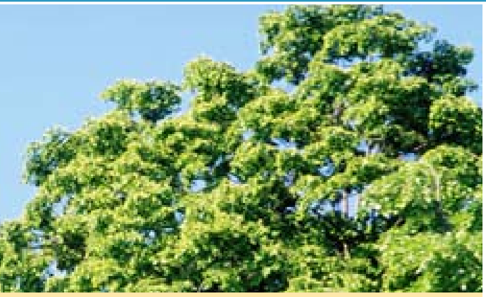
EMPLOYEE
News & views

Summer 2010 A Quarterly Update from the Pension Boards



In This Issue...

Pension Boards
United Church of Christ

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

Risk and Volatility Are Not the Same

Catherine Waterworth, Chief Investment Officer

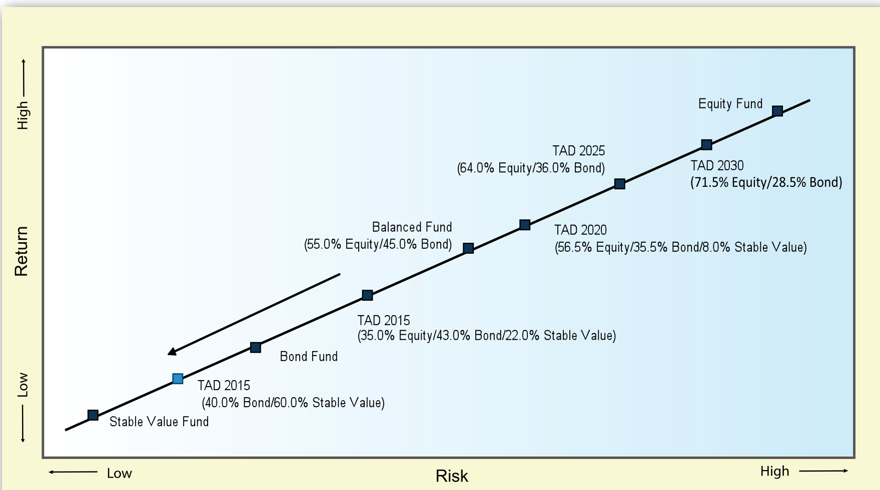
The second quarter of 2010 saw volatility come back with a vengeance. As Yogi Berra might comment, "It's déjà vu all over again." A common measure of volatility is the Chicago Board of Options Exchange (CBOE) Volatility Index (VIX) index, which is often referred to as the investor fear gauge. The VIX measures the cost of using options as insurance against declines in the Standard & Poor's (S&P) 500. In general, levels above 30 signify a higher level of investor fear while levels below 20 are indicative of investor complacency. For the first half of 2010, the VIX has averaged 23.31. However, in the second quarter, the VIX recorded both this year's high (45.79) and low (15.58). It ended the quarter at 34.54. Concerns over slowing global growth contributed to gyrations in volatility. Before the bankruptcy of Lehman Brothers in 2008, the VIX had never exceeded 50. In the wake of Lehman's collapse and the freeze in credit markets, the VIX skyrocketed to a record 80.86. Other crises such as Enron's bankruptcy in 2002, the terrorist attacks on Sept. 11, 2001, Long-Term Capital Management's collapse in 1998 and the Asian Financial crisis in 1997 saw the VIX top 40.

With the recent pick-up in volatility, it is understandable that investors might rush to reduce risk. However, making a distinction between risk and volatility can help in making more prudent asset allocation decisions. As we saw with the VIX, volatility refers to price fluctuations, both up and down. Risk, on the other hand, refers to the potential to suffer a loss or of not reaching our financial goals. In a recent article,* Christine Benz, the author of *30-Minute Money Solutions: A Step-by-Step Guide to Managing Your Finances*, comments that "risk should be the real worry; volatility not so much. A real risk? Having to move in with your kids because you don't have enough money to live on your own. Volatility? Noise on the evening news, and maybe a frosty cocktail on the night the market drops 300 points."

Ms. Benz further points out that what may be mere volatility for one person may be a real risk for another if that person's time horizon is short and they are forced to sell more volatile investments (such as stocks) and realize a loss when their investments are at a low price. Conversely, stocks may not be that risky if you have a long investment time horizon as stocks can help you reach your long-term financial goals. The risk there is that you may avoid volatile investments such as stocks and come up short of your financial goals because safer investments generated smaller returns.

When investors look at their asset allocation among stocks, bonds, cash and other investments, they need to examine their investment mix in light of their financial goals, their investment time horizon and how much they have saved toward those goals. Investors need to repeat this exercise on a regular basis to determine whether their asset allocation mix needs to be recalibrated given a shortened investment time horizon or they need to save more in order to remain on track in reaching their goals.

As the chart below illustrates, the Pension Boards offers eight investment options that have varying risk/return characteristics to help members develop an investment strategy that corresponds to their desired risk level, which should help them avoid potential damage from reacting to short-term volatility. The four Target Annuitization Date (TAD) Funds are premixed funds that vary allocations to Bonds, Equities and Stable Value depending on the time remaining before the target date. As the chart below shows, the TAD 2015 Fund has a current allocation of 35% Equities, 43% Bonds and 22% Stable Value. By 2015, the allocation will have been gradually rebalanced to 40% Bonds and 60% Stable Value with no allocation to Equities to minimize the risk of loss as the investment time horizon shortens as the target annuitization date approaches.



*"The Error-Proof Portfolio: Risk, Not Volatility, Is the Real Enemy" by Christina Benz, June 14, 2010.

Message from the President/CEO

Risk is part of our everyday lives. Walking down the street, driving to the store or starting a new exercise routine all require taking a variety of risks, even if they are relatively small ones. In managing our money, we also take risks. “It’s always a good time to reassess what level of risk you are comfortable with,” says Bryan Olson, Vice President and Head of Portfolio Consulting, Charles Schwab & Co., Inc. “You can’t eliminate risk entirely, but you can make informed decisions about how much to take on.” Olson emphasizes that managing risk begins with identifying your financial goals, understanding your personal comfort level with risk and creating a well-rounded financial plan. With the recent pick up in volatility, you may be concerned about price fluctuations in your allocation choices. Please see Chief Investment Officer Kate Waterworth’s article (p. 1) for more on market volatility and considerations for managing risk.

On the subject of risk management, the Pension Boards this year launched an Enterprise Risk Management program that is assessing every aspect of our operations from a risk perspective. More will be reported in the months ahead.

At its June 4-5, 2010 meeting, the Board of Trustees approved adding coverage for qualifying adult children up to age 26 under the UCC Medical Benefits Plan. This coverage went into effect July 1, 2010, in advance of January 1, 2011 implementation date established by the new healthcare reform law. We are pleased to report that there is no additional charge for this Plan enhancement in 2010. Please see the related article by Health Plan Operations Director Frank Loiacono (p. 4) for more details.

Dramatic changes in the administration of 403(b) retirement plans went into effect January 1, 2009. The Pension Boards was fully compliant prior to this IRS-mandated implementation date. All UCC church employers received information packets last year to ensure their specific compliance. These forms must be updated annually, and information packets for 2010 will be mailed again to all UCC church employers in September 2010.

As part of our ongoing relationship with the 95-year old Church Benefits Association and Church Alliance, which represent 52 denominational and interfaith benefits plans, we continually monitor periodic challenges to the clergy housing exemption and IRS evaluations of church plans. Pension Boards’ staff is fully engaged in these matters for the benefit of the whole church. Please see the article by PBUCC General Counsel Jim Herod (below) for a summary of recent challenges.

With our continued thanks for your confidence and trust in us, we wish you a joy-filled summer.

Faithfully,

Michael A. Downs
President/CEO

The Church Alliance: Working to Protect Church Retirement and Health Plans

James T. Herod, Esq., General Counsel

The Pension Boards works through the Church Alliance to protect the interests of ministers and participants in church retirement and health plans. The Church Alliance is an association of mainline Christian and Jewish denominations and Catholic groups. Recent examples of the Pension Boards’ work to protect the interests of ministers and church plan participants include:

1. Monitoring a federal lawsuit in California challenging the constitutionality of the minister’s housing allowance,
2. Attending a White House meeting to discuss new grandfathered health plan rules,
3. Working with the IRS to clarify eligibility for the small employer tax credit contained in the healthcare reform legislation,
4. Responding to press reports and questions concerning certain church retirement plan failures, and
5. Monitoring other potential government actions that could affect ministers and church plan members.

Corporate Social Responsibility

CSR

Pending Financial Reform Act Contains Corporate Governance Improvements

Kathryn O'Neill McCloskey, Director, Corporate Social Responsibility

The Dodd-Frank Wall Street Reform and Consumer Protection Act is nearing a final vote in the U.S. Congress. Many of the provisions concerning executive compensation in the bill are considered, by socially responsible investors, to be vital foundations for well-governed corporations. In fact, many of these provisions are mirrored in the proxy voting guidelines and shareholder engagements of the Pension Boards.

The pending legislation would provide shareholders a say on pay with the right to a non-binding vote on executive pay. Corporations will be obliged to put this on their ballots either every other year or every third year. The Pension Boards' Corporate Social Responsibility Office has been an active participant in advocating for companies to voluntarily adopt the right of shareholders to have a say on pay vote. Shareholders will also have an opportunity to vote on "golden parachutes," a corporation's obligation to its executives in the event of severance.

The bill stipulates that a corporation's board-level compensation committee must be comprised of independent directors. This could lessen the opportunity for executives to have influence over this committee. The Pension Boards' proxy voting guidelines include a long-standing policy to oppose individual non-independent directors nominated to the compensation committee.

The Pension Boards' proxy voting guidelines call for a recoupment of performance-based executive compensation when a company has to significantly restate its earnings. Similarly, the Dodd-Frank bill would require that corporations have a procedure to recoup executive compensation on inaccurate financial statements that are not aligned to accounting standards.

Another significant provision of the pending legislation directs the Securities and Exchange Commission (SEC) to clarify how corporations must disclose their compensation plans. Specifically, corporations will be required to chart their executive compensation against the company's stock performance over a five-year period. Clarifying and simplifying the compensation disclosures of corporations' SEC filings will improve investors' ability to discern the best-in-class companies.

The Pension Boards will continue to work with other investors to call for governance improvements in the corporations in which it invests through the efforts of the Corporate Social Responsibility Office.

Ministerial Assistance

MA

Target 2030: Next Generation Leadership Initiative

The United Church Board for Ministerial Assistance (UCBMA), having been richly blessed by resources given by our forebears and having a century-old mandate to care for and work with those at the frontiers of ministry, is committed not just to the future of the Church, but to the Church of the future. Target 2030: Next Generation Leadership Initiative is a 20-year focus on energizing and sustaining younger, emerging United Church of Christ local church pastors, believing that healthy, catalytic pastors lead to healthy, vibrant congregations.

The UCBMA and the Pension Boards hold excellence as a key value and work to provide systems that encourage healthy leaders that lead to healthy congregations.

From its inception, the United Church Board for Ministerial Assistance has been supportive of ministry on the frontier. At one time this meant supporting ministry on the geographic frontier, the Western Reserve of Connecticut that we now know as Ohio. Today, we believe contemporary frontiers include transformational parish leadership in complex and challenging settings.

Each year, for the next decade, Target 2030 will identify a select group of 10 to 20 young clergy in the 25- to 35-year-old age range. We believe those selected will form the nucleus of leadership to transform local churches of the United Church of Christ into vibrant Christian communities, providing ministry that is relevant in the 21st Century.

Target 2030 will seek young clergy willing to make a long-term commitment to service in congregational settings of the United Church of Christ. A significant financial incentive, valued at approximately $75,000, will be provided in return for a 10-year commitment to local church ministry in the UCC.

Those selected for Target 2030 will also be provided with advanced skills training to hone their ability to serve as transformational leaders. It is expected that insights and discoveries from this initiative will add to the body of literature concerning the best practices of transformational leadership.

The Target 2030 Initiative gives major attention to shaping a pastoral identity congruent with the challenges and changes inherent in the 21st Century context.

The Target 2030 Initiative has a specific focus and does not seek to address all leadership development needs. We are mindful, and respectful, of the programs of leadership development in the various settings of the United Church of Christ and ecumenically.

The Target 2030 Initiative has a specific focus for a specific group of clergypersons. We are not seeking to be all things for all people.

At this point the Selection Committee is examining applications received from 32 candidates for the Class of 2021. The selection process will result in the naming of the successful candidates in mid-September 2010. Candidates are being considered without regard to race, sex, national origin, disability, marital status or sexual orientation.

The Class of 2021 will gather for their first session mid-January 2011 in Daytona Beach, Florida. It should be noted that this session was originally scheduled to be held in Phoenix, Arizona but was moved following the adoption of that state's new immigration legislation S.B. 1070 last spring.

Applications for the Class of 2022 will be received in the Spring of 2011. For further information, contact the Rev. Dr. M. Douglas Borko toll-free at **1.800.642.6543, ext. 2716** or by e-mail at **dborko@pbucc.org**.

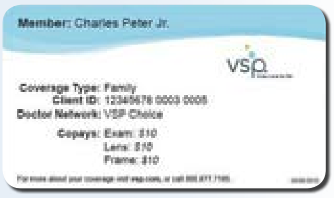
Extension of Medical Benefits Coverage for Adult Children Under Age 26

Frank Loiacono, Director, Health Plan Operations

With the passage of The Patient Protection and Affordable Care Act in March, Congress enacted the most far-reaching changes in the history of health benefit plans. This legislation requires our Plan to extend coverage to adult children under age 26 effective January 1, 2011. The Pension Boards is pleased to announce that, as of July 1, 2010, the UCC Medical Benefits Plan offers coverage to eligible adult children under age 26.

To enroll your eligible adult child(ren) under age 26 in the Plan, complete the application materials sent in the mail or visit our website, **www.pbucc.org**, for a copy of the enrollment form and eligibility information.

NEW! Vision Plan ID Cards



You asked and we listened! VSP's enhanced Member Vision Card is the solution for UCC Vision Plan participants who would like a vision insurance card. This print-on-demand card is available through the member site on **vsp.com**.

This enhanced card is a convenience for Plan participants and is not required for service. As always, full benefit information is available through the member site on **vsp.com**.

myhealthIQ: Complete Your HRA and Wellness Exam Today

There's still time for participants in the UCC (Non-Medicare) Health Benefits Plan to take part in the 2010 **myhealthIQ** wellness program!

For information, visit our website, **www.pbucc.org**, click on **"What would you like to do today?"** and select **"Healthy Stewards,"** or call the Pension Boards toll-free at **1.800.642.6543, ext. 2872**.

International Medical Care

The BlueCard Worldwide program enables you to receive inpatient and outpatient hospital care and physician services while outside the United States through an expanded network of healthcare providers.

If you need assistance finding a foreign provider, call **1.800.810.BLUE** toll-free. If you are unable to use the toll-free number, you can call BlueCard collect at **1.804.673.1177**. A medical coordinator will arrange hospitalization if necessary, or make an appointment with a physician. In an emergency, you should go directly to the nearest hospital. Any medical services you receive will be covered in accordance with the Plan limits. Please refer to the Highmark BlueCard Worldwide brochure found on our website, **www.pbucc.org.** Enter **Foreign Medical Care** in the **Search** box in the upper right corner of the web page.

Member Education Conference Calls and Webinars

Join us the second Wednesday of each month at Noon (Eastern) for informative conference calls and webinars that discuss topics of interest to those participating in the various benefit Plans offered by the Pension Boards–UCC.

August 11, 2010 (WebEx)
Benefits information for New(er) Members
Have you been in the Annuity Plan for 10 years or less? Join us for a discussion about what you should be doing now to plan for retirement. We'll also discuss some important things you should know about your other benefits.

To participate in a **webinar**, you will need:

1. a computer with Internet access (to view the presentation), as well as
2. a phone (for audio).

Webinar registration information, including a link to WebEx, our online conferencing service, will be e-mailed to members whose e-mail addresses are on file and posted on the PBUCC website as the webinar date approaches. Your e-mail invitation will contain a link to the WebEx registration site. Once you have registered, you will receive a confirmation and instructions for logging in and dialing in on the day of the event. Recordings of past conference calls and webinars are available on the Member Education section of our website at **http://bit.ly/PBRecordings**.

Retirement Seminars

August 26
Illinois South Conference
Belleville, IL

September 14
Central Atlantic Conference
Washington, DC

October 28
Vermont Conference
Burlington, VT

November 17
Pacific Northwest Conference
Bellevue, WA

December 3
Florida Conference
Tampa, FL

Highlights of Your UCC Medical and Dental Benefits Plan (Non-Medicare)

Remember, your UCC Health Plan covers:

- Immunizations for work and travel: covered under the Preventive Care Benefit
- Maternity care services: Covered at 100% after deductible
- Mental health services: No limit on number of covered visits