

ANNUITANT NEWS & VIEWS

Summer 2009

A Quarterly Update from the Pension Boards



A Benefits Brief for Annuitants

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Staff of the Pension Boards is constantly awed by the number of clergy for whom “retirement” really means a change of ministry, not the ending of a career of service. For many clergy, beginning an annuity income gives the freedom to contribute their talent, experience and enthusiasm in a ministry of their choosing, with less concern for financial gain. Clergy who continue active service while receiving a retirement income have the unique ability to continue participation in the United Church of Christ Health, Dental, Vision, Life Insurance/Disability Income and Annuity Plans as administered by the Pension Boards. The minister’s new relationship may be as a paid employee, a paid consultant, an independent contractor or purely as a volunteer; continuing to serve the people of the church while “retired” does not pose a barrier to continued support through participation in the UCC benefit Plans. This is because eligibility is based on either your standing as a UCC minister or your employment by a UCC-related ministry.

In fact, where compensation is to be paid, there are strategies that clergy and the ministry they serve can plan together to provide a good combination of taxable and tax-favored methods of compensation.

For example, if there is to be a personal compensation as an employee, clergy may wish to use that compensation as a basis to begin an additional tax-deferred retirement savings account or to have health benefit premiums paid. Also, if annuitants begin to receive Social Security benefits before their full Social Security retirement ages, their Social Security benefits may be reduced.

While we are not in a position to give tax advice, your Member Services Team can answer many questions in advance of continuing ministry in a new setting. We encourage annuitants to consider each part of their service arrangements carefully and openly discuss the design of personal compensation packages that meet their needs and goals and of the new ministry they serve.



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MESSAGE FROM THE PRESIDENT/CEO

Global financial markets staged an impressive rally in the second quarter as investors' psychology and confidence improved from the depressed levels of last year and earlier this year. All of the Pension Boards' Funds recorded positive returns in the most recent quarter and exceeded the relative benchmarks for both the quarter and the year-to-date. The Bond Fund's large allocation to corporate bonds strongly outperformed government bonds during the period. The Balanced Fund, reflecting strong performance of the Equity and Bond Funds, outperformed the policy benchmark by more than 3% in both periods. The result is that, effective October 1, 2009, those retirees who receive annuity payments from the Balanced Fund will see an increase of 2.95%, and those with the Equity Benefit Annuity, a decrease of 1.25%.

It is too early to provide notice of January 1, 2010 adjustments for retirees with Participating and Basic Annuities. Those adjustments will reflect September 30, 2009 market performances.

We have heard from many retirees who have gone back to work or are considering doing so, and have prepared a helpful brochure that discusses taxes and other implications.

The national healthcare reform debate is under way. Baked into the debate are projected and assumed savings based upon research on course-of-treatment, adherence and

wellness programs. As we have reported previously, the top five major chronic conditions (heart disease, diabetes, congestive heart failure, asthma and depression) account for 75% of healthcare spending. And, only 50% of those with chronic conditions adhere to their treatment plans. Eighty percent adherence would save \$155 billion annually – enough to insure the 48 million uninsured! The Pension Boards has negotiated fitness club discounts through Highmark Blue Cross Blue Shield, our Preferred Provider Organization (PPO) for medical services. Please check the Pension Boards' web site (www.pbucc.org) or the Highmark web site (www.highmarkbcbs.com) for more information.

We are pleased to report that the Board of Directors of the United Church Board for Ministerial Assistance, a subsidiary corporation of the Pension Boards, approved the distribution of \$1 million in special gifts to lower-income active and retired members earlier this summer. (See p. 4.) This gift recognizes the need of so many during these difficult economic times. We are thankful for the generous giving of all who make this type of outreach possible.

Thank you for your ministry and the ways in which you continue to serve. May you enjoy good health, rest and renewal in these remaining weeks of summer.

Faithfully,



Michael A. Downs
President/CEO



Michael A. Downs

Third Career Ministry - Matching Talent with Need

For several months, there have been informal conversations and excitement around the development of a "Third Career" Ministry Program. These conversations, led by the Rev. Dr. John Deckenback, Conference Minister for the Central Atlantic Conference, continued during General Synod in Grand Rapids, where a group of Conference Ministers and church staff came together to share a vision and plan for the future.

As initially conceived, the Third Career Ministry effort would be for clergypersons who have already retired, providing them the opportunity to match their special skills, talents, enthusiasm and experience with many of the unique and unmet ministry needs in the life of the church. This new challenge will not be in the nature of the present local pastoral interim ministry; the Third Career Ministry will be looking to meet needs in areas such as mentoring, teaching, leadership development, computer applications, church accounting and administrative services.

Local churches and Conference staff would have the opportunity to utilize the skills and abilities (and updated training) of experienced clergy in transitional and other unique situations that are underserved today. In some instances, congregations might also benefit financially through the reduced "cost" requirements of already-retired individuals.

The Pension Boards-UCC is pleased to support the leadership of the Conference Ministers in this new opportunity for retired clergy.



Investments

Green Shoots or False Spring?

Catherine Waterworth, Chief Investment Officer

After reaching a 12-year low on March 9, the Standard & Poor's (S&P) 500 increased more than 36% through the end of June. Some prognosticators have taken heart that the economy has experienced the worst of this downturn and is now on the mend. They contend that the unprecedented actions taken by the government and the Federal Reserve to stimulate growth and unclog credit markets have begun to work and signs of a recovery are emerging. Measures of consumer confidence are off the lows, credit spreads have begun to contract, recent announcements of job losses are moderating and low inventories will lead to higher production as consumer demand improves.

Are we out of the woods or is the rally over the last several months just a move upwards in a continuing bear market? From this viewpoint, economic data seem more consistent with a slowing of the pace of contraction rather than a

Investments

return to meaningful growth. Consumers remain worried about jobs - whether they can find one if unemployed, or can keep one if they are employed. With high rates of unemployment, low wage increases seem to be in the cards. In addition, housing prices have yet to stabilize. It is difficult to see consumer spending being sustained at a healthy rate until more confidence in the employment and housing outlook emerges. The Federal Reserve still faces the difficult task of avoiding deflation while not stoking high inflation when sustainable economic growth improves. Federal and local governments have run up substantial debts and tax increases and new regulatory measures are on the way. With all these crosscurrents, the future path of growth and corporate profits is uncertain. Although we believe the low in the equity market was set in early March, there could be further corrections. Patience is going to be required to see how all these currents play out in a slow economic recovery.

Corporate Social Responsibility

CSR

Why Recent Changes to Proxy Voting Rules Matter to You

Socially responsible investors were pleased by the recent decision of the Securities Exchange Commission (SEC) to restrict the way retail investment brokers vote shares. In the past, brokers were allowed to vote for corporate directors according to their own will when clients had not provided specific voting instructions. Many institutional investors, including many socially responsible investors, argued that brokers did not have authority to vote according to their will. At issue is the propensity for brokers to vote with corporate management on the election of directors to corporations. Institutional investors have said that this was effectively stuffing the ballot box for management without necessarily reflecting the views of the shareholders.

Investor control over the election of directors is imperative. It is the primary means for shareholders to change the direction of a corporation and a way to show approval or disapproval for actions taken by board members. When the ability to vote for or against a director is diluted, it affects the amount of control an investor has. The Pension Boards' Corporate Social Responsibility Office depends on the shareholder process to express the "power of the proxy." Proxy voting is an important way to demonstrate to corporations

that economic, environmental, social, and governance sustainability is a way to strengthen long-term performance. It's a key to the socially responsible investing program taken on behalf of our participants.

Because uninstructed broker voting has the potential to dilute the intentions of shareholders, the Pension Boards was an active participant in efforts in 2007 to convince the SEC that this rule needed to be changed. Socially responsible investors banded together at that time to speak out for the importance of strengthening shareholder rights. The SEC's decision can be heralded as a success for institutional investors, socially responsible investors, the Pension Boards, and you.



Health Care Costs in Retirement

Although Medicare has long guaranteed access to health insurance coverage to virtually all persons age 65 and older, gaps in Medicare coverage can create substantial financial burdens for some retired clergy and lay employees, particularly those with lower incomes.

One segment of the lower-income retired population is partially shielded from high health care costs because they receive Medicaid benefits. However, many others are not receiving Medicaid because they do not meet both the federal categorical requirements and state-defined income and asset requirements. While Medicaid provides substantial protection for some lower-income Medicare beneficiaries, out-of-pocket health care spending continues to be a substantial burden for many lower-income retirees, particularly those with chronic health conditions and without subsidized supplemental coverage or Medicaid.

The United Church Board for Ministerial Assistance – a corporation of the Pension Boards – provides assistance for lower-income retired clergy and lay employees through the Health Benefits Supplementation Plan. Under this Plan, retirees who participate in the UCC Medicare Supplement Plan may receive assistance toward their health premium contributions if their gross family income is below \$39,150 and they participated in the UCC (Non-Medicare) Health

Benefits Plan for the 10 years preceding retirement. Health Benefits Supplementation is provided on a sliding scale based on income. *For information about eligibility requirements, please visit the Pension Boards' web site (www.pbucc.org) or contact the Pension Boards toll-free at 1.800.642.6543, Option 6 to request a brochure by mail.*

Coming in October - Open Enrollment for UCC Dental 750 Plan

As a retired UCC clergy or lay employee, you are eligible to participate in the UCC Dental Benefits Plan. Open enrollment for Dental Plan 750 – an entry-level Plan that automatically upgrades to UCC Dental Plan 1500 in the second year of coverage – will be offered throughout October 2009, for benefits beginning January 1, 2010. This is an opportunity for individuals who currently do not have dental coverage, or who have coverage through another source, to enroll in the UCC Dental Plan.

Please look for more information and enrollment materials in the mail, or visit the Pension Boards' web site (www.pbucc.org) for details.



UCBMA Distributes \$1 Million in Special Gifts

It is both our call and our privilege to show love and compassion for those who selflessly minister to and through the United Church of Christ.

The global economic downturn has caused financial pressures in the lives of many in our church. To help ease the burdens on those in greatest need, in late June, the Directors of the United Church Board for Ministerial Assistance (UCBMA) – a corporation of the Pension Boards – distributed \$1 million in gift checks to lower-income UCC retirees and active clergy. Funding for these gifts came from the earnings of the Reserve Fund for Ministerial Assistance, a portion of which is designated for hardship relief.

In announcing the Board's decision, PBUC President and CEO Michael A. Downs, along with the Rev. Dr. M. Douglas Borko, Director of Ministerial

Assistance, and the Rev. Donald I. Kaufman, a Pension Boards Trustee and Chair of UCBMA, noted that this was the third consecutive summer in which the United Church Board for Ministerial Assistance has provided gifts to help individuals with the crush of the economic situation.

"In 2007 and 2008, gift checks helped defray skyrocketing energy costs for qualifying retirees," said Downs. The pervasive economic climate further inspired this year's gift initiative. "Due to the unprecedented nature of the current economic crisis, this year's gifts were provided both to lower-income retirees and to lower-income active clergy," he added. "The \$1 million amount is unprecedented, but no more so than the times we now encounter."

Because the gifts were based on the most recent financial data available,

the Board for Ministerial Assistance invited recipients who felt they were no longer in need of the gift to prayerfully consider "paying it forward" to someone in greater need. At General Synod in Grand Rapids, Michigan, a local church pastor who was the recipient of a gift check expressed appreciation not only for the assistance, but also for the spirit of generosity and compassion inspired by that invitation. His sentiments were echoed in a letter received a few days later from a UCC annuitant: "We focus not on the future but on the Providence of the present moment, and will 'pay forward' a portion...for those in greater need than ourselves."

For more comments from gift check recipients, visit the Pension Boards' web site at www.pbucc.org.