

NEWS & VIEWS

Fall 2009

A Quarterly Update from the Pension Boards



In This Issue...

- Page 2: Message from the President/CEO
Tax Guide for Ministers
Notice to Annuitants
- Page 3: The Great Recession and the "New Normal"
Credit Card Companies – Responsible Lending
- Page 4: Important Information About Your UCC Medicare Supplement Plan
Ministerial Assistance



Pension Boards
United Church of Christ

475 Riverside Drive
Room 1020
New York, NY 10115
800.642.6543
www.pbucc.org

Christmas Fund

Our joy at Christmas is a response to God's promise of new life through the birth of Jesus. It is a joy we are called to share widely, through our witness and gifts, both to loved ones and to distant neighbors.

Remember the Veterans of the Cross Offering? We are pleased that the Executive Council of the United Church of Christ has allowed us to reclaim the traditional title for the Christmas Fund. Beginning this year, the Offering will again be known as The Christmas Fund for the Veterans of the Cross and the Emergency Fund.

This Offering, one of four Special Mission Offerings of the United Church of Christ (UCC), is an important way of sharing our joy at God's renewing and life-giving grace. The Offering, which is administered by the United Church Board for Ministerial Assistance of the Pension Boards on behalf of the UCC, is an expression of joy and gratitude to, and for, those who serve the church.

Gifts to the Christmas Fund help provide pension and health premium supplementation to low-income retirees, emergency assistance to the families of clergy and lay employees and Christmas "Thank You" Gift Checks to hundreds of annuitants.

As the United Church of Christ celebrates 52 years of ministry in 2009, the Christmas Fund commemorates 107 years of continuous ministry to those who served the church.

Facts taken from a 1953 publication include this: "In 1902, a little money was collected and special Christmas gifts were sent to ten older

ministers." The same article also reports that \$121,054 was received for the Christmas Fund in 1952.

Fifty-six years later, the 2008 Christmas Fund received \$1,600,000 and assisted nearly 1,500 families. Our goal is to be able to provide at least \$1,650,000 in assistance from the 2009 appeal.

As the depressed economic climate lingers, your gifts are needed more than ever to help the growing number of retirees whose low income annuities make it difficult to meet increasing living costs. Requests for Ministerial Assistance provided by the Christmas Fund are greater than at any point in recent history.

This is your opportunity to participate in God's promise of renewal by enabling this ministry of compassion and care. Please give generously to the annual appeal for The Christmas Fund for the Veterans of the Cross and the Emergency Fund by either participating through your congregation's response, or making a gift directly. Direct gifts can be made securely online at: www.christmasfund.org; or by mailing a check to:

Christmas Fund
Pension Boards–UCC
475 Riverside Drive
Room 1020
New York, NY 10115

However you choose to participate in this important ministry, please know in advance that your gifts are sincerely appreciated.

MESSAGE FROM THE PRESIDENT/CEO

The Standard & Poor's 500 (S&P 500) Index, the benchmark for the Pension Boards' Equity Fund, peaked at 1,555 during the tech bubble of 2000-2002, reaching this level again in October 2007. Following the financial market collapse last fall, the S&P 500 declined to 680 in March 2009, a 58% decline from the 2007 peak. As I write this article, the S&P 500 stands at 1,065, still 32% below the October 2007 high. Similarly, long-term bond rates declined from 7.2% in 2000 to slightly over 2% at the trough of this year's decline to about 3.5% today. See our Chief Investment Officer, Kate Waterworth's, article on p. 3 for our thoughts for the future.

All annuities administered by the Pension Boards for the benefit of our retirees have a 4% assumed rate of return. Those annuitants who chose to keep all or part of their benefit payment supported by the Balanced Benefit Annuity or Equity Benefit Annuity have felt fully the effects of recent market declines. The retirees who selected the Basic Annuity have seen their benefit payment neither increase nor decline in recent years. Those who chose the Participating Annuity experienced a 3½% permanent increase in 2007, a 6% increase in 2008 and no increase or decrease in 2009. At their meeting held November 12-14, 2009, the Board of Trustees voted that there would be no increase or decrease in the Participating and Basic Annuities during 2010.

Health Plan rates for the UCC (Non-Medicare) Health Benefits Plan in 2010 will increase by 5.7%; the UCC Medicare Supplement Plan will increase by 2.1%. **This is the eighth consecutive year when rates have been about one-half 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 has been meeting to review the Medicare Supplement Plan. This work will continue through March 2010 and results will inform changes to the Medicare Supplement Plan effective January 1, 2011. More information will follow in the months ahead.

The one-time, \$1 million special grant that was approved by the Board in June continues to receive favorable comments from recipients and the wider church. Approximately \$600,000 was sent

to retirees and \$400,000 to low-income clergy. A total of 5,240 checks were sent. More than 500 letters, cards, notes, e-mails and voicemails have been received offering thanks and personal testimonies. A contribution of \$400,000 to retirees from this \$1 million amount was required 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. This remarkable program touches more than 7,000 annuitants annually, presenting updated information on the Pension Boards' Plans and programs, and identifying those retirees who have special needs.

The proposed 2010 budget improves performance and expands services to our members, in spite of running below the approved 2009 budget, not to mention the even higher approved 2008 budget. The budget over the past five years has increased 3.29%; less than the Northeast Region, Urban CPI change of 14½% and the Nationwide Urban CPI change of 13.70%.

In 2008, the Board approved a new Annuity Fund Plan document that conformed to the IRS rewrite of 403(b) regulations. To fully comply, each employer is also required to complete an adoption process by January 1, 2010. We have provided each UCC employer with the necessary documents and instructions to comply.

We began transitioning our banking relationship from Bank of New York Mellon to Northern Trust on November 1, 2009. This transition, and all custody, banking and processing services, will be complete by year-end (*see the Notice to Annuitants, below right*). The change will reduce costs and improve services. The **Tax Guide for Ministers** will again be available online and in print for those who requested copies by mail. The companion resource, **Federal Reporting Requirements for Churches**, will be mailed to all UCC congregations. (*Please see below, left*.)

As 2009 draws to a close, the Trustees and staff join me in expressing thanks for the privilege of serving you and in wishing you abundant blessings in the year to come.

Faithfully,



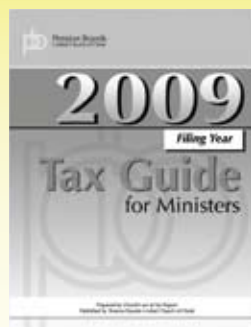
Michael A. Downs
President/CEO

Tax Guide for Ministers

The new edition of **Tax Guide for Ministers: 2009 Filing Year** will soon be available. In an effort to be good stewards of our resources and keep printing and postage costs down, the Pension Boards once again will mail the **Tax Guide** only to those who request it. The full **Tax Guide** will be available for downloading on the Pension Boards' web site (www.pbucc.org).

If you would like to receive a copy of the **Tax Guide** by mail, please contact the Pension Boards toll-free at **800.642.6543, Option 8** or by e-mail at info@pbucc.org no later than December 1, 2009. Please be sure to provide your name and address.

If you request a **Tax Guide** by mail, you should receive it by mid-January. Should you need to reference it before then, you will have access to the online version in early January.



Notice to Annuitants

Effective January 1, 2010, pension checks and direct deposits will be issued by our new vendor, Northern Trust. Annuitants with direct deposit will be mailed payment advices three times a year (January, April and October) that detail the gross benefit and deductions for tax withholding and premium payments, if any.

Investments

The Great Recession and the “New Normal”

Catherine Waterworth, Chief Investment Officer

Signs have begun to emerge that the U.S. is beginning to recover from what has been termed “The Great Recession.” Some economists are predicting that when the National Bureau of Economic Research gets around to declaring the end, May, June or July of this year will mark the official end of the worst downturn since the 1930s. Second quarter gross domestic product (GDP) has not turned out as weak as originally estimated (revised to -0.7% from -1.0% initially) and most economists expect third quarter economic activity to be positive, boosted by various government stimulus programs and the need for some companies to rebuild depleted inventories.

The debate has now turned to the strength of the recovery. Economists are using the term “the new normal” to describe what they feel will be lower GDP growth over the next decade. In the 15 years prior to the Great Recession, the U.S. economy grew at an average

annual rate of 3%. Going forward, many economists expect growth to average about 2% annually as the financial crisis and recession have produced lasting shifts in consumer spending and savings.

The Brookings Institution looked at consumption and savings going back to the 1950s. From 1951 to 1980, consumer spending accounted for about 62% of economic activity. Between 2001 and 2008, consumption grew to about 70%. This growth in consumer spending was dependent on increases in household debt and declines in personal savings.

Household debt had been relatively stable from the mid-1950s through the mid-1980s at 44%-50% of GDP. Subsequently, debt steadily rose and topped out at 102% of GDP in 2008. In the 1960s to the mid-1980s, personal savings averaged close to 10% of disposable personal income. By 2005, the savings rate declined to below zero.

As housing and equity prices declined in 2008 and early 2009, consumers have cut back on spending and the savings rate has increased to above 4%. Projections of reduced household debt and higher savings suggest that consumer spending is likely to stabilize at about 66% to 67% of GDP. It is unlikely that increased business spending, government expenditures or a rise in exports will fully offset the decline in consumer spending.

Slower growth is likely to result in a higher unemployment rate than what we averaged in the period prior to the Great Recession. Given that consumer demand is likely to remain sluggish, inflation does not seem to be an immediate threat. Therefore, it is expected that the Federal Reserve will maintain its low interest rate policy well into 2010. As for the equity markets, the explosive rally could stall or experience a correction as earnings estimates reflect the “new normal.”

Corporate Social Responsibility

Credit Card Companies – Responsible Lending

In 2009, faith-based investors sponsored a series of shareholder resolutions intended to shed light on the lending practices of several credit card-issuing banks. The resolution filers were concerned that the economic downturn could be exacerbated by the ways credit card companies are structuring credit cards’ interest rates, credit limits, and fees. Although credit concerns are impacting all Americans, financially unstable families are bearing an extremely difficult burden of high-fee, high-interest rate cards.

In engaging with lending companies, the Pension Boards expressed concern for the long-term viability for credit-issuing institutions and for the least financially stable families receiving credit cards, especially people of color who have been reported to receive sub-prime credit card rates at disproportionately high rates.

The Credit Card Accountability Responsibility and Disclosure Act of 2009 (Credit CARD Act) was signed into law by President Obama in May 2009 and addressed many of the unfair and deceptive lending practices. However, the legislation does not require credit card companies to comply with the Act until

July 2010, so there are continuing concerns that the credit card companies are imposing higher fees and/or limiting credit availability in advance of the legislation.

The Pew Charitable Trusts recently released a study called Still Waiting: “Unfair or Deceptive” Credit Card Practices Continue as Americans Wait for New Reforms to Take Effect, that evaluates how credit card companies are responding to the impending regulatory environment. The study found that median advertised interest rates on bank credit cards were between 13 and 23 percent higher compared to rates in December of 2008, depending on a consumer’s credit profile. Pew found that practices labeled “unfair or deceptive” by the Federal Reserve remained as widespread as they were before Congress passed the Credit CARD Act. The Pew study suggests that none of these cards would have met the requirements of the Credit CARD Act.

The Pension Boards will continue in 2010 to engage in dialogue with certain credit card companies and urge those lenders to be more responsible when lending through credit and debit card programs. Financial security is as important for families as it is for the corporations in which we invest.

CSR

Important Information About Your UCC Medicare Supplement Plan

The Pension Boards is pleased to announce the following Health and Dental Plan rate information, effective January 1, 2010:

- Health premiums: 2.1% increase
- Dental premiums: No increase
- Pharmacy co-payments: No increase for either Retail or Mail Order

The following benefits will be added to the Health Plan effective January 1, 2010:

- Mental Health Outpatient Visits: Limit on number of visits eliminated
- Immunizations for Foreign Travel/Employment: Covered

Information regarding all Health, Dental, and Pharmacy Benefits can be found on the Pension Boards' web site: **www.pbucc.org**.

Medicare Part D

Notice of Creditable Coverage letters have been mailed to participants in the UCC Medicare Supplement Plan. These letters are a yearly reminder that your UCC prescription drug coverage is expected to pay out as much as the standard Medicare prescription drug coverage will pay, and is considered "Creditable Coverage." Therefore, you can keep

UCC coverage and you will not pay extra if you later decide to enroll in Medicare prescription drug coverage.

Shingles (Zoster) Immunizations

- Coverage is provided under the Medical Plan for participants age 60 and older.
- Claims are submitted by the medical professional and are paid by Highmark Blue Cross Blue Shield.
- Claims should not be submitted to Medco, the pharmacy benefit manager, as this is not a covered benefit under the pharmacy program.

New Identification Cards

- For administrative purposes, Highmark Blue Cross Blue Shield is issuing replacement Identification Cards.
- Expect cards to arrive at your mailbox in December.
- The new cards become effective January 1, 2010. Please discard your old card upon receipt of the new card.
- Remember to bring the new card to your provider to copy and keep in your file.

Ministerial Assistance

The United Church Board for Ministerial Assistance provides an Annuitant Visitation Program for our retirees that is unique in its scope among our partner denominations.

Every retired clergy person with a relationship to the Pension Boards is automatically added to the visitation list at the point of retirement. Other retired clergy and lay employees can be added to the list of persons to be visited by request.

The primary purpose of the program is to provide a link between retirees and the Pension Boards, but more broadly to express appreciation to the retirees for their years of service on behalf of the whole United Church of Christ.

There are nearly 150 persons who serve as Visitors across the United States. At the end of September a record number of 160 visitors and spouses/partners attended the annual seminar for the program.

The seminar is designed to provide visitors with the latest information about the Pension Boards' benefit programs and to equip them with skills for their visitation assignments.

The seminar was held in Cleveland, Ohio this year and concluded in the Amistad Chapel at the Church House with former General Minister and President, the Rev. John H. Thomas, leading worship.

A list of current openings in the ranks of visitors is available on the Pension Boards' web site at **https://www-secure.pbucc.org/interior_art.asp?id=AVP_Vacancies**. If you are interested in being considered for a position as an Annuitant Visitor, please send an e-mail indicating your interest to **dborko@pbucc.org**.