLY RESTRICTED NET ASSETS:		
Ministerial Assistance Fund Endowments	4,697	4,647
Operating Fund Endowments	40,221	35,314
Total Permanently Restricted Net Assets	<u>44,918</u>	<u>39,961</u>
TOTAL NET ASSETS	<u>\$ 2,684,515</u>	<u>\$ 2,398,092</u>

See notes to Combined Financial Statements.

THE PENSION BOARDS—UNITED CHURCH OF CHRIST, INC.
COMBINED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2009 and 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from members and employers for pension plan	\$ 40,464	\$ 41,247
Cash received from members and employers for health services premiums	63,284	57,846
Cash received from Our Church's Wider Mission	558	538
Cash received from Christmas Fund appeal	1,504	1,621
Cash received from contributors	139	460
Cash received from income on investments	68,055	77,464
Miscellaneous receipts	540	539
Payments made to annuitants, members and beneficiaries from the pension plan	(116,039)	(129,967)
Payments made to participants and providers from the health services claims and costs	(56,061)	(51,291)
Cash paid to employees, suppliers and providers of services	(22,842)	(23,167)
Grants disbursed	(1,940)	(1,185)
Net cash used in operating activities	<u>(22,338)</u>	<u>(25,895)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	2,982,761	4,553,116
Purchase of investments	(2,958,970)	(4,529,133)
Purchase of equipment	(36)	(420)
Net cash provided by investing activities	<u>23,755</u>	<u>23,563</u>
NET INCREASE (DECREASE) IN CASH	1,417	(2,332)
NET CASH, BEGINNING OF YEAR	424	2,756
NET CASH, END OF YEAR	<u>\$ 1,841</u>	<u>\$ 424</u>
COMPOSITION OF NET CASH, END OF YEAR		
Cash	\$ 2,944	\$ 2,131
Cash overdraft	(1,103)	(1,707)
NET CASH, END OF YEAR	<u>\$ 1,841</u>	<u>\$ 424</u>

Continued

See notes to Combined Financial Statements.

THE PENSION BOARDS—UNITED CHURCH OF CHRIST, INC.
COMBINED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2009 and 2008

(Continued)

	<u>2009</u>	<u>2008</u>
RECONCILIATION OF INCREASE (DECREASE) IN NET ASSETS TO NET CASH USED IN OPERATING ACTIVITIES:		
Increase (Decrease) in net assets	\$ 286,423	\$ (656,694)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Depreciation and amortization	647	931
Net investment (gains) losses	(290,681)	657,515
Accretion of discount on investments	(12,671)	(10,852)
Income reinvested	(4,297)	(18,189)
(Increase) Decrease in accrued investment income receivable	(2,089)	1,267
(Increase) in other assets	(515)	(108)
Increase (Decrease) in health and dental benefits payable	(107)	812
Increase in deferred income	214	197
Increase (Decrease) in other liabilities	738	(774)
Net cash used in operating activities	<u>\$ (22,338)</u>	<u>\$ (25,895)</u>

See notes to Combined Financial Statements.

THE PENSION BOARDS—UNITED CHURCH OF CHRIST, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

Years Ended December 31, 2009 and 2008

1. ORGANIZATION

The Pension Boards—United Church of Christ, Inc. (the “Pension Boards”), an Affiliated Ministry of the United Church of Christ (“UCC”), provides retirement, disability, life insurance, medical, dental and vision benefits for clergy and lay employees of the UCC, its predecessor religious denominations and of UCC-related organizations, through the administration of retirement and other benefit plans. As an Affiliated Ministry of the UCC, the Pension Boards is able to serve all other ministries of the UCC. The Pension Boards also acts as the investment-holding corporation and manages investments in commingled pools of common investment types.

United Church Board for Ministerial Assistance, Inc. (“Ministerial Assistance”) holds, manages and distributes funds for the assistance and relief of ministers of the UCC, Congregational Christian ministers who have not elected to become ministers of the UCC, and the families of any such ministers. Ministerial Assistance maintains The Christmas Fund for the Veterans of the Cross and the Emergency Fund to receive contributions from an annual church-wide appeal. These contributions help provide pension and health premium supplementation to lower-income retired church workers, emergency assistance to clergy families in need and Christmas checks to lower-income annuitants.

The Pension Boards, a New Jersey nonprofit corporation, and Ministerial Assistance, a Connecticut nonstock (nonprofit) corporation, are private organizations exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (“Code”).

2. RETIREMENT PLAN

The Pension Boards is the plan sponsor of the Annuity Plan for the UCC, as amended, (the “Annuity Plan”), which is a defined contribution plan and is a tax-exempt retirement income account program described in section 403(b)(9) of the Code. The Annuity Plan is a Church Plan within the meaning of Code section 414(e) and is not subject to the Employee Retirement Income Security Act of 1974 (“ERISA”). The Pension Boards is the Trustee of the Annuity Fund Trust (the “Trust”), which was established to hold in trust money and other property of the Annuity Plan on behalf of and for the benefit of members and beneficiaries of the Annuity Plan.

Accumulation Fund

The Pension Boards maintains a separate account or accounts for each member. Member and employer contributions are credited to members’ accounts and are invested according to instructions received from members. Contributions may be allocated by members, in five percent increments, among any or all of the following investment funds: the Pension Boards Stable Value Fund, the Pension Boards Bond Fund, the Pension Boards Equity Fund, the Pension Boards Balanced Fund and four Pension Boards Target Annuitization Date Funds. Investment results are credited or charged to members’ accounts in accordance with provisions of the Annuity Plan. With prior written notice, members may change their allocation of current account balances and future contributions effective the first day of the following month. The accounts of active and inactive members who are not yet retired are included in the Accumulation Fund.

Annuitant Fund

Reserves for Annuitants, which contain funds designated to provide for annuity payments to annuitant members, are included in the Annuitant Fund. Upon retirement, all or a portion of the value of a member’s individual accumulation account in the Annuity Plan is transferred to Reserves for Annuitants and is used to fund actuarially determined monthly benefit payments of a variable amount. Members may choose among various annuity options, all of which provide a lifetime income for members and all but one which makes provision for beneficiaries named by the members. Monthly retirement income is determined based upon the age of the member (and that of a Joint Annuitant, if applicable), the amount of assets in a member’s accumulation account and the form in which the benefit will be paid (for example, Single Life Annuity, or Joint and Survivor Annuity), using an assumed investment rate of return of 4% per year. Retirees may elect to receive either a Basic or Participating Annuity. The Basic Annuity has supporting investments in fixed-income securities. The Participating Annuity has supporting investments comprised of both fixed-income and equity securities with a target allocation of 60% to equities and 40% to fixed-income securities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The accounts of the Pension Boards are maintained in accordance with the principles of fund accounting. Under these principles, resources are classified into funds according to their nature and purpose. In addition to the Accumulation and Annuitant Funds described in Note 2, the financial statements include Benefit Services, Ministerial Assistance and Operating Funds. The Benefit Services Fund includes net assets and activities relating to medical, dental, vision, disability and life insurance plans. Self-insured short-term disability, medical, dental and vision plans are administered by a third-party administrator. The Pension Boards also offers members a life insurance and long-term disability income benefit plan, which is underwritten by an independent commercial insurance carrier. The Operating Fund includes net asset and activities relating to the administrative functions of the Pension Boards.

Basis of Accounting

The accompanying combined, accrual basis, comparative financial statements include the assets, liabilities, activities and cash flows of the Pension Boards and Ministerial Assistance as if they were legally combined into one entity. All inter-corporate balances have been eliminated in the combination.

Reclassification

Certain information from the prior year financial statements has been reclassified to conform to the current year presentation format.

Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncements

In July 2009, the Financial Accounting Standards Board (“FASB”) launched the FASB Accounting Standards Codification (the “Codification”) as the single source of GAAP. While the Codification did not change GAAP, it introduced a new structure to the accounting literature and changed references to accounting standards and other authoritative accounting guidance. The Codification was effective for 2009 and did not have an effect on the accompanying combined financial statements.

In May 2009, the FASB issued amended accounting principles related to subsequent events, which set forth: 1) the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements; 2) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements; and 3) the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. This amendment is effective for annual periods ending after June 15, 2009 and the Pension Boards adopted this amendment in the year ended December 31, 2009. The Pension Boards has evaluated events and transactions occurring between January 1, 2010 and April 8, 2010, which is the date the financial statements were available to be issued, for disclosure and recognition in the financial statements. These amended accounting principles did not impact the Pension Board’s accompanying combined financial statements.

Investments

Investments under management are commingled and held by the Pension Boards’ custodial bank pursuant to a Master Custody Agreement. The Investment Committee of the Board of Trustees is responsible for supervising the Pension Board’s investment program.

Investment transactions are accounted for on the date the securities are purchased or sold, which is the trade date. A corresponding payable to or receivable from the transaction counterparty is recorded until cash and securities are exchanged on the settlement date. Dividend income is recorded on the ex-dividend date. Interest income is accrued as earned. Realized gain or loss represents the difference between the proceeds received on a sale of a security and its historical cost. Unrealized appreciation or depreciation is the difference between the market value of a security and its historical cost.

Investments are reported at fair value. The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (the exit price). Securities traded in active markets on national and international securities exchanges are valued at closing prices on the last

business day of each year presented. Securities traded in markets that are not considered active are valued based on quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency. Securities that trade infrequently and therefore have little or no price transparency are valued using management's best estimates.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, liquidity and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the Combined Statements of Net Assets.

The Statement of Investment Policy of the Pension Boards establishes guidelines relating to permissible investments and to diversification, liquidity, duration, concentration and quality of investments. Pension Boards staff monitors adherence to the policy and guidelines by investment managers.

Cash Overdraft

The Pension Boards maintains a zero balance checking account. As checks are written, they are recorded as disbursements in the financial statements. Checks are funded as presented to the bank for payment.

Revenue Recognition

Employer and member retirement contributions and benefit services premiums are recorded when received. Benefit Services premiums that are paid prior to the insured period are shown as deferred income on the accompanying Statements of Net Assets.

Donations are recognized as revenue in the year in which the unconditional promise to give is received.

4. NET ASSETS

Net Assets are classified as unrestricted, temporarily restricted and permanently restricted. Accordingly, net assets and changes herein are classified and reported as follows:

Unrestricted net assets

Net assets that are not subject to donor-imposed stipulations or the donor-imposed restrictions have expired. Unrestricted net assets of the Annuitant Fund and the Accumulation Fund are funds associated with providing retirement benefits for present annuitants and active and inactive members who are not retired, respectively. Unrestricted net assets of Ministerial Assistance are Board-designated funds functioning as endowments (see Note 8). Unrestricted net assets of the Operating Fund as of December 31, 2009 include the following: Board-designated funds functioning as endowments of \$2.5 million, Funds designated for long-term capital expenditures of \$1.3 million, Funds designated for supplementing small annuities of \$5.8 million and other funds of \$.2 million.

Temporarily restricted net assets

Net assets that are subject to donor-imposed restrictions either for use during a specified time period or for a particular purpose. When a donor-imposed restriction is fulfilled or when a time restriction ends, temporarily restricted net assets are reclassified to unrestricted net assets.

Permanently restricted net assets

Net assets that are subject to permanent, donor-imposed restrictions.

5. INVESTMENTS

At December 31, 2009 and 2008 investments were as follows:
(Dollars in Thousands)

	<u>2009</u>	<u>2008</u>
STABLE VALUE INVESTMENTS		
Short-term investments	\$ 52,861	\$ 37,710
Guaranteed investment contracts	1,893	3,541
Fixed maturity synthetic guaranteed investment contracts	29,560	46,307
Constant duration synthetic guaranteed investment contracts	103,772	94,620
TOTAL STABLE VALUE INVESTMENTS	<u>188,086</u>	<u>182,178</u>
SHORT-TERM INVESTMENTS		
Short-term investments	76,228	170,384
TOTAL SHORT-TERM INVESTMENTS	<u>76,228</u>	<u>170,384</u>
FIXED-INCOME INVESTMENTS		
Corporate bonds	681,396	615,137
US Government Notes & Bonds	383,578	328,451
Mortgage-backed securities	33,144	46,039
TOTAL FIXED-INCOME INVESTMENTS	<u>1,098,118</u>	<u>989,627</u>
EQUITY INVESTMENTS		
Common Stock and equivalents	1,014,861	819,004
Equity mutual funds	247,863	192,133
TOTAL EQUITY INVESTMENTS	<u>1,262,724</u>	<u>1,011,137</u>
OTHER INVESTMENTS		
Participation in the Moderate Balanced Fund of United Church Funds, Inc.	39,919	35,014
Private Equity	7,842	5,378
Other	541	129
TOTAL OTHER INVESTMENTS	<u>48,302</u>	<u>40,521</u>
TOTAL INVESTMENTS	<u>\$ 2,673,458</u>	<u>\$ 2,393,847</u>

Stable Value

At December 31, 2009 and 2008, the portfolio included short-term investments and guaranteed investment contracts (“GICs”) which are accounted for at fair value. GICs issued by one insurance company rated “A+” by Standard & Poors (“S&P”) represent approximately 1% and 2% of the Fund at December 31, 2009 and 2008, respectively. The Pension Boards has contracted for fully-benefit-responsive wrap agreements that permit members to make routine withdrawals and transfers as permitted by the Annuity Plan, at a stable unit value of \$1.00. Fixed maturity synthetic GICs, representing about 16% and 25% of the Stable Value portfolio at December 31, 2009 and 2008, respectively, include an underlying fixed-income security portfolio of mortgage-backed and asset-backed securities and a book value, fully-benefit-responsive wrap. They were issued by three major money center banks and one foreign investment bank, each rated “AAA” by S&P. Constant duration synthetic GICs, representing about 55% and 52% of the Stable Value portfolio at December 31, 2009 and 2008, respectively, are investments which include an underlying fixed-income security portfolio of corporate bonds, U.S. government notes, U.S. government agency bonds, commercial mortgage-backed securities and a book value, fully-benefit-responsive wrap. The same four banks provided these wrap contracts. For 2009 and 2008, the average yield of the portfolio was 3.72% and 4.25%, respectively, while the annualized crediting interest rates at December 31, 2009 and 2008 were 3.76% and 3.98%, respectively. Crediting rates are set monthly and are not less than zero.

Short-Term Investments

Short-Term Investments consists of institutional money market funds.

Fixed-Income Investments

Fixed-Income Investments include corporate bonds, U.S. government notes and bonds, U.S. government agency bonds, U.S. government agency mortgage-backed securities and commercial mortgage-backed securities.

Equity Investments

Common Stock includes domestic and international issues diversified among investment managers who emphasize various investment styles. At December 31, 2009 and 2008, common stock included approximately 12.0% and 10.9% respectively, in foreign securities. Investment in foreign securities adds certain risks related to the currency of the foreign markets in which the securities are issued. Those investments with currency risk are spread over 18 and 12 different foreign countries at December 31, 2009 and 2008, respectively, with 11 and 9 denomination currencies at December 31, 2009 and 2008, respectively. At December 31, 2009 and 2008, foreign investments include securities purchased in the currencies of industrialized nations (95.0% and 95.5%, respectively) and in U.S. dollars (5.0% and 4.5%, respectively).

Equity mutual funds include DFA U.S. Small Cap Value Portfolio, DFA Emerging Markets Value Portfolio and Dodge & Cox International Stock Fund.

Other Investments

Other Investments include participation in the UCF Moderate Balanced Fund of United Church Funds, Inc. (“UCF”), an Associated Ministry of the UCC, and two limited partnership interests, one of which is a private equity investment subject to redemption restrictions at December 31, 2009 and 2008. At December 31, 2009, the Pension Boards had unfunded capital commitments to a limited partnership in the amount of \$9.5 million.

The Pension Boards is the income beneficiary of the Pilgrim Memorial Fund (“PMF”), an endowment fund held in perpetual trust by UCF. Under the terms of the endowment, income calculated at five percent (5%) of the five-year moving average of PMF as of the previous September 30 is distributed quarterly by UCF to the Pension Boards. In accordance with GAAP, the interest in the PMF endowment fund is included in Investments in the Combined Statements of Net Assets and is valued based on the fair market value of the investments held in the UCF Moderate Balanced Fund. The Combined Statements of Activities includes income transferred from PMF of \$2.2 million and \$2.1 million in 2009 and 2008, respectively, classified as Investment Income and the change in the Pension Boards’ interest in the PMF endowment fund of \$4.6 million and \$(13.5) million, respectively, classified as Realized and unrealized investments gains (losses).

Net investment gains (losses) include realized (losses) on investment sales and the change in unrealized appreciation (depreciation) on investments held at year-end. The net amounts are comprised of the following:

(Dollars in Thousands)	2009	2008
Realized (losses) on investment sales	\$ (115,481)	\$ (145,607)
Unrealized appreciation (depreciation) on investments	406,162	(511,908)
Net Investment Gains (Losses)	\$ 290,681	\$ (657,515)

6. FAIR VALUE MEASUREMENTS

Fair Value Hierarchy

All financial instruments that are measured and reported on a fair value basis are classified according to a fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. The three levels of fair value hierarchy are:

- Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities.
- Level 2: Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly.
- Level 3: Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

A review of fair value hierarchy classifications is conducted annually. Changes in the observability of valuation inputs may result in a reclassification for certain financial assets or liabilities. Reclassifications impacting Level 3 of the fair value hierarchy are reported as transfers in/out of the Level 3 category as of the beginning of the period in which the reclassifications occur.

The following tables set forth by level within the fair value hierarchy investment assets and liabilities as of December 31, 2009 and 2008 and changes in fair value of the Pension Boards' Level 3 investments during the years ended December 31, 2009 and 2008:

FAIR VALUE MEASUREMENTS ON A RECURRING BASIS
AS OF DECEMBER 31, 2009

(Dollars in Thousands)	Total	Quoted market prices in active markets for identical assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
STABLE VALUE INVESTMENTS				
Short-Term Investments	\$ 52,861	\$ 52,861	-	-
Guaranteed Investment Contracts	1,893	-	1,893	-
Fixed Maturity Synthetic Guaranteed Investment Contracts	29,560	-	29,560	-
Constant Duration Synthetic Guaranteed Investment Contracts	103,772	-	103,772	-
TOTAL STABLE VALUE INVESTMENTS	188,086	52,861	135,225	-
SHORT-TERM INVESTMENTS				
Short-Term Investments	76,228	76,228	-	-
TOTAL SHORT-TERM INVESTMENTS	76,228	76,228	-	-
FIXED-INCOME INVESTMENTS				
Corporate Bonds	681,396	-	681,396	-
US Government Notes & Bonds	383,578	383,578	-	-
Mortgage-backed Securities	33,144	-	33,144	-
TOTAL FIXED-INCOME INVESTMENTS	1,098,118	383,578	714,540	-
EQUITY INVESTMENTS				
Common Stock	1,014,861	1,014,861	-	-
Equity Mutual Funds	247,863	247,863	-	-
TOTAL EQUITY INVESTMENTS	1,262,724	1,262,724	-	-
OTHER INVESTMENTS				
Participation in the UCF Moderate Balanced Fund of United Church Funds, Inc.	39,919	-	-	39,919
Private Equity	7,842	-	-	7,842
Other	541	-	-	541
TOTAL OTHER INVESTMENTS	48,302	-	-	48,302
TOTAL INVESTMENTS	\$ 2,673,458	\$ 1,775,391	\$ 849,765	\$ 48,302
Invested collateral under security lending agreements	\$ 147,010	\$ 147,010	-	-

CHANGES IN LEVEL 3 INVESTMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

(Dollars in Thousands)	Beginning Balance	Net purchases, sales, issuances and settlements	Unrealized Gain(Loss)	Ending Balance
OTHER INVESTMENTS				
Participation in the UCF Moderate Balanced Fund of United Church Funds, Inc.	\$ 35,014	\$ 18	\$ 4,887	\$ 39,919
Private Equity	5,378	-	2,464	7,842
Other	129	412	-	541
TOTAL OTHER INVESTMENTS	\$ 40,521	\$ 430	\$ 7,351	\$ 48,302

FAIR VALUE MEASUREMENTS ON A RECURRING BASIS
AS OF DECEMBER 31, 2008

(Dollars in Thousands)	Total	Quoted market prices in active markets for identical assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
STABLE VALUE INVESTMENTS				
Short-Term Investments	\$ 37,710	\$ 37,710	\$ -	\$ -
Guaranteed Investment Contracts	3,541	-	3,541	-
Fixed Maturity Synthetic Guaranteed Investment Contracts	46,307	-	46,307	-
Constant Duration Synthetic Guaranteed Investment Contracts	94,620	-	94,620	-
TOTAL STABLE VALUE INVESTMENTS	182,178	37,710	144,468	-
SHORT-TERM INVESTMENTS				
Short-Term Investments	170,384	170,384	-	-
TOTAL SHORT-TERM INVESTMENTS	170,384	170,384	-	-
FIXED-INCOME INVESTMENTS				
Corporate Bonds	615,830	-	615,830	-
US Government Notes & Bonds	327,758	327,758	-	-
Mortgage-backed Securities	46,039	-	46,039	-
TOTAL FIXED-INCOME INVESTMENTS	989,627	327,758	661,869	-
EQUITY INVESTMENTS				
Common Stock	819,004	819,004	-	-
Equity Mutual Funds	192,133	192,133	-	-
TOTAL EQUITY INVESTMENTS	1,011,137	1,011,137	-	-
OTHER INVESTMENTS				
Participation in the UCF Moderate Balanced Fund of United Church Funds, Inc.	35,014	-	-	35,014
Private Equity	5,378	-	-	5,378
Other	129	-	-	129
TOTAL OTHER INVESTMENTS	40,521	-	-	40,521
TOTAL INVESTMENTS	\$ 2,393,847	\$ 1,546,989	\$ 806,337	\$ 40,521
Invested collateral under security lending agreements	\$ 90,306	\$ 89,403	\$ 903	\$ -

CHANGES IN LEVEL 3 INVESTMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

(Dollars in Thousands)	Beginning Balance	Net purchases, sales, issuances and settlements	Unrealized Gain(Loss)	Ending Balance
OTHER INVESTMENTS				
Participation in the UCF Moderate Balanced Fund of United Church Funds, Inc.	\$ 48,662	\$ 542	\$ (14,190)	\$ 35,014
Private Equity	-	6,000	(622)	5,378
Other	191	(62)	-	129
TOTAL OTHER INVESTMENTS	\$ 48,853	\$ 6,480	\$ (14,812)	\$ 40,521

7. SECURITIES LENDING PROGRAM

The Pension Boards participates in a securities lending program with various brokers and dealers in securities through its custodian bank. The Statement of Investment Policy of the Pension Boards includes policies and guidelines relating to securities lending, including guidelines for the reinvestment of cash collateral in a separately managed portfolio with an average maturity not to exceed 45 days. It is the Pension Boards' policy to hold, as collateral, cash in amounts at least equal to or greater than 102% or 105% of the market value of each U.S. and non-U.S. security loaned, respectively, until the loaned security is returned. The market value of securities under loan at December 31, 2009 and 2008 was approximately \$142 million and \$88 million, respectively. At December 31, 2009, securities on loan consisted of U.S. Treasury bonds, U.S. government agency bonds, corporate bonds and equities. The Pension Boards held collateral against the loaned securities of approximately \$147.0 million and \$90.3 million at each year-end. Collateral obligations are classified as payables under securities loan agreements in the accompanying Combined Statements of Net Assets.

8. ENDOWMENTS

Endowments include both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Endowment funds are administered in accordance with the laws of the state in which the corporations are incorporated and are accounted for in accordance with applicable generally accepted accounting principles.

Board designated funds functioning as endowments include the original principal amounts of gifts and legacies received which have no donor-imposed restrictions on their use and related accumulated gains and losses and income. These funds, which can be used for the general purpose of the corporation to which they were donated, are classified as unrestricted net assets.

Donor-restricted endowment funds are classified as restricted net assets. Permanently restricted endowment funds include the Pension Boards' interest in the PMF endowment fund as described in Note 5 and receipts of gifts and legacies where the principal balance must be maintained in perpetuity. The original principal of permanently restricted gifts and legacies which has donor-imposed restrictions on income was \$2,352,808 at December 31, 2009 and \$2,055,670 at December 31, 2008. The original principal amount of permanently restricted gifts and legacies which has no donor-imposed restrictions on the use of income was \$3,245,371 at December 31, 2009 and \$3,230,815 at December 31, 2008. Accumulated gains and losses and interest income on permanently restricted gifts and legacies are classified as temporarily restricted net assets until appropriated for expenditure. Expenditures of \$517,129 in 2009 and \$560,371 in 2008 were transferred to unrestricted net assets.

During 2009 and 2008, permanently restricted endowments were invested in the Equity, Bond and Balanced Funds of the Pension Boards and in the Moderate Balanced Fund of United Church Funds.

In making a determination to appropriate or accumulate donor-restricted endowment funds, the following factors are taken into consideration: the duration and preservation of the fund, the purposes of the organization and the donor-restricted endowment fund, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation of investments, other resources and investment policies.

9. OTHER ASSETS AND OTHER LIABILITIES

	(Dollars in Thousands)	
	<u>December 31, 2009</u>	<u>December 31, 2008</u>
OTHER ASSETS		
Account Receivable	\$ 758	\$ 609
Receivable from affiliated entities and other funds	1,516	1,273
Prepaid expenses	337	214
Fixed assets	655	1,266
TOTAL OTHER ASSETS	<u>\$ 3,266</u>	<u>\$ 3,362</u>

Other liabilities includes Accounts Payable of \$2.4 million and \$1.7 million at December 31, 2009 and 2008, respectively and miscellaneous liabilities of \$.1 million at December 31, 2009 and 2008.

10. LEASE COMMITMENTS

The Pension Boards has entered into several non-cancelable operating leases for office space and equipment. At December 31, 2009, the aggregate future minimum payments for these commitments were as follows:

Year Ending	Amount (000's)
2010	\$ 687
2011	687
2012	683
2013	604
2014	352
	\$ 3,013

The annual lease amount for rent is subject to modification based upon actual operating costs of the building. The Pension Boards' rental expense for the years ended December 31, 2009 and 2008 was \$543,697 and \$532,949, respectively.

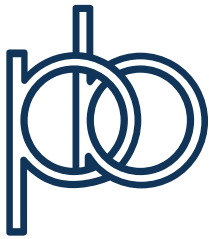
11. COMBINED ACTIVITIES BY FUND

The combined activities by fund for the year ended December 31, 2009 is as follows:

(Dollars in Thousands)	ANNUITANT FUND	ACCUMULATION FUND	BENEFIT SERVICES FUND	MINISTERIAL ASSISTANCE FUND	OPERATING FUND	TOTAL
ADDITIONS:						
Realized and unrealized investment gains (losses)	\$ 115,831	\$ 152,343	\$ 9,970	\$ 7,443	\$ 5,094	\$ 290,681
Investment income	44,691	35,817	4,108	1,531	2,333	88,480
Health Services premiums			63,258			63,258
Employer pension contributions		34,146				34,146
Member pension contributions		6,235				6,235
Christmas Fund appeal				1,504		1,504
Our Church's Wider Mission					509	509
Donations and Legacies				113	26	139
Interfund transfers	36,753	(42,979)		992	5,234	-
Other	257	235	25	18	7	542
TOTAL ADDITIONS	197,532	185,797	77,361	11,601	13,203	485,494
DEDUCTIONS:						
Pension payments to annuitants	106,180				1,224	107,404
Partial withdrawals and lump-sum payments		8,613				8,613
Health Services claims			55,941			55,941
Health Services costs			7,398			7,398
Retirement benefits administration and investment costs	3,639	4,026	253	189	8,668	16,775
Ministerial Assistance grants				1,940		1,940
Grants for supplementing small annuities			(650)	2,445	(1,795)	-
Ministerial assistance programs and administration costs				1,000		1,000
TOTAL DEDUCTIONS	109,819	12,639	62,942	5,574	8,097	199,071
INCREASE IN NET ASSETS	\$ 87,713	\$ 173,158	\$ 14,419	\$ 6,027	\$ 5,106	\$ 286,423
DECEMBER 31, 2008 NET ASSETS	1,232,363	1,000,078	75,648	44,650	45,353	2,398,092
INCREASE IN NET ASSETS	87,713	173,158	14,419	6,027	5,106	286,423
DECEMBER 31, 2009 NET ASSETS	\$ 1,320,076	\$ 1,173,236	\$ 90,067	\$ 50,677	\$ 50,459	\$ 2,684,515

The Pension Boards—United Church of Christ, Inc.

**Combined Statement of Activities by Fund
Year ended December 31, 2009
(Unaudited)**



I.	Annuitant Fund	31
II.	Accumulation Fund	32
III.	Benefit Services Fund	34

THE PENSION BOARDS—UNITED CHURCH OF CHRIST, INC.
ANNUITANT FUND STATEMENT OF ACTIVITIES (UNAUDITED)

Year Ended December 31, 2009

(Dollars in Thousands)

	BASIC FUND	PARTICIPATING FUND	BALANCED FUND	EQUITY FUND	TOTAL
ADDITIONS:					
Realized and unrealized investment gains (losses)	\$ (21,911)	\$ 97,425	\$ 14,965	\$ 25,352	\$ 115,831
Investment income	19,841	19,370	2,936	2,544	44,691
Interfund transfers	15,975	21,584	(275)	(531)	36,753
Other	80	135	23	19	257
TOTAL ADDITIONS	13,985	138,514	17,649	27,384	197,532
DEDUCTIONS:					
Pension payments to annuitants	27,976	58,861	6,590	12,753	106,180
Retirement benefits administration and investment costs	493	2,210	348	588	3,639
TOTAL DEDUCTIONS	28,469	61,071	6,938	13,341	109,819
INCREASE (DECREASE) IN NET ASSETS	\$ (14,484)	\$ 77,443	\$ 10,711	\$ 14,043	\$ 87,713
DECEMBER 31, 2008 NET ASSETS	434,428	587,505	84,304	126,126	1,232,363
INCREASE (DECREASE) IN NET ASSETS	(14,484)	77,443	10,711	14,043	87,713
DECEMBER 31, 2009 NET ASSETS	\$ 419,944	\$ 664,948	\$ 95,015	\$ 140,169	\$ 1,320,076

THE PENSION BOARDS—UNITED CHURCH OF CHRIST, INC.
ACCUMULATION FUND STATEMENT OF ACTIVITIES (UNAUDITED)

Year Ended December 31, 2009

(Dollars in Thousands)

	BALANCED FUND	EQUITY FUND	BOND FUND
ADDITIONS:			
Realized and unrealized investment gains (losses)	\$ 58,265	\$ 74,966	\$ 8,662
Investment income	12,209	6,776	7,366
Employer pension contributions	12,486	10,917	5,243
Member pension contributions	2,302	1,502	817
Interfund transfers	(26,429)	(16,967)	(3,134)
Other	101	42	70
TOTAL ADDITIONS	58,934	77,236	19,024
DEDUCTIONS:			
Partial withdrawals and lump-sum payments	2,935	1,503	989
Retirement benefits administration and investment costs	1,468	1,544	360
TOTAL DEDUCTIONS	4,403	3,047	1,349
INCREASE (DECREASE) IN NET ASSETS	\$ 54,531	\$ 74,189	\$ 17,675
DECEMBER 31, 2008 NET ASSETS	343,491	295,503	137,577
INCREASE (DECREASE) IN NET ASSETS	54,531	74,189	17,675
DECEMBER 31, 2009 NET ASSETS	\$ 398,022	\$ 369,692	\$ 155,252

STABLE VALUE FUND	TAD 2015 FUND	TAD 2020 FUND	TAD 2025 FUND	TAD 2030 FUND	TOTAL
\$ 2,762	\$ 3,273	\$ 2,411	\$ 1,123	\$ 881	\$ 152,343
7,505	1,088	522	208	143	35,817
3,081	723	650	462	584	34,146
813	283	312	150	56	6,235
(196)	1,937	804	582	424	(42,979)
8	7	4	2	1	235
13,973	7,311	4,703	2,527	2,089	185,797
3,167	10	8	1	-	8,613
451	96	60	27	20	4,026
3,618	106	68	28	20	12,639
\$ 10,355	\$ 7,205	\$ 4,635	\$ 2,499	\$ 2,069	\$ 173,158
178,009	24,208	12,865	4,968	3,457	1,000,078
10,355	7,205	4,635	2,499	2,069	173,158
\$ 188,364	\$ 31,413	\$ 17,500	\$ 7,467	\$ 5,526	\$ 1,173,236

THE PENSION BOARDS—UNITED CHURCH OF CHRIST, INC.
BENEFIT SERVICES FUND STATEMENT OF ACTIVITIES (UNAUDITED)

Year Ended December 31, 2009

(Dollars in Thousands)

	HEALTH BENEFITS	DENTAL BENEFITS	LIFE INSURANCE & DISABILITY	TOTAL
ADDITIONS:				
Health Services premiums	\$ 57,076	\$ 3,631	\$ 2,551	\$ 63,258
Realized and unrealized investment gains (losses)	7,617	157	2,196	9,970
Investment income	3,050	168	890	4,108
Other	15	2	8	25
TOTAL ADDITIONS	67,758	3,958	5,645	77,361
DEDUCTIONS:				
Health Services claims	51,289	2,688	1,964	55,941
Health Services costs	6,310	564	524	7,398
Retirement benefits administration and investment costs	179	13	61	253
Ministerial Assistance grants	(650)			(650)
TOTAL DEDUCTIONS	57,128	3,265	2,549	62,942
INCREASE (DECREASE) IN NET ASSETS	\$ 10,630	\$ 693	\$ 3,096	\$ 14,419
DECEMBER 31, 2008 NET ASSETS	53,446	3,234	18,968	75,648
INCREASE (DECREASE) IN NET ASSETS	10,630	693	3,096	14,419
DECEMBER 31, 2009 NET ASSETS	\$ 64,076	\$ 3,927	\$ 22,064	\$ 90,067

“Your check comes just weeks after my husband’s untimely death, the loss of his income and an array of unplanned expenses.”

“I am deeply grateful for this gift. It is one more way that God shows us He will take care of us. Thank you from the bottom of my heart.”

“Your timely gift arrived just after I lost my job of twenty years due to funding cuts. I can’t tell you how difficult this news was to hear, especially since my husband just had his hours cut back due to budget reductions. Your gift is very much appreciated.”

“Thank you for the emergency gift. This Christmas Fund gift will help me a great deal. I pray one day I can be a blessing to someone as you have been to me.”

“Thank you very much for this gift. [My husband] has Alzheimer’s and is now in a nursing facility. I am barely sliding by in an assisted living apartment so that I can be near him. I know my husband would join me, if he understood, in sending our thanks to all for this gift.”

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Chief Financial Officer/Treasurer

Catherine Waterworth
Chief Investment Officer

Pension Boards

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