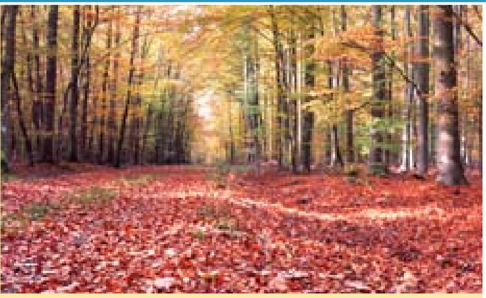
EMPLOYEE
News & views

Fall 2009 A Quarterly Update from the Pension Boards



In This Issue...

Pension Boards
United Church of Christ

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The Christmas Fund: An Expression of Covenant

"See, I am sending my messenger to prepare the way before me…The messenger of the covenant in whom you delight – indeed, he is coming, says the Lord of hosts." (Malachi 3:1)

"Thus he has shown the mercy promised to our ancestors, and has remembered his holy covenant…And you, child, will be called the prophet of the Most High; for you will go before the Lord to prepare his ways…" (Luke 1:72, 76)

The last of the prophets to appear in the canon of the Hebrew Scriptures had the benefit of a name that aptly described his function. Malachi, literally "messenger," was sent to bear God's message to the chosen community, to call them back to the holy covenant first extended to their ancestors Abram and Sarai. Malachi-the-Messenger reminded the community that God's covenant was not a burden to be endured, but a source of overwhelming delight, rooted in the knowledge that the One we seek is near. Likewise, the elderly priest Zechariah, his tongue finally loosened after his wife's delivery of a son – an announcement the expectant father found so preposterous that the angel Gabriel's only recourse was to silence him for the duration of Elizabeth's pregnancy – recognized that the infant in his arms, too, had been entrusted with a message: John the Baptist would prepare the way for the fulfillment of God's covenant with humankind, the promised Savior, the Word made flesh, Immanu-el.

Throughout our history, the United Church of Christ has affirmed relationships that reflect the grace-filled covenant into which God invites us. As the body of Christ, we seek to be both incarnational and transformational in a spirit of holy love.

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, is now in its 107th year of "serving those who serve the church." This annual offering, one of four UCC Special Mission Offerings received each year, supports ministries to lower-income retired clergy and lay employees as well as to active clergy facing unforeseen financial crises. Your gift to the Christmas Fund is an expression of covenant. Through the ministry of giving, we covenant in Christ's name to show love, compassion and care to the elderly pastor who receives a thank-you gift check at Christmas; to the widowed spouse who receives pension supplementation to bring his retirement income to a level where he can live with dignity; to the clergy family struggling with a chronic illness who receive an emergency grant to help pay for mounting medical bills; to the retired couple who receive health premium supplementation; to the lower-income pastor who, this past summer, received a special gift to provide a little extra in difficult economic times; to the many individuals – lay and ordained – who receive some type of ongoing ministerial assistance.

We invite you to covenant with us – and with thousands throughout our beloved church – in this vital ministry that touches the lives of so many. Your gift can and will make a difference.

Please watch for the arrival of Christmas Fund Offering materials at the end of October.

Message from the President/CEO

During the past several years, the Pension Boards has implemented numerous technology innovations and related staff changes to improve service, facilitate growth, and assure regulatory compliance. Our "right size" staff team is 42% smaller than in 2001. The result is that for the five-year period 2004-2009, the total budget increased 12.79% as compared to the U.S. Department of Labor Northeast Region Consumer Price Index (CPI) change of 21.21%. This contributes to an "all in" administrative cost and investment fee of 76 basis points for total assets under management, and compares favorably to Morningstar's average with similar securities of 155 basis points for investment fees alone.

To further improve compliance and service, we are transitioning our banking and custodial relationship from Bank of New York Mellon to Northern Trust during the fourth quarter. Additional improvements are underway in our Risk Management and Internal Audit functions to align us with anticipated regulatory changes.

During 2008, the Annuity Plan Rules were rewritten to comply with changes in the IRS' 403(b) Regulations. In September, all UCC church employers received a copy of these new Regulations with instructions for adoption that must be completed by December 31, 2009. *(Please see the accompanying article below.)*

In spite of a spike in medical claims during the last half of 2008 and first half of 2009, we are happy to report that average Health Plan rates, including Plan enhancements, will increase 5.7% for the UCC (Non-Medicare) Health Benefits Plan, and 2.1% for the UCC Medicare Supplement Plan! This is the eighth consecutive year at about one-half trend. Keep in mind that trend is the combination of benefit utilization (as we age we consume more healthcare) and inflation. The average age of a UCC (Non-Medicare) Health Plan participant is 59. We give thanks to Plan participants for their use of generics, mail-order pharmacy, and medical networks, which are among the highest of all our denominational counterparts. Additionally, our participants are adhering to their treatment plans and participating in our wellness programs. *(Please see Health Plan news on p. 4.)*

Michael A. Downs

Lastly, but for many of us most importantly, year-to-date performance for all Accumulation Benefit Funds have beaten their respective benchmarks as we claw our way back from March market lows. Markets can be highly volatile, and jumping in and out can be detrimental to long-term returns. Things can turn on a dime, making it notoriously difficult to time the market. When our members have several years before retirement, we encourage them to take a long-term view. *(Please see the economic outlook by Chief Investment Officer Kate Waterworth on p. 3.)*

We continue to appreciate your trust and confidence in us.

Faithfully,

Michael A. Downs
President/CEO

Local Churches and Ministries Documenting Annuity Plan Participation

In 2007, the Internal Revenue Service began a process of reviewing, revising and explaining the most current rules regarding retirement plans such as our own Annuity Plan for the United Church of Christ. As new information became available, the Pension Boards brought items of interest to the attention of churches and ministries, sending special mailings and, when necessary, asking for special information to help everyone stay current. As the new rules became finalized, we were pleased to see that none have changed the way individual members can participate in the Annuity Plan and, except for two administrative items, the Annuity Plan already met or exceeded the new rules set by the IRS.

The first administrative item concerned the deposit of amounts personally contributed by members through salary reduction. To meet the new rules, these amounts are now billed to local churches and ministries on a monthly basis, rather than quarterly. This helps place members' contributions more quickly into their investment choices.

Now the second administrative item has been moved forward. Each local church and ministry that is making contributions for clergy or lay employees has been provided a copy of the updated Annuity Plan and a format for documenting their current policies and practices regarding eligibility for contributions and contribution amounts. None of this changes those policies or practices; nor have the provisions of the Annuity Plan changed. Meeting this second administrative item of the new rules only requires documenting the ongoing operation of the Plan as it is now being done. In our correspondence we have also included special information for churches and ministries that may be making contributions to other retirement plans in addition to the Annuity Plan. For these situations we are asking for a special response that will help us more completely assist with administrative services.

After so many months of waiting for IRS guidance and interpretation of the new rules, we are pleased to have this significant compliance project completed.

Investments

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 have 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

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.

2010 Medical and Dental Rates

We are pleased to report that spiraling national increases have not affected our Plan premiums as greatly as others' around the country. The average premium increase of 5.7% for the UCC (Non-Medicare) Health Benefits Plan for 2010 is again below the average national rate increase.

Three new benefit enhancements become effective on January 1, 2010:

- Mental Health outpatient visits: *Limit on number of visits eliminated.*
- Immunizations for Foreign Travel/Employment: *Covered.*
- Maternity benefits: *Covered at 100% after deductible.*

Please note the following for the 2010 Plan Year:

- There is *no change* to the current pharmacy co-payments for either retail or mail-order medications.
- There is *no change* to current Dental Plan premiums.
- There will be *no change* to the current Vision Benefits Plan premiums, which are renewable on April 1, 2010.

Information regarding all Health, Dental, and Vision Benefits may be found on the Pension Boards' web site: **www.pbucc.org.** Contact Member Services at **800.642.6543, Option 6** if you have questions.

Brush Up on Diabetes Care

How well your diabetes is controlled may determine your chances of developing mouth infections, such as gum disease. At the same time, research has shown that maintaining good oral health is linked to a reduced risk of high blood sugar.

Gum disease is more common in people with diabetes. That's because having diabetes decreases your body's ability to fight infection. People with uncontrolled glucose levels are at a higher risk for developing gum disease and experiencing tooth loss. Uncontrolled blood glucose levels can also make it easier for plaque to build up on your teeth. Over time, plaque hardens and turns into a tartar, which can set the stage for infections in your mouth.

Research suggests that gum disease, may, in turn, be a risk factor for high blood sugar. A study in the Journal of the American Dental Association showed that when patients with diabetes were treated for their gum infections, they experienced a marked improvement in their ability to manage their blood sugar.

Take healthier steps this fall season by scheduling an appointment with your dentist for a checkup. Also, we encourage you to take advantage of the optimal*health* condition management program, which provides health guides and tools, toll-free telephone support, and a personal health coach. Please contact Camale Allen, Wellness/Disease Management Administrator, at **800.642.6543, ext. 2872** or visit our web site at **www.pbucc.org** to learn more!

Wishing You the Best of Health!
UCC Health Benefits Plan

There's Still Time to Enroll in Dental Plan 750

You still have until **October 31, 2009** to enroll in the UCC Dental Plan 750 for benefits effective January 1, 2010. Visit our web site, **www.pbucc.org** for rates and an application or contact a Health Services Representative at **800.642.6543, ext. 2824** for more information.

Upcoming Member Education Opportunities

On the second Wednesday of every month at Noon (EST), the Pension Boards' staff discusses topics of interest related to the benefits plans and programs administered by the Pension Boards for UCC clergy and lay employees. In September, we held our first webinar to introduce members to the wealth of information on our web site, **www.pbucc.org.** October's topic was learning how to use the benefit calculator on the PBUCC web site to estimate your benefit at retirement.

Webinars require Internet access. Invitations to webinars are sent to members via e-mail and require you to register to participate. If we don't have your e-mail address, please call us at **800.642.6543, Option 6** to provide it. You also may update your e-mail information anytime on the PBUCC web site.

Our schedule for the remainder of 2009 includes both webinars and teleconferences as indicated below:

November 11, Noon (EST) – Webinar – Learn how to use the TSA calculator on the Pension Boards' web site to determine the maximum amount you can contribute to the Annuity Plan on a tax-free basis via salary deferrals.

December 9, Noon (EST) – Teleconference – Learn how the UCC Flexible Spending Account (FSA) can save you money on your health insurance deductibles and co-payments. Also learn about the additional term life insurance coverage you can purchase for yourself and your dependents.

You can listen to past teleconferences and view prior webinars on our web site at **http://www.pbucc.org/interior_art.asp?id=Monthly%20Conference%20Calls.**