

Report of the 2011 Pension Boards Annual Meeting



The 97th annual corporate meeting of The Pension Boards—United Church of Christ, Inc. (Pension Boards) was held Friday, June 3, 2011, at the Radisson Hotel at Gateway in Cleveland, Ohio. Sixteen proxies representing the six geographical regions of the United Church of Christ (UCC) attended on behalf of Pension Boards members; two elected proxies, one each from the Middle Atlantic and Western Regions, were unable to attend. Also present was a seminary representative from Lancaster Theological Seminary.

Trustee Chair Dan J. Carwile convened and presided over the meeting. The Rev. Geoffrey A. Black, President and General Minister of the United Church of Christ extended a welcome on behalf of the Collegium of Officers and the national staff of the United Church of Christ, and offered the opening prayer. Mr. Carwile noted that the Pension Boards is a membership organization and therefore, the annual meeting is a members' meeting.

Pension Boards' General Counsel and Corporate Secretary James T. Herod, Esq., called the roll and reported that there was a quorum of members of the corporation as represented by the proxies. After welcoming guests, the Revs. Edward D. Cox and Mark P. Steiner, Mr. Herod introduced members of the Board of Trustees, Directors of the United Church Board for Ministerial Assistance and Pension Boards staff, he called the meeting into session and to order. Mr. Herod explained the two formal votes before the proxies at this year's meeting: 1) to authorize the President and Corporate Secretary to approve the meeting minutes; and, 2) to elect Trustees. Five Trustees were presented for re-election for four-year terms ending in 2015: Brian Bodager, Esq., the Rev. Dr. Arthur L. Cribbs, Jr., the Rev. Dr. Rodney Franklin, the Rev. Dr. Robert A. Lee and Philip Mallott.

Mr. Carwile then called on Pension Boards' President and Chief Executive Officer Michael A. Downs, Chief Investment Officer Catherine Waterworth and Chief Financial Officer Maxine Seifert to present reports.

Mr. Downs began his presentation with the vision statement developed by the Board of Trustees: "To strengthen the church by helping participants achieve health and economic security." He explained how the work of the Pension Boards strengthens and benefits the church as a whole.

Mr. Downs noted that the Pension Boards' budget over the five-year period from 2006-2011 increased by 7.58%, compared to the Northeast Region and nationwide urban Consumer Price Index increases of 12.19% and 11.16%, respectively. Combined administrative and investment expenses for all Funds managed on behalf of members averages 76 basis points (.76%), about one half the investment expenses for similar funds as reported by Morningstar Financial Services, and well below the 200-300 basis point fees incurred by typical 401(k) plans. The resulting savings add approximately 1% to members' accounts.

Between 2006 and 2010, the total number of members increased slightly despite the overall decline in church membership. The number of actively-employed members decreased by about 1,000 members during the same period, while the number of inactive members rose. The number of annuitants has risen and will continue to rise over the next several years.

Mr. Downs described the benefits plans and programs administered by the Pension Boards. The UCC Medical and Dental Benefits Plan was at or below trend for eight years as a result of members' use of network providers and generic medications, as well as the savings achieved through the Pension Boards' coalitions and partnerships with other church plans through the Church Benefits Association (CBA). Contribution rates increased in 2011 by 12% for the Non-Medicare Plan and by 5.2% for the Medicare Supplement Plan. Mr. Downs announced that higher-than-expected investment performance in the last quarter of 2010 increased Health Plan

reserves, which allowed the Pension Boards to issue a one-month premium credit to most participants in the Non-Medicare Plan. A review of the Medicare Supplement Plan in 2010 affirmed the Plan that is currently in place. A new review will be launched in 2011 to reevaluate the Plan in light of health care reform. Mr. Downs spoke about the impact of health care reform on the UCC Plan. The UCC Medical Benefits Plan has elected to remain a grandfathered plan under the provisions of the new law and is in full compliance with its mandated provisions.

The UCC Life Insurance and Disability Income (LIDI) Benefit Plan is available to UCC employees at a cost of 1.5% of salary basis—about one-fourth the price of a comparable commercial product. The Flexible Benefit Plan for UCC Ministries saved participants nearly \$200,000 in federal income taxes in 2010.

The Ministerial Assistance program continues to provide pension and health supplementation, Christmas gift checks and grants to lower-income annuitants and families facing unforeseen financial crises. The Target 2030: Next Generation Leadership Initiative provides young clergy in their 20s and 30s ongoing education to equip them for the sacred call of parish ministry. In March 2011, the Board of Trustees affirmed the vote of the United Church Board for Ministerial Assistance to provide \$200 energy grants to the 1,000 lowest-income retired clergy and the 500 lowest-income active clergy.

Mr. Downs discussed the Pension Boards, education and communications initiatives. Member Education conference calls and webinars are scheduled monthly. Staff leads regional retirement seminars and visits the seminaries of the United Church of Christ to offer financial education to those beginning in ministry. The Pension Boards has begun using social media such as Twitter and YouTube. Thirty Conferences and the national ministries of the church are utilizing WebEx online conferencing technology provided by the Pension Boards.

Ms. Waterworth, who is retiring after seven years as Chief Investment Officer, prefaced her report on financial markets and the economy by expressing gratitude for the privilege of serving at the Pension Boards. She noted that financial markets rebounded in 2010. The economy, which had contracted 2.6% in 2009, grew by 2.9% in 2010. There was no change to the Basic or Participating Annuities in 2010; the Equity and Balanced Annuities, which are no longer available to new annuitants, increased by 22.01% and 12.18%, respectively, effective April 1, 2011, reflecting investment performance for the last six months of 2010. Ms. Waterworth noted that continued market volatility is expected. The Pension Boards' Corporate Social Responsibility (CSR) program continues to use exclusionary screening, corporate engagement and proxy voting in engaging with companies in which it is invested.

Ms. Seifert reported on the due diligence involved in producing the Pension Boards Annual Report. The Chief Executive Officer and Chief Financial Officer are responsible for the integrity and objectivity of the financial information contained in the Annual Report. She described the Pension Boards' governance process as "best in class." Ernst & Young, the Pension Boards' external auditors, gave a clean opinion, with no material weaknesses. Stewardship of the resources entrusted by members to the Pension Boards is accomplished by strengthening internal controls. The Enterprise Risk Management (ERM) initiative advanced in 2010. A consultant in risk management best practices was retained to help embed best practices in everyday operations. The Board of Trustees made the ERM Committee a standing committee.

Following the formal reports, Mr. Downs opened the meeting to questions. Mr. Carwile adjourned the meeting at the end of the question and answer session.

2011 Annual Meeting Summary

The Pension Boards
United Church of Christ, Inc.
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