



**Report of The Pension Boards–United Church of Christ, Inc.  
to General Synod 30 and the United Church of Christ Board of Directors  
Concerning Its Response as of June 2015 to the  
Resolution Urging Divestment – Along With Other Strategies –  
From Fossil Fuel Companies to Address Climate Change**

*Introduction:*

The Pension Boards–United Church of Christ, Inc. (PBUCC) is pleased to present this report on its response to the call for urgent action on climate change at the 30<sup>th</sup> General Synod of the United Church of Christ, meeting June 26-30, 2015 in Cleveland, Ohio.

PBUCC began its work on climate change 25 years ago as part of a coalition of investors at the Interfaith Center on Corporate Responsibility, utilizing direct engagement with publicly-traded companies across all business sectors.

As a result of the passing of the *Resolution Urging Divestment – Along With Other Strategies – From Fossil Fuel Companies to Address Climate Change* at General Synod 29, and in concert with a growing coalition of investors beyond ICCR and the publication of research and conclusions by the Intergovernmental Panel on Climate Change (IPCC), PBUCC implemented a stepped-up campaign on climate in 2014.

In addition to shareholder engagement and education, PBUCC recently has taken powerful steps toward investment in a low carbon future economy with the purchase of \$30 million in Green Bonds and Private Equity Infrastructure aimed at the development of alternative energy and increased energy efficiency. This multi-million dollar investment publicly proclaims that PBUCC has not only supported the principles of the General Synod 29 resolution, but has actually contributed to the development of a low-carbon future economy – the solution to climate change.

Other plans are under way and further work needs to be done on an ongoing basis to address climate change. PBUCC will continue its work and reporting in an effort to be leaders within the UCC and in the ecumenical community on this issue.

*Actions Taken in Response to the Resolution:*

The resolution calls for eleven (11) specific actions by all stakeholders within the church. The Pension Boards has responded to all 11 as set forth below:

1. Make lifestyle changes to reduce the use of fossil fuels (line 18) – PBUCC was instrumental in acquiring the Interchurch Center LEED Award for the environmental integrity and efficiency of its offices at 475 Riverside Drive in New York City. The PBUCC Board of Trustees voted an official resolution committing to seek ways to reduce Board members' carbon footprints in their own lives and communities.
2. Demand action from legislators (line 20) – The Pension Boards directly influences and encourages demands upon legislators through shareholder advocacy calling for companies to disclose political spending, participation in business association initiatives and fund raising, and to end lobbying for a reduction in environmental regulation. Over 400 shareholder resolutions were filed in the 2015 proxy season, some with dramatic results, calling for transparency in government influence by fossil fuel companies and other businesses.
3. Publicly witness to dangers of climate change (line 22) – The Pension Boards has an active campaign of information sharing on the dangers of climate change on the PBUCC website, through our quarterly **News & Views** newsletters, through social media, on the Interfaith Center on Corporate Responsibility website, in numerous publications and papers, through membership in the Investors Network on Climate Risk, and through participation in the Carbon Disclosure Project (CDP), which reports carbon disclosures and the impact of 500 U.S. companies with goals for reduction.
4. Engage in shareholder actions including divestment (line 23) – The Pension Boards, along with our partners at United Church Funds, Interfaith Center on Corporate Responsibility (300 ecumenical partners), CERES, and USSIF, engages in vigorous shareholder actions and positive investment. PBUCC makes investment decisions based upon the best interest of our 22,000 clergy and lay church employees and fulfills its commitment to addressing climate change through direct witness to publicly-traded companies and in the ways enumerated in this report. While PBUCC does not support divestment as it relates to the retirement assets of clergy and lay church employees, we will soon roll out a new accumulation investment fund which incorporates environmental, social and governance (ESG) factors and will track the MSCI World ESG Index, to be offered to members of retirement plans, including the Annuity Plan, administered and managed by the Pension Boards. See #6 below.
5. Make shareholder engagement a top priority for five years (line 26) – Shareholder engagement remains our top priority, as it has been for over 40 years. The effectiveness of shareholder advocacy is measurable and demonstrable, including the absence of oil and gas exploration by public American companies now in the Amazon Basin and as documented in many studies of numerous issues touched by this work. PBUCC and UCF

are the sole ministries of the UCC still engaged, along with 300 ecumenical partners and other NGOs, in meaningful and powerful direct witness to companies concerning the social justice witness priorities of the United Church of Christ.

6. Fossil fuel-free investment option (line 34) – PBUCC has been deeply engaged in discernment and exploration of a general socially responsible investment (SRI) option for members in the accumulation phase. A survey of members concerning their interest in an SRI investment option was completed in 2014. PBUCC consulted with a number of sources as specified in our booklet, *Sustainable Investing – Transforming Companies through Environmental, Social and Governance Best Practices, and Witnessing to Social Justice in the Tradition of the United Church of Christ* (pp. 13-14). As a result of thorough due diligence and investment analysis, the Board of Trustees voted unanimously at their annual meeting on June 6, 2015 to establish a new accumulation investment fund which incorporates ESG factors and will track the MSCI World ESG Index, that will be offered to members of the Annuity Plan for the United Church of Christ, administered and managed by the Pension Boards. The new fund will be the Northern Trust Global Sustainability Index Fund, a registered mutual fund that has been fully vetted by PBUCC’s investment staff and Investment Committee. The Pension Boards will take the necessary actions to establish the new investment fund as soon as administratively possible. This offering responds not only to the needs and desires of many of our members for an SRI option in which to invest their contributions, but also the call by Synod to develop an optional investment in so-called “best in class” companies pegged to a high standard of ESG performance. We think it also responds to future calls for a fund sensitive to other issues important to or highlighted by Synod without having to create a separate fund each time such calls arise. It should be noted that this option has also been adopted by the largest church pension plan among our ecumenical partners, the 10 million-member United Methodist Church.
7. Updates to UCC database (line 38) – The first update was in October 2013 but there is no database provided for this purpose at this time.
8. Research to identify “best in class” and only hold fossil fuel investments that are... (lines 42, 46) – Currently, there are approximately seven SRI indices in various stages of development to measure the environmental, social, and governance (ESG) performance of a publicly-traded company. All these indices utilize differing criteria and methodologies for ranking such performance. In addition, there are various strategies for obtaining investment goals and benchmarks within an investment strategy incorporating ESG factors. Several considerations are important from the PBUCC perspective in analyzing these trends. Our first priority is to meet our obligations to members whose investments represent earned compensation paid on their behalf into their Annuity Plan accounts during their working years for retirement purposes. Any investment decision must begin there. Utilizing an independent, well-researched, and continuously updated objective measurement of ESG factors is essential in any contemplated so-called “Best in Class” evaluation. After an exhaustive effort, the Board of Trustees unanimously adopted an SRI investment option for members in the accumulation phase based upon the MSCI

Global ESG Index. The offering of this option addresses not only an objective, continuously updated standard for judging the environmental performance of publicly traded companies, it also monitors their performance in the areas of governance and human rights. Therefore it offers an excellent option for those concerned about a range of human rights and diversity issues in addition to the environment. We have also charged our investment managers with the task of identifying investment opportunities from an ESG perspective, along with other performance indicators with respect to our other investment options.

9. Report to UCC Board on annual basis (line 55) – A formal Report was made at the March 2014 meeting of UCC Board and to the Cabinet of the Council of Conference Ministers in October 2013.
10. Report quarterly to public (line 59) – Regular updates have been provided through our quarterly *News & Views* newsletters, social media, reports from CSR Director, the PBUCC website, and the ICCR website.
11. Hearing at next five Synods (line 64) – The first hearing is scheduled during General Synod 30, in June 2015.

Please also see our booklet, *Sustainable Investing – Transforming Companies through Environmental, Social and Governance Best Practices, and Witnessing to Social Justice in the Tradition of the United Church of Christ*, for more specifics on our overall program.

Please note again that PBUCC has committed over \$30 million of positive investment in renewable energy projects.

We encourage and invite dialogue and questions concerning our strong commitment to addressing climate change and in working on and investing in a low carbon future economy. Thank you for your kind consideration of this report. For additional information, please contact the Rev. Richard E. (Rick) Walters, Director of Corporate Social Responsibility, at [rwalters@pbucc.org](mailto:rwalters@pbucc.org).