

EMPLOYEE NEWS & VIEWS

Spring 2010

A Quarterly Update from the Pension Boards



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Health Reform Legislation

The health care reform legislation signed into law by President Obama on March 23 will bring a number of changes to virtually every health benefit plan in the country, including those administered by the Pension Boards. Our attorney has been meeting with other church attorneys to review the new law and to determine the timetable for implementing its various provisions. This is a major undertaking, given that there are over 2,600 pages of legislation and more regulations still to come.

We do recognize two key points already, gleaned from these many pages. The new law prohibits health plans from cancelling a participant's coverage due to excessive claims. The UCC Medical Benefits Plan has never made such a cancellation or considered making cancellation a practice. Also, the UCC Plan does not have a lifetime benefit maximum and so has already been in compliance with this new requirement.

We know there is much more within the legislation and yet to come as future regulations seek to interpret and clarify the rules. We are anxious to learn more about the appropriate compliance concerning the extension of coverage to children age 26, the acceptance of higher cost pre-existing conditions and elimination of tax-savings through flexible spending accounts, such as the Flexible Benefit Plan for UCC Ministries. Please visit our website at www.pbucc.org for additional information as it becomes available.



Pension Boards
United Church of Christ

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



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MESSAGE FROM THE PRESIDENT/CEO

Psychologists say the pain humans feel from losses is two to three times as intense as the pleasure they feel from gains. As a result, people tend to have strong and often emotional reactions to losses. Most members “felt” market losses during 2008 and early 2009. Since then, we are happy to report benchmark-beating performance across all Funds for 2009 and, as of the end of the first quarter on March 31, the same so far in 2010. (Please See Chief Investment Officer Kate Waterworth’s article on page 3.)

Nearly everything about retirement is being reinvented. Even though the government has set an entitlement age for Social Security retirement benefits, there is no longer a set personal retirement age in many people’s minds. Most people today see their third act not as a time to “wind down,” but rather as a new phase of life with exciting new opportunities. They see retirement and “old age” as two completely different things. Most Americans still think people should start receiving Social Security benefits at age 63, while they believe that “old age” begins at 75.

Their idea of retirement includes flex-work; new social roles; and a greater community contribution, according to a Harris Interactive Survey, conducted by Charles Schwab, among 3,866 interviewees ages 21 to 83. In fact, a full 71% of pre-retirees surveyed say they want to work in retirement – regardless of whether they need to do so financially – and nearly 60% say that staying mentally active is their main motivation for continuing work. Many want a better overall balance between work and leisure, with 26% preferring the idea of working part-time and another 40% hoping to going back and forth between periods of work and leisure. An additional 60% say they would like to launch a whole new career in retirement. For some, that means starting a small business or diving into volunteer work.

The study’s findings show that people recognize they need help making the financial transition to retirement, but aren’t getting it from the places you might expect. And, older Americans surveyed say that the most important lessons parents can teach their children about saving and investing are:

- Live within your means (69%)
- Begin saving at an early age (65%)

Just 3% of those surveyed, across all generations, strongly agreed that Americans are a financially responsible population. Ninety-five percent agree that financial management should be a standard part of the high school curriculum. (Please see the schedule of upcoming Member Education events on p. 4.)

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, with 1,040 individuals participating in **optimalhealth** and more than 500 participating in **myhealthIQ** in its second year. The **optimalhealth** adherence program has a payback of 2 to 1 for 14 identified chronic disease conditions. A new initiative is underway for 2010 that should triple the number of participants in our wellness programs. See Health Plan Operations Director Frank Loiacono’s comments (on page 4) for more information.

Thank you for the continued opportunity to serve you.



Faithfully,

A handwritten signature in black ink that reads "Michael A. Downs". The signature is written in a cursive, flowing style.

Michael A. Downs
President/CEO

Investments

Continued Growth

Catherine Waterworth, Chief Investment Officer

The financial markets continued to recover in the first quarter as investors became more convinced that the economy is on firmer footing, inflation is not an immediate threat and the Federal Reserve will maintain low interest rates for a while longer. The recovery was not without bumps along the way. The specter of Greece defaulting on its debt payments and the Federal Reserve raising the discount rate by one-half percent roiled the markets in February, but fears receded by March and global equity markets continued their march upward. In the U.S., the Fed calmed fears of an imminent interest rate increase by stating that it “will maintain the target range for the federal funds rate at 0 to ¼ percent and continues to anticipate that economic conditions, including low rates of resource utilization, subdued inflation trends, and stable inflation expectations, are likely

to warrant exceptionally low levels of the federal funds rate for an extended period.”

A recent survey of 51 economists showed that expectations for first quarter economic growth averaged 2.8% at an annualized rate, slower than the 5.6% annualized rate in the fourth quarter of 2009. Growth in 2010 is expected to fall in a range of 2.8% to 3.0%. Unemployment is expected to remain at elevated levels, averaging 9.6% for the year. Inflation expectations remain subdued at a projected rate of 2% for 2010. The economists also saw a low probability of a double dip recession.

These expectations for modest growth coupled with low inflation and modest improvement in the employment numbers are supportive of further gains if they

come to fruition. Earnings expectations are bullish with analysts forecasting a 40% gain in earnings in 2010. If this level of earnings is realized then the S&P is at fair value with a price/earnings ratio of 16.

However, continued uncertainty over the sustainability of economic growth, the prospect of the eventual removal of monetary stimulus and concerns about an exploding fiscal deficit will likely result in a rocky road for financial markets. Stock prices will be dictated by whether earnings estimates are met or exceeded. Prices for U.S. Treasuries look vulnerable to losses as rates rise in anticipation that the Federal Reserve will have to remove monetary accommodation at some point while the supply of Treasuries will grow to finance the deficit.

Corporate Social Responsibility

Corporate Political Spending and the Impact on Investors

Kathryn O'Neill McCloskey, Director, Corporate Social Responsibility

The recent Supreme Court decision, *Citizens United v. Federal Election Commission*, No. 08-205, limits the government's ability to regulate corporate expenditures on election campaigns. Active shareholders are organizing an appropriate response to the decision. The group of shareholders, including many members of the Interfaith Center on Corporate Responsibility, has formed an action plan to encourage corporate disclosure of political spending through shareholder engagement and to petition the Securities and Exchange Commission (SEC) to set rules for corporate political spending.

At the core of the investors' concern is transparency. A corporation exhibiting responsible behavior should disclose its political spending to its owners, the shareholders. An even more responsible

corporate practice would be to give shareholders the ability to vote on whether a company's political spending plan is acceptable and appropriate.

The need for corporate transparency in political contributions is not a newly recognized concern. Direct engagement with management of publicly traded companies has been coordinated by investors for nearly eight years. To date, 70 companies have adopted a framework for political disclosure, including nearly half of those on the Standard and Poor's index of the top 100 U.S. companies (S&P 100). The shareholder group working on this issue will continue and broaden their efforts by engaging those companies of the S&P 500.

Engagement with these companies includes requests for disclosure of

payments, to trade associations and other tax-exempt organizations, that are used for political purposes. Trade associations are major vehicles of political lobbying and advertising, and investors believe that corporate accountability continues when trade associations lobby Washington on corporations' behalf.

Because undisclosed corporate political spending has the potential to limit or reduce shares' value, the Pension Boards will engage corporations and the SEC on increasing corporate disclosure on this issue. The Pension Boards believes that supporting healthy, transparent practices in the corporations in which we invest, to protect shareholders' assets and to promote long-term corporate sustainability, is a proper expression of our fiduciary responsibility.

CSR

myhealthIQ

Frank Loiacono, Director, Health Plan Operations

myhealthIQ is making it easier than ever for you to take a step toward good health. Now, UCC (Non-Medicare) Health Plan participants can schedule their Wellness Exam at a time of their choosing, in the convenience of their home or office.

“In the middle of all the things that are going on at the Pension Boards, it was great to be able to have my screening done right here, without having to take time to go to another location,” said PBUCC CEO Mike Downs, who recently underwent his Wellness Exam in his office at the Pension Boards in between travel to various settings of the church.

The **myhealthIQ** program, now in its third year, consists of an online Health Risk Assessment (HRA) and Wellness Exam.

To get started:

- Log in to **www.myhealthIQ.com** with the user name/password that was sent separately from **myhealthIQ**. (If you need assistance with your user name/password, please contact the **myhealthIQ** support team toll-free at **1.866.449.9705** (Monday-Friday 8:00a.m.-Midnight (Eastern); Saturday 8:00a.m.-9:00pm (Eastern).)
- Complete the online HRA
- Schedule an in-home or workplace Wellness Exam by contacting Hooper Holmes, a nation-wide health screening service, toll-free at **1.877.442.3935, Option 5** (Monday-Friday, 8:00 a.m.-7:00 p.m. (Central).

Once the HRA and Wellness Exam are completed, you'll receive a personalized health report and wellness score from **myhealthIQ** – and a \$50 incentive check* from the Pension Boards! Employees who participated in **myhealthIQ** in 2009 have an opportunity to earn an additional \$100 incentive* for maintaining or improving their 2009 **myhealthIQ** wellness score.

We hope the new flexible approach for scheduling your Wellness Exam will make it possible for even more eligible Plan participants to take part in **myhealthIQ**. For more information on **myhealthIQ**, and the many Resources for Healthy Stewards available through the UCC Health Plan, please contact Camale Allen, Wellness Administration, toll-free at **1.800.642.6543, ext. 2872** or by e-mail at **callen@pbucc.org**. You also may log into the PBUCC website at **www.pbucc.org**, click on “What would you like to do today?” and select “Healthy Stewards/Wellness Programs.”

Here's to your good health!

** You, as the participant in the UCC (Non-Medicare) Health Benefits Plan, qualify for a wellness incentive by completing the **myhealthIQ** Health Risk Assessment (HRA) and Wellness Exam. Other enrollees (your dependents – defined as your spouse, same-gender domestic partner or other family member covered under your Plan) are not eligible to receive financial incentives.*

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. Following are our topics for the second quarter of 2010:

May 12, 2010 (Conference Call)

Information for Employers on the Tax-Sheltered Annuity (TSA)

Churches and other UCC employers can offer their lay and clergy employees a valuable benefit at no cost. Learn how your employees can save for retirement (and save on taxes) through payroll deductions deposited to a TSA account in the Annuity Plan–UCC.

June 9, 2010 (WebEx)

Asset Allocation and the Target Annuitization Date (TAD) Funds

Learn how the TAD Funds can make it easy to manage the allocation of your retirement dollars among the various investment funds offered by the Annuity Plan–UCC.

July 14, 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 **conference call**, use the **toll-free AT&T dial-in number 1.800.700.7784**. Once the call is connected, there will be a prompt to enter an **Access Code: 140050**. **TTY callers, dial: 1.800.855.2881**. If you are unable to participate, an audio recording of each telephone conference is available for one month following the call at: **1.800.475.6701, Access Code: 140050**.

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 both conference calls and webinars are available on the Member Education section of our website at **http://bit.ly/PBRecordings**.

Retirement Seminars

May 11

Kansas-Oklahoma Conference
Kansas City, KS

June 3

Ohio Conference
Cleveland, OH

June 24

South Dakota Conference
Sioux Falls, SD