

EMPLOYEE NEWS & VIEWS

Winter 2010

A Quarterly Update from the Pension Boards



Christmas Fund for the Veterans of the Cross

Have you ever wondered what happened with the gift you and others have provided for the Christmas Fund for the Veterans of the Cross and the Emergency Fund?

Well, approximately 94 cents of every dollar contributed goes directly into the hands of over 1,600 families of active and retired clergy and lay employees within the United Church of Christ.

Those gifts carry your love, compassion, and encouragement directly and dramatically into the recipients' hearts and homes, at times working nothing less than miracles.

Hear these words from three annuitants who received Christmas "Thank You" Gift Checks in December:

"I am grateful for your thoughtful concern for the needs of retired pastors like myself. These gifts of love come as a real blessing, and my gratitude can never be sufficiently expressed."

"I am deeply touched by your Christian concern and sincere wishes and greetings on this Christmas season and New Year. I thank you and deeply appreciate your gift which I'll use in the Lord's service."

"My wife and I have been sick since the beginning of the year. We were becoming weary trying to keep up with doctor and medical bills. We are now feeling a little better and looking forward to our Christmas celebration with our daughter. That Christmas gift certainly helped relieve the weariness for us and will make life even sweeter as we celebrate our 67th wedding anniversary on December 21."

In This Issue...

Page 2: Message from the President/CEO
Member Feedback Survey

Page 3: Improved Economic Environment
Credit Card Companies – Responsible Lending

Page 4: myhealthIQ: Wellness Program Enhancements
optimalhealth: What's New in 2010
Highlights of Your UCC Medical and Dental Benefits Plan
Retirement Seminars
Member Education Conference Calls and Webinars
Financial Markets: An Ongoing Discussion

Simplifying the Quarterly Statement

If you take a close look at your quarterly Annuity Fund Statement of Account, you will notice a small change in the layout of information and easier way to see the value of your accounts. For many years, it was necessary to accommodate our banking systems by showing investment gains from interest and dividends as a separate item on the statement, then using those dollars to add units to a member's account. The new format will simplify the statement by combining "Interest and Dividends" with "Investment Gains and Losses" and by reflecting all investment changes in updated unit values. This is more consistent with the manner of reporting used by most publicly-traded mutual funds. As before, new units will continue to be added as they are purchased with new contributions. Members with no new contributions to an account will no longer see a change in the number of units from statement to statement.

We continue to encourage every member to add units and dollars to their accounts by "stretching themselves" with personal retirement contributions. Even a small monthly contribution can grow quickly. Do you remember all the fuss over "Y2K"? Well, if you had started personal contributions at Y2K you would now have made **120** very important contributions toward your own retirement income and saved on personal income taxes to boot!



Pension Boards
United Church of Christ

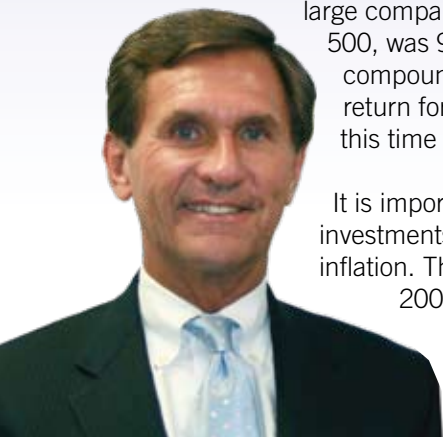
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MESSAGE FROM THE PRESIDENT/CEO

All of the Pension Boards' Funds recorded positive returns in the fourth quarter and exceeded their respective benchmarks in 2009. On a relative basis, this is very good news, as financial markets in general have stabilized and equity markets in particular have rebounded sharply from March 2009 lows. On an absolute basis, however, equities, as measured by the Standard & Poor's (S&P) 500 Index are still well below their peak highs. As I write this, the S&P 500 stands at about 1,100, down nearly 30% from the October 2007 high of 1,565. The questions we are most often asked are: "Where do I go from here?", "Is it safe to invest in stocks?", and "Have I missed a market move?" For our views on the economy, please see Kate Waterworth's article on p. 3.

Keep in mind two forms of risk – investment risk and inflation risk. For example, if we look at the historical compounded investment performance of Treasury Bills for the 82-year period from 1926-2008, the average annual return was 3.7%. Similarly, the historical average annual return for U.S. Government Bonds for this period was 5.7%. By contrast, the compounded historical investment performance in stocks of large companies, as measured by the S&P 500, was 9.6% during this time. And, the compounded average annual investment return for stocks of small companies over this time period was over 11.7%.

It is important to note that "safe" investments carry their own risks – namely, inflation. The rate of inflation from 1926-2008 averaged 3% annually. Inflation is our nemesis since it erodes the



Michael A. Downs

purchasing power of our dollars. Therefore, investing only in safe instruments could result in poor returns, which fail to keep pace with inflation. So the question to ask is not whether it is safe to invest in the stock market, but rather, "**How much safety can we sacrifice in order to get our investments to grow?**" The answer to the latter question is dependent upon your personal investment strategy based on your age, time horizon, risk tolerance and financial goals. A newly-updated Annuity Plan highlights booklet, **Investing for the Future**, will be available online at www.pbucc.org at the end of February. Copies will also be available by calling Member Services at **1.800.642.6543, Option 6**.

Pension Boards' staff continually looks for opportunities to improve service. Member Services customer satisfaction surveys ask for feedback from members on the 500-1,000 requests for services they receive each week. Your comments help us serve you better. In addition, in Fall 2009, a survey was mailed and e-mailed to all 22,000 active, inactive and retired members, seeking their feedback on all Pension Boards' benefit Plans and programs. We received nearly 3,000 responses, many with carefully written comments. (Please see the summary below.) Thanks to all who took the time to participate. More specific and detailed findings will be shared with you in the months ahead.

We welcome your ongoing feedback and suggestions, and thank you for the privilege of serving you.

Faithfully,

A handwritten signature in black ink that reads "Michael A. Downs".

Michael A. Downs
President/CEO

Member Feedback Survey

A survey seeking member feedback on Pension Boards' benefit Plans and programs was sent to all active, inactive and retired members in September 2009. We received more than 3,000 responses – a response rate of over **13.5%**! The following is a summary of some of the findings:

Rating of Benefit Plans and Programs administered by the Pension Boards:

***Percentage that meets or exceeds expectations**

- Accumulation Benefit Plans – **91%**
- Annuity Benefit Plan – **90%**
- Medical/Dental Benefit Plans – **82%**
- Life Insurance and Disability Income (LIDI) Benefit Plan – **85%**
- Ministerial Assistance Program – **88%**

Do you believe that the Pension Boards' Plans and Programs support your ministry?

- Yes – **97%**
- No – **3%**

Is the information you receive from the Pension Boards too much, too little, or appropriate?

Appropriate – **96%**

How do you prefer to receive information from the Pension Boards?

- Web site – **11%**
- E-mail – **25%**
- U.S. Mail – **64%**

More details survey summary will be reported in the months ahead.

Investments

Improved Economic Environment

Catherine Waterworth, Chief Investment Officer

The glimmer of economic recovery continued to flash in the final quarter of 2009. The trend in job losses and falling home prices appeared to be reaching a trough. Businesses began to replenish bare-bones inventories as signs of pent-up consumer demand emerged. The financial markets reflected the improved economic environment. Global equities continued to march upward from the lows reached earlier in the year. Interest rates on U.S. government securities rose as investors began to focus on:

- future action (or inaction) by the Federal Reserve to nip inflation in the bud, *and*
- the considerable anticipated supply of Treasuries to finance the government's stimulus program.

With global markets well off multi-year lows reached in the first quarter of

2009 (the S&P 500 closed the year up more than 64% off its March low), the debate has turned to what's next—will the economy continue to improve and will financial markets continue to reward investors with gains? As for the economy, we will likely continue to see positive growth although not robust. Many economists expect growth in 2010 to fall in the 2%-2 ½% range. Consumers are cautious as job creation remains elusive and income gains are limited. Corporations have cut costs to support earnings in a low growth environment, so earnings will benefit from revenue growth as consumer demand increases. The fall in the dollar is helping to support export growth. Earnings gains are likely to continue but stock valuations are no longer cheap with the significant rise in stock prices. Stock prices are likely to remain range-bound for some time as investors come to grips with the

sustainability of economic growth in the absence of more government stimulus. Bond prices, especially U.S. Treasuries, look vulnerable to losses as rates rise in expectation that the Federal Reserve will have to remove monetary accommodation at some point.

Our expectation is that equities will once again have better performance than bonds in 2010, but the large gains from last year will give way to more modest single-digit gains. Low interest rates and earnings recovery are supportive. However, the road will be bumpy as mixed economic news will keep investors on edge.

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.

Investments

CSR

myhealthIQ: Wellness Program Enhancements

Exciting enhancements in the **myhealthIQ** wellness program are in store for eligible participants in the UCC (Non-Medicare) Health Benefits Plan in 2010. There are new incentives for employees and employers, and you now have the choice of having your Wellness Exam in the convenience of your home or office. Look for more information in the mail in coming weeks.

optimalhealth: What's New in 2010?

Participants in the **optimalhealth** condition management program now have access to:

- **QuitNet**, a smoking cessation program that offers online and e-mail support, telephone coaching and an 8- to 12- week supply of nicotine patches, lozenges or gum
- **iEmbraceHealth**, a web site with helpful articles, care reminders, weight management tools and more (www.iembracehealth.com)

For more information on these and other resources for Healthy Stewards, log in to the Pension Boards web site at www.pbucc.org.

Highlights of Your UCC Medical and Dental Benefits Plan (for participants who are not enrolled in Medicare)

Benefit enhancements:

- Immunizations for Work and Travel: Now covered under the preventive care benefit
- Maternity Care: Covered at 100% after deductible
- Mental Health Services: Limit on number of covered visits removed

Please note that the Health Plan benefit year begins each January 1. All deductibles, out-of-pocket maximums, and annual maximum levels were reset on January 1, 2010.

Retirement Seminars

February 25
Michigan Conference
Ann Harbor, Michigan

March 18
Massachusetts Conference
Boston/Newton Area

April 29
Penn Northeast Conference
Allentown, Pennsylvania

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, Inc. Following are our topics for the first quarter of 2010:

February 10 (Webinar) Navigating the Web for Retirees

Learn about the personalized information that is on our web site for retirees.

March 10 (Conference Call) Vision Plan Open Enrollment and the Wellness Program

Frank Loiacono, Director of Health Plan Operations, provides the latest information and answers your questions on the Vision Plan open enrollment period and the Wellness Program.

To participate in a **conference call**, use the **toll-free AT&T dial in number 1.888.635.9299**. Once the call is connected, there will be a prompt to enter an **Access Code: 905128**. 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: **905128**.

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 web site 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 our web site, www.pbucc.org, under Member Education.

Financial Markets: An Ongoing Discussion

Join PBUCC President/CEO Mike Downs and senior staff on **Wednesday, February 3 at Noon (Eastern) for Financial Markets: An Ongoing Discussion**.

To participate:

- Dial the toll-free **Conference Call number:**

1.800.260-0712 (U.S.)
612.234.9962 (International)

- At the prompt, enter the **Access Code: 141678**
- **TTY callers, dial: 1.800.855.2881**

We look forward to your questions and comments.