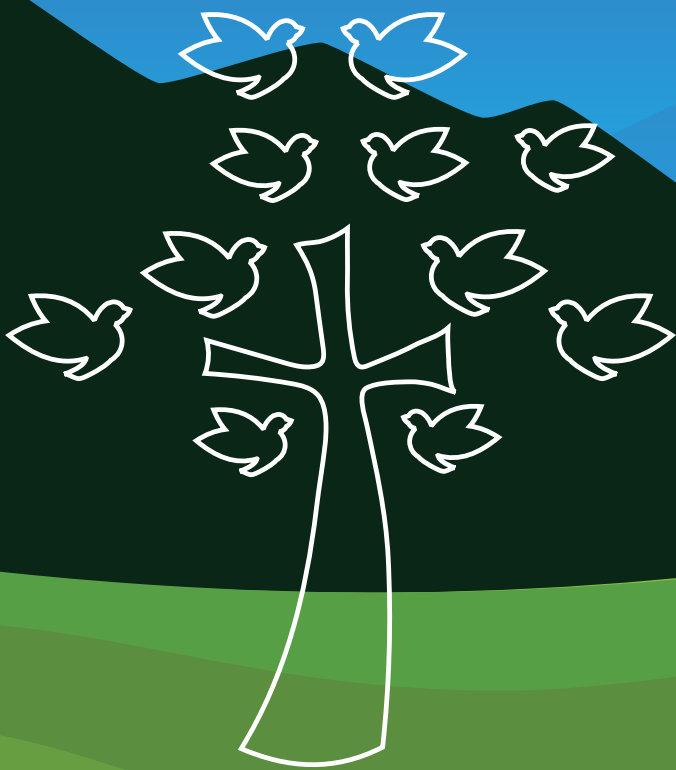


Annual REPORT | 2018

IMAGINE...



The Pension Boards
United Church of Christ, Inc.
A FAITH AND FINANCE MINISTRY



OUR MISSION

Operating at the intersection of faith and finance, we are caring professionals partnering with those engaged in the life of the Church to provide valued services leading to greater financial security and wellness.

OUR VISION

The Pension Boards delivers benefits and services from the intersection of faith and finance, providing clergy, lay employees, and all persons served with the peace of mind that comes through greater financial security and better health.

The Pension Boards achieves these results through:

- Thought leadership regarding faith-based, socially responsible investing,
- Professional investment expertise that enhances returns,
- A comprehensive mix of products and services that meet diverse needs,
- Innovative application of technology,
- Outreach to all settings of the UCC and the greater Church, and
- Fees and expenses that are at or below industry average.



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Letter from the President/CEO and the Chair, Board of Trustees



We have learned from our time with the Pension Boards that we are explorers. We move beyond what is seen to create a new reality that will effectively meet the needs of the present and future Church. We invite you to imagine with us.

Through the years, we have journeyed with the Church in challenging times and evolving times, adjusting our lenses and services to align with the changing landscape to meet the ongoing needs of those we serve.

We have come a long way and we are still looking ahead.

In 2015, the Pension Boards launched a strategic planning process that challenged our staff colleagues and stakeholders to imagine the Pension Boards of 2025. We glanced at a potential future and examined new ways to adapt and shift our approach to address competing demands, all while continuing in our mission to provide valued services leading to greater financial security and wellness for our members.

The theme for the 2018 Annual Report is “Imagine.” In this report, we realize the impact of the work that resulted from the 2015 strategic planning process; we’ll review successes from 2018; and venture into a possible tomorrow as our staff, Trustees, and partners visualize a future Pension Boards that is leading the charge in faith and finance, while anticipating the growing trends that widely affect our Church.

The Pension Boards has always looked ahead, beyond its present day to address the concerns of the Church and its members. It is our duty to learn how we can improve and grow together – making adjustments along the way – so that we are all properly aligned in covenantal purpose and mission.

What does our future hold? Only time and God will tell. But, we have a responsibility to prophetically act upon the current climate of change and prepare for the potential challenges ahead – without waver and without hesitation on behalf of those we serve.



Brian R. Bodager
President and CEO

The Pension Boards-
United Church of Christ, Inc.



Rev. Dr. Rodney Franklin
Chair, Board of Trustees

The Pension Boards-
United Church of Christ, Inc.

IMAGINE...

Exploring a Future Pension Boards

“For many of us in the church, money is still a difficult topic to talk about, either within our families or our churches. I know that the money that my church pays to the Pension Boards for my health care and my retirement is being stewarded in ways that are faithful to who we are as the United Church of Christ, and also maintains the values that I hold as a person of faith. I also think that this intersection of faith and finance is going to become an even more critical area for the Pension Boards to educate our congregations about the need to be able to provide services for clergy and lay leaders, so we can continue to lead with strength, health, and joy.”

— Rev. Dr. Barbara Kershner Daniel, *PBUCC Trustee*



“The Pensions Boards’ mission around this concept of faith and finance is really important for us. We are fiduciaries, and what that means is we are managing your money, your pension plans as if they were our own. We are more keen and more effective in our forward-looking view on investments, not just simply in greater returns, but in minimizing risks around those areas that are potential hazards as we move forward in the future. We have focused on wellness, we do focus on financial security, and we now have programs that enhance our existing ministry to serve those newly-coming in or those in mid-career stages of life. Faith and Finance is all about expanding that.”

— George L. Ochs, *PBUCC Trustee*



“I would hope with the completion of the *Generations of Service: Faith and Finance in Action* capital funds campaign and other new initiatives the Pension Boards is engaging in to secure financing, we will create a good foundation for Ministerial Assistance to support our ministers both young and old into the next 10 years. I think for the younger ministers it’s very important to provide education and financial literacy to help them understand what needs to be done to secure their financial future.”

— Lawrence Yunaska, CPA, *Vice Chair, Board of Trustees*



“Well, we have a big job to do as we think of the future, especially of the church – things are really changing. I think we have to get out there with our message and we have to provide educational information to churches as they think about their pastors’ salaries and pensions. You know, with very low salaries our clergy do not really have enough to make it in retirement, so they really need to have their churches consider why they need to have a pension and why they need to invest in the future of their pastors.”

— Rev. Dr. Geneva M. Butz, *PBUCC Trustee*



Working Together to Sustain Financial Security

The Pension Boards plays a vital role in helping address the deepening financial concerns facing UCC ministers and lay employees. When these concerns are effectively addressed, clergy are empowered to be transformational leaders of vibrant churches.

In covenantal partnership, the United Church of Christ Board (UCCB) and PBUCC strive to enhance our offerings to better equip our clergy and lay employees for the work God calls them to do in the world.



Increased cost of living, combined with salaries that have not been able to keep pace, make the mission of the Pension Boards and the wider United Church of Christ even more urgent. Today, UCC clergy may be serving in non-parish settings or in part-time ministries, which means navigating different health and retirement benefits and managing debt from seminary or amassed earlier in their careers. The need for compassionate care around financial wellness has perhaps never been greater. PBUCC is ready to assist, offering financial planning partnerships with *Ernst & Young*; financial vitality programs initially launched with a grant from The Lilly Endowment; and the ongoing, faithful care of current and future annuitants.

The United Church of Christ Board seeks to support the Pension Boards as it moves forward in support of the denomination. UCCB members can provide thought leadership and feedback for new programs. The National Setting continues to offer larger-scale events, including General Synod, which expand the capacity of PBUCC to connect with both persons in need and potential donors. Many UCC employees and Board members are persons who will serve several UCC entities in their lives of service, enabling the broader sharing of ideas across the church.

The financial ministries' shared resources may continue to be beneficial, particularly in the creation of socially responsible investment options. Finally, as the UCC expands its ecumenical relationships, there may be important opportunities for new partnerships for the Pension Boards as well.

The United Church of Christ Board and the Pension Boards will continue to work toward sustaining the financial security of our UCC clergy and lay employees, and seeking a more secure, abundant life for all.

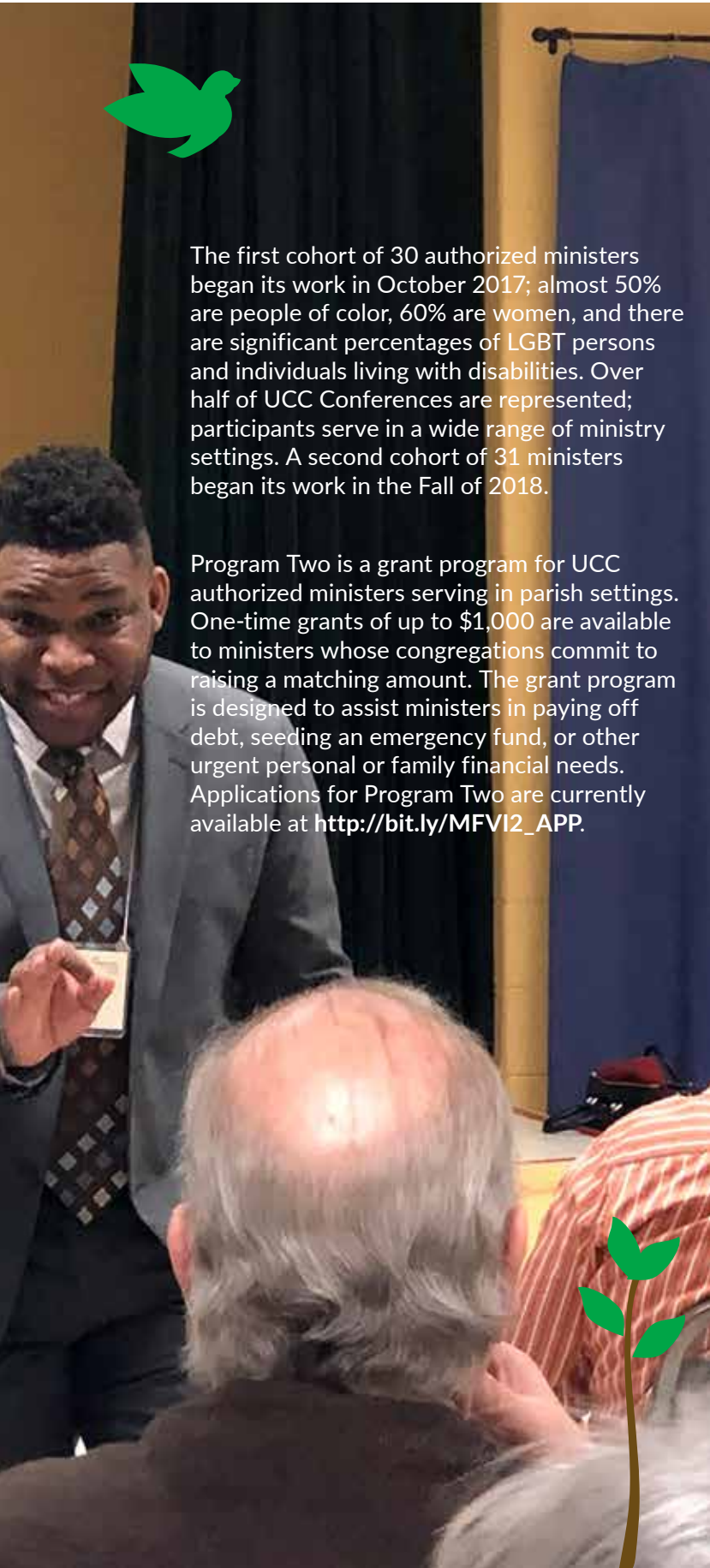
Yvette Wynn, CFP®
Vice Chair
United Church of Christ Board



The Ministers' Financial Vitality Initiative (MFVI), made possible by a \$1 million grant from The Lilly Endowment, was introduced at General Synod 31. MFVI is comprised of two programs:

Program One consists of three, three-year cohorts of UCC authorized ministers from historically-underrepresented groups. A financial wellness curriculum developed by *Ernst & Young Financial Planning Services® (EYFPS)* includes one-on-one work with a certified financial planner, budget planning, debt reduction strategies, webinars, readings, and a private online discussion group. Participants set personal financial goals with their planners, and financial incentives are awarded as milestones are achieved.





The first cohort of 30 authorized ministers began its work in October 2017; almost 50% are people of color, 60% are women, and there are significant percentages of LGBT persons and individuals living with disabilities. Over half of UCC Conferences are represented; participants serve in a wide range of ministry settings. A second cohort of 31 ministers began its work in the Fall of 2018.

Program Two is a grant program for UCC authorized ministers serving in parish settings. One-time grants of up to \$1,000 are available to ministers whose congregations commit to raising a matching amount. The grant program is designed to assist ministers in paying off debt, seeding an emergency fund, or other urgent personal or family financial needs. Applications for Program Two are currently available at http://bit.ly/MFVI2_APP.

Responding to Challenges Today and Tomorrow

The environment in which the church and authorized ministers serve is rapidly changing and it is presenting numerous challenges. Among them:



- Clergy are increasingly burdened with high levels of educational and personal debt
- More pastors are becoming bi-vocational
- Large numbers of retired clergy live on limited income amid rising costs
- A new generation of clergy needs to be trained in transformational leadership

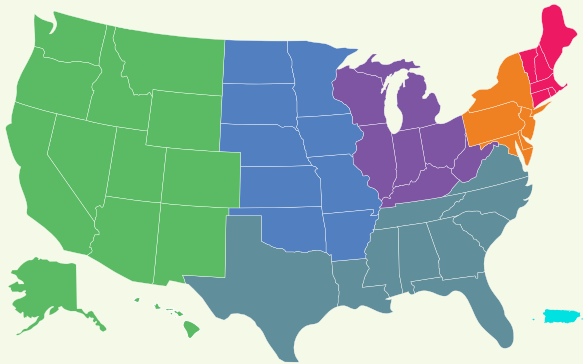
Imagine taking on these challenges. The Pension Boards has!

Working with a variety of partners including the National Setting of the UCC, the Pension Boards responds to the present and future needs of authorized ministers at every stage of the career cycle with innovative programs that deliver tangible results as seen in this report. Recently-ordained clergy develop skills through the Next Generation Leadership Initiative (NGLI), and clergy from historically-underrepresented groups are assisted with debt management through the Ministers' Financial Vitality Initiative (MFVI). The Pension Boards also offers seminars for mid-career and near-retirement clergy to help them plan for next steps in life and ministry, and it provides assistance to low-income retirees. In these and in many other ways, the Pension Boards responds to the challenges of today and tomorrow.

The Pension Boards has served our Church and its clergy for over a century. Operating at the intersection of faith and finance, it continues to address needs in our rapidly changing environment with faithfulness and imagination.

Rev. Dr. James Moos
Executive Minister
UCC Wider Church Ministries

BEING the Church for those who SERVE the Church



2018 DIRECT SUPPORT – 2,539,471

- **Supplementation of Small Pensions** for 379 retired clergy/ lay employees totaling **\$1,453,050**
- **Supplementation of Health Benefits** for 174 retired clergy/ lay employees totaling **\$429,903**
- **Emergency Grants** for 49 servants of the church totaling **\$60,526**
- **Christmas “Thank You” Gift Checks** to 401 retired clergy/lay employees totaling **\$214,100**
- **Ministerial Assistance** grants to 62 retired/disabled clergy/ lay employees and surviving spouses totaling **\$286,925**
- **New Church Start Benefit Support Grants** to 13 new church start pastors totaling **\$86,667** (in cooperation with UCC Local Church Ministries and UCC Conferences)
- **Scholarships** for children of deceased or disabled clergy to 2 students for total of **\$2,000**
- **Herring and Stark Memorial Funds** to seed the annuity accounts of five seminarians in their last year of theological studies for a total of **\$6,000**
- **Birthday Gift Checks** went to three UCC retirees who turned 100 years old totaling **\$300**

2018 SUSTAINABLE LEADERSHIP INITIATIVES – 1,751,463

- **Annuitant Visitor Program (AVP)** has 160 visitors who call on UCC annuitants. The cost of this ministry was **\$251,002**
- **CREDO**, a sustainable leadership initiative that provides eligible authorized ministers with time, resources, and encouragement to discern paths to greater wellness and wholeness; 29 authorized ministers participated in 2018 and the cost was **\$493,373**
- **Next Generation Leadership Initiative (NGLI)**, currently with 123 pastors in nine cohorts. The cost of this ministry was **\$595,088**
- **Ministers’ Financial Vitality Initiative (MFVI)** strengthens financial management literacy skills so that clergy may move toward a more secure future. In 2018, the second cohort of 31 authorized ministers began their financial wellness journey. The cost of this ministry was **\$412,000**

Since 1885, the United Church Board for Ministerial Assistance (UCBMA) – the charitable arm of the Pension Boards – has helped ensure the wholeness of those who serve the church by bridging financial and leadership needs of retirees, of those serving new church starts, of younger pastors beginning their ministries, and of those facing unexpected hardships.

ANNUITANT VISITOR

The Annuitant Visitor Program seeks to provide an annual visit to over 6,000 retired clergy, missionaries, and their spouses/ partners in the United Church of Christ. Annuitant Visitors serve as ambassadors for the Pension Boards’ benefits, communicate appreciation for a lifetime of dedicated service, and offer collegial support.



The Next Generation Leadership Initiative (NGLI) equips, energizes, and empowers younger United Church of Christ local church pastors to build vibrant congregations that change lives and further God’s mission in the world. There are currently 123 pastors participating in NGLI; they serve local congregations in 34 of the 38 Conferences of the United Church of Christ.

Each participant engages in a multi-year program that includes core curriculum, individualized continuing education, General Synod visits, learning field trips, and a peer group for support and networking. For more information, visit <http://www.ngli2030.pbucc.org>.





CHRISTMAS FUND FOR THE VETERANS OF THE CROSS AND THE EMERGENCY FUND

For over 115 years, the Christmas Fund for the Veterans of the Cross and the Emergency Fund has helped clergy, lay church employees, and their surviving spouses/partners facing challenging financial situations. Through gifts to the Christmas Fund, individuals and congregations across the United Church of Christ, help to ensure that “The Light is Surely Coming” and pass on God’s love.

In 2018, the Christmas Fund created a Christmas coloring book and poster to help share the story. The coloring book was illustrated by Ted Dawson, a member of Judson Memorial Church in New York City, and written by NGLI participant, the Rev. Shernell Edney Stillely, Minister for Congregational Life at First Congregational Church of San Jose, United Church of Christ, in California.

Total Gifts to the 2018 Christmas Fund Offering equaled more than \$1.5 million. Visit www.christmasfund.org to learn more.



PBUCC CREDO, a holistic wellness program, was launched by the Pension Boards in 2015. By the end of 2018, 200 UCC authorized ministers have participated in the CREDO experience. PBUCC CREDO creates sacred space for participants to examine significant areas of their lives and discern prayerfully the future direction of their vocations and personal wellness. Participants are encouraged to utilize existing Pension Boards’ resources, including the Health Plan’s Healthy Stewards Wellness Program and the Annuity Plan’s *Ernst & Young Financial Planning Services*®. CREDO is administered in cooperation with the Episcopal Church Pension Group and Presbyterian Board of Pensions, which run similar programs.

Visit <http://bit.ly/PB-CREDO> for more information.



The United Church Board for Ministerial Assistance hosted the first national Assistance Summit in November 2018. The gathering included 16 representatives from 10 Conferences that also have oversight for assistance programs. The goal was to review demographic studies that may impact the future of what we do, learn best practices from one another, and identify opportunities to collaborate in the future.

Participants identified three areas for further exploration:

- faith and finance as a critical and persistent part of ministerial formation and congregational life;
- collaboration; and
- encouraging and investing in clergy wellness.



The benefit plans sponsored by the Pension Boards assist thousands of clergy and lay employees and their eligible dependents by providing Medical, Pharmacy, Dental, Vision, Life Insurance, Disability Income Protection, and Flexible Spending Plans.

A new benefit for active clergy and lay employees was introduced in 2018: the Member Assistance Program, administered by Health Advocate, a nationwide leader in Employee Assistance and Work/Life Balance programs. Through this confidential service, professional counselors are available to assist with personal and work-related issues, as well as with locating childcare, legal, and financial experts.

The Healthy Stewards Wellness Program, with its focus on wellness, prevention, and targeted outreach to participants for the management of chronic conditions, continued by encouraging church leaders to care for themselves so that they may effectively care for others.

In 2018, Health Plan Operations, in collaboration with the Pension Boards' Church Relations and Member Education staff, offered leadership for clergy holistic wellness retreats in the Penn Central and Montana-Northern Wyoming Conferences. Health-related presentations focused on ways ministers can incorporate positive mental and physical well-being habits into their daily lives.

Health Plan vendor partnerships provide participants with access to a nationwide network of providers, excellent customer service centers, and websites that allow participants to take an active role in managing their health. Participants can access online information about

claims and benefits, order medications, request and print ID cards, and access a library of information on physical and mental health conditions.

Participants in the UCC Health Plan benefit from the collective purchasing power of the Church Benefits Association. The UCC Health Plan, in collaboration with other denominations, negotiates substantial discounts for medical and pharmacy services.

We are pleased to report that all Plans remain in a stable financial position, with adequate reserves to cover unexpected high cost claims and contingencies. High-cost claims and the increased cost and availability of specialty medications are the primary cost drivers for the Plan. For the 2018 Plan Year, the Non-Medicare Plan increased 7% and the Medicare Supplement Plan with Rx increased 3%. Rates for the Life Insurance and Disability Income Benefit Plan, as well as the Dental and Vision Plans, remained unchanged from 2017 levels. These rate actions were significantly lower than the nationwide average.

Plan Enhancements in 2018 included:

- Increased coverage for Autism Spectrum Services
- Removal of limits on Gender Identity Services
- Removal of limits on minimum hours employees must work to be eligible for benefits
- Coverage for dental sealants for ages 16 and younger
- Limited repair of covered dentures and bridges

Ernst & Young Financial Planning Services (EYFPS)

Since 2015, the Pension Boards has offered financial planning services through Ernst & Young Financial Planning Services® (EYFPS) at no cost to actively-contributing Annuity Plan members. EY financial planners are trained in topics of importance to members, including PBUC administered plans and programs, and provide independent, objective, and confidential financial education and counseling. Here's what some members had to say about EYFPS:

"I have been working with Danny [an EY financial planner] since 2015. He has been very helpful in guiding me to a sustainable financial retirement. He is very knowledgeable and has a great personality. I will miss talking with him and I highly recommend him to anyone looking to establish their financial well-being."

"My only regret about the EY website and Jeff is that I didn't discover them sooner. As a finance-phobic person, Jeff and EY did me a huge favor by not only laying out my (long-overdue) financial big picture in sobering clarity, but by doing it in a way that didn't make me feel like a financial imbecile."

I feel very fortunate that EY provides such a resource, and I definitely plan to use it repeatedly in the future."



Customer Service

The customer service team within our contact center is staffed by caring professionals who stand ready to answer questions spanning from the simple to the complex. This group is equipped to respond to service requests in a variety of ways via phone, email, chat, and fax. In addition to our contact center, the Pension Boards website provides a wide range of 24/7 self-service options including personalized benefits information, forms, tax resources, and online transactional capabilities.

34,000
The number of service interactions with our service team.

94%
The percentage of members who called our contact center who indicated their call was answered promptly.

98%
The percentage of members who called our contact center and indicated the service representative was courteous and polite.

"I want to extend a word of thanks for excellent customer service from Tracy. She shepherded me through various aspects of my health care benefits. She is pleasant, patient, and always provides service with the empathy of knowing that I'm a new church pastor. I hope your department continues to have persons like her to assist us as pastors, and I pray favor and prosperity upon her in her work and her life."

Operations

The operations team is staffed by highly-trained professionals in benefit plan administration. This team is charged with the timely and accurate processing of new enrollments, terminations, distributions, retirements, and more.

28,000
The number of customer requests processed by the operations team.

Those who respond to member and church inquiries represent the face of the Pension Boards. It is our intention to not only provide accurate responses to your questions, but to make every interaction with us a memorable one. One member shared:

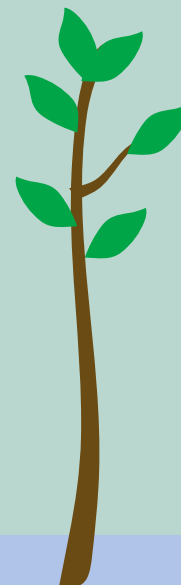
"You folks at the Pension Boards continue to have the best customer service care. A whole lot of companies out there could learn from you."

Member Education

PBUCC's Member Education programs assist members in maximizing the benefit plans and programs administered by the Pension Boards. This is accomplished through educational events including onsite retirement seminars, webinars, and other programs. In addition, our pension counselors are available to provide personalized retirement counseling for members and their spouses and partners who are approaching retirement. Here is what some of our seminar participants shared:

"Dear Kenneth, I can't say enough about how great the pre-retirement session was last week. I came in with great apprehension, wondering if I even belonged there, and quickly found out it was the perfect place and exactly the information I was looking for and needing."

"Anna was professional, knowledgeable, helpful, and personable. In summary, I couldn't have been more pleased. She is a credit to the PBUCC."



Our Journey

In 2015, the Pension Boards developed a vision narrative that imagined a Pension Boards in 2025 that would offer a broader range of services to its members. Journey with us through this timeline to see how some of our vision and accomplishments have been realized.

2016

\$1 million grant from Lilly Endowment's *National Initiative to Address Economic Challenges Facing Pastoral Leaders*

Faith & Personal Finance initiative introduced

Goldman Sachs Asset Management named investment advisor

Faith & Finance policy adopted and Advisory Group formed

"Green" bond investments reach \$80 million

2017

2015

Faith & Finance Initiative is established

Ernst & Young Financial Planning Services® (EYFPS) are offered

Northern Trust Global Sustainability Index Fund is added

PBUCC CREDO begins

Investments in oil sands/thermal coal eliminated

PBUCC Speakers Bureau is introduced

2016

2015

20

"A Just World for All: Strategies for Sustainable Investment" published

Highmark Blue Cross Blue Shield becomes network for Mental Health/Behavioral Health benefits

Member Assistance Program introduced

Ministers' Financial Vitality Initiative (MFVI) launched

Emergency grants for hurricane relief provided

Annuitant Visitor Program 35th anniversary

Green Bond Principles signatory

Generations of Service: Faith and Finance in Action \$20 million capital funds campaign begins



2018

- Daily valuation of accumulation accounts
- PBUCC becomes signatory to the UN-supported Principles for Responsible Investment
- Clergy Wellness Retreats launched
- Monthly billing introduced
- United Church Board for Ministerial Assistance is 133 years old
- "Go green" efforts include e-newsletters and online statements
- Investments in firearms companies eliminated
- UCBMA hosts first national Ministerial Assistance Summit

2019

- Mobile-friendly website introduced
- Broadening efforts to address clergy educational debt
- Electronic invoicing for pension dues and benefit services begins
- Investment managers' ESG efforts reviewed
- Sustainable fixed-income bond investments now total \$267 million
- Capital Campaign commitments near \$9 million

Where We Are Headed

The Pension Boards will build upon its Faith and Finance initiatives, as a recognized thought leader on Faith and Finance within the United Church of Christ. It will continue process improvements and efficiencies using innovative application of technology and add new products and services that meet the diverse needs of the Church.

A Look at Faith and Finance in Action



Imagine if the Intersection of Faith and Finance, a theme brought forth in 2015 as PBUCC's new mission and vision, becomes Faith and Finance in Action in 2019 and beyond?

Faith and Finance will intersect at sustainable ministry. On the faith side our mission, sustainable ministry, can be achieved through cultivating transformational leadership – equipping local UCC pastors to build vibrant, engaged churches that reflect our faith-based values of justice and peace. Faith and Finance in Action is also reflected in wellness of mind, body, spirit, and in resources that effectively energize sustainable ministry for generations to come.

On the finance side of our mission, through the inclusion of Environmental, Social, and Governance (ESG) factors, institutional investments will impact environmental wellness, address human rights, and recognize underserved groups by affirming the dignity of their work. Fair trade sustainable practices will flourish through the transformation of worker-owned companies and investors' influence to do good.

Engagements with people and communities of faith will flourish in coalitions with those who share our values, to strengthen the mission of providing valued products and services driven by caring professionals.

It's happening!

All of this has already begun to happen through the investment of retirement funds for returns and through the social and environmental impact of the investment strategies and manager selections of PBUCC-administered funds. Through our work with the Interfaith Center on Corporate Responsibility (ICCR), we have engaged with companies to create a just world for all. And, through PBUCC's educational assistance and programs for underrepresented groups, we are strengthening ministry and addressing clergy debt.

The biggest challenge yet to be imagined and realized will be clergy consumer and educational debt, which can create a significant burden on ministry and which, if addressed, will free transformational leaders to achieve all that they can for the sake of the church and the world.

All of these things shape the future of Faith and Finance in Action, along with one more thing: You!

Our members, the wider church, faith communities, and Conferences will be empowered to find their own intersections of Faith and Finance. Together, we will minister to meet the needs of the 21st century to help create a just world for all and answer the call to Faith and Finance in Action.



2018—Economic Downshift, But No Reverse Anticipated

Investment Review

The investment landscape can seem confusing to those who don't follow it every day, and sometimes to those who do. In 2018, market volatility returned as the global economy slowed, following a strong 2017. The year began with solid global fundamentals, undoubtedly aided by a one-time U.S. tax cut during a period of full employment. By mid-2018, international developed and emerging market economies (and markets) began a decline made worse by political uncertainties and trade tensions. The U.S. seemed to buck this global trend, with equity markets defying gravity through September. However, in October, market sentiment changed as U.S. companies began to reduce earnings forecasts due to higher interest rates, wage pressures, a strong dollar, and trade tariffs. Domestic equity markets then suffered a December swoon, which had the feel of a panic. Global equity markets ended 2018 in negative territory, and no major asset class in the world (including bonds) was up more than 5%.

International equity markets were weak throughout most of 2018. Emerging markets started the year very strong, but geopolitical tensions around trade wars, North Korea, Iran, and Italy's new populist government led to mid-teen declines through the third quarter. Emerging markets outperformed U.S. markets substantially in the fourth quarter, highlighting the benefits of diversification.

Large U.S. companies, as represented by the Standard & Poor's (S&P) 500 Index, declined 4.38% in 2018 after being up over 11% by the third quarter. The Russell 2000® Index, which measures the performance of small-cap U.S. companies, declined 11.01% in 2018 after being up 14.65% in 2017.

Now to the other side of the asset ledger – fixed-income investments.

Bonds, as represented by the Barclays Capital U.S. Government/Credit Index, were down 0.42% in 2018. The Federal Reserve (Fed) raised interest rates four times in 2018 in response to solid gross domestic product (GDP) growth and low unemployment. In a further sign of volatility, the yield on 10-year U.S. Treasury notes went from 2.46% at the beginning of the year to 3.23% at the beginning of October but ended the year at 2.69%, as markets sought the safe haven of U.S. government bonds.

The Pension Boards leveraged its flexibility and moved into cash to reduce equity exposure in the balanced funds to mitigate some downward movement in the markets. Thus, asset allocation decisions were generally positive during the year. Although manager contributions to performance were limited in 2018, some of the more defensive, value-oriented managers protected capital in a volatile period. All in all, it was a disappointing year.

Market Outlook

Looking forward, we believe that economic worries may be overdone. The U.S. economy has moderated as the benefits of tax stimulus abate, but we do not think a recession is likely now. After the selloff, global equity valuations are favorable, with emerging markets especially attractive. Many emerging markets also have the tailwind of growth stimulus from China and could be set to outperform the U.S., even more so if the dollar weakens. Risks remain due to anticipated Fed rate hikes, but the pace of these hikes may slow. Political uncertainty in Europe and a worsening trade outlook are also on the radar as concerns. As for fixed income, our interest rate sensitivity (duration) needs to be nimble given these cross-currents. As a result, a focus on diversification should continue to be the best discipline. We will build on the asset allocation decision capability and tools that helped our Funds in 2018, especially if volatility continues.

Selecting skilled managers, with low management fees, is also essential to delivering the returns you expect. Providing these returns proved more difficult in 2018, as only 30% of professional equity managers industry-wide exceeded their benchmarks. We still believe in active security selection for a portion of our Funds, especially if the direction of markets remains uncertain.

We remain focused on employing our Faith and Finance lens to investing, and insisting on a focus on environmental, social, and governance factors in the investments our managers make. Above all, we will continue to be good stewards of investments on your behalf in this increasingly complex world.

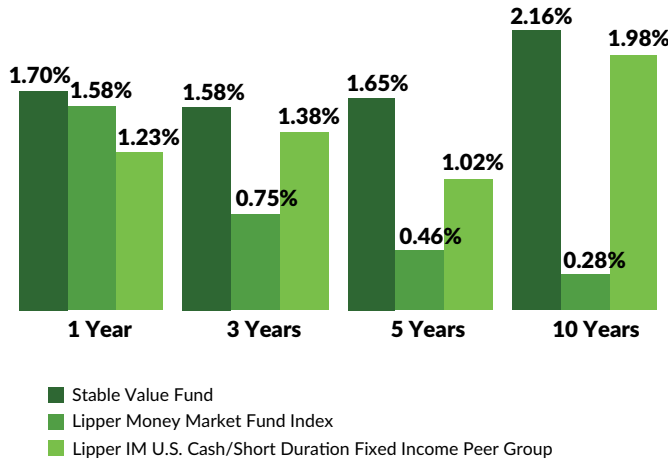


Accumulation Fund Performance

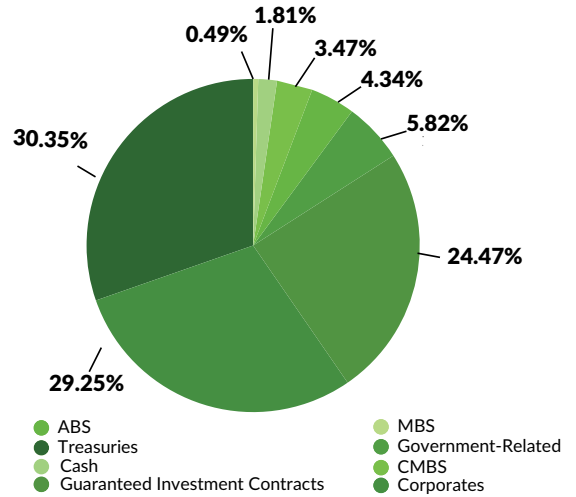
The following are charts illustrating fund performance for various periods as of December 31, 2018. Asset allocation at year-end is shown as well. Fund performance, as shown, is net of all expenses. Indexes are unmanaged benchmarks with no associated fees.

Stable Value Fund

Fund Performance



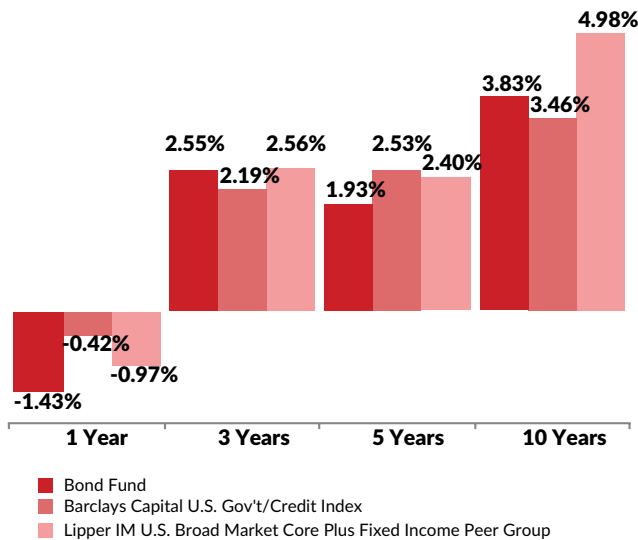
Asset Allocation



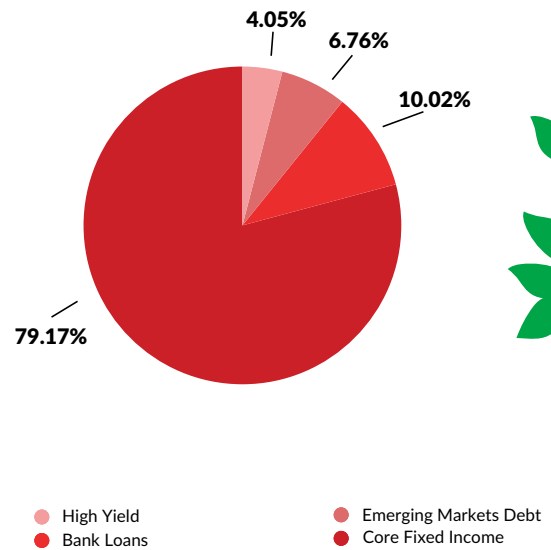
For 2018, the Stable Value Fund had a total return of 1.70% versus 1.58% for the Lipper Money Market Fund Index. The Stable Value Fund has continued to maintain a higher yield than the Lipper Money Market Fund Index, as money market yields only started to rise in 2018. The Fund seeks a principal preservation strategy that expects to maintain a stable unit value of \$1.00 per unit while earning a level of income that is consistent with short and intermediate-term bonds.

Bond Fund

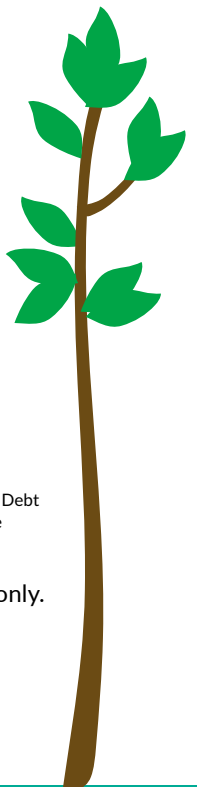
Fund Performance



Asset Allocation

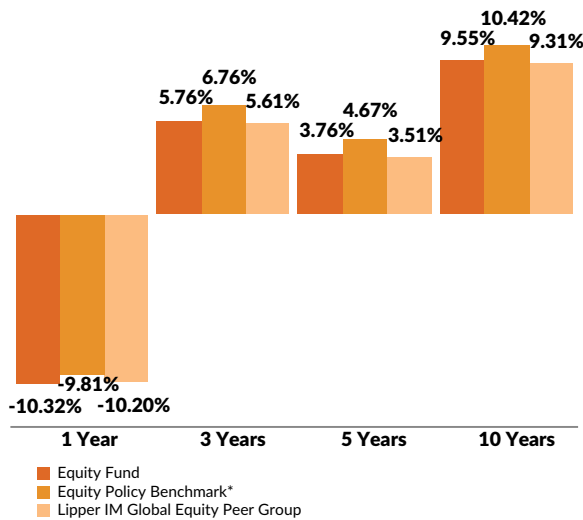


In 2018, the Bond Fund had a total return of -1.43% versus -0.42% for the Barclays Capital U.S. Government/Credit Index. The Fund underperformed the benchmark, which reflects investments in U.S. treasuries and corporate bonds only. Underlying managers, both internal (Core fixed-income), and external (emerging markets debt, bank loans, high yield), had a tough year, lagging benchmarks. Fundamentals were supportive through the third quarter but fourth quarter Fed comments to increase interest rates and reduced liquidity resulted in a flight to safety and a loss in accumulated returns. The investment in bank loans was additive to the overall performance in 2018, although the manager, Voya, underperformed the leveraged loan benchmark slightly, net of fees.

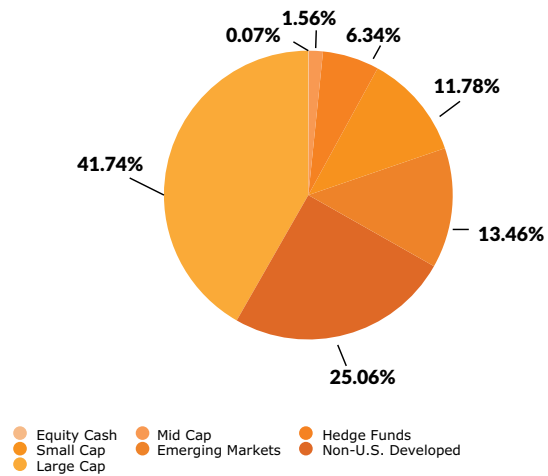


Equity Fund

Fund Performance



Asset Allocation

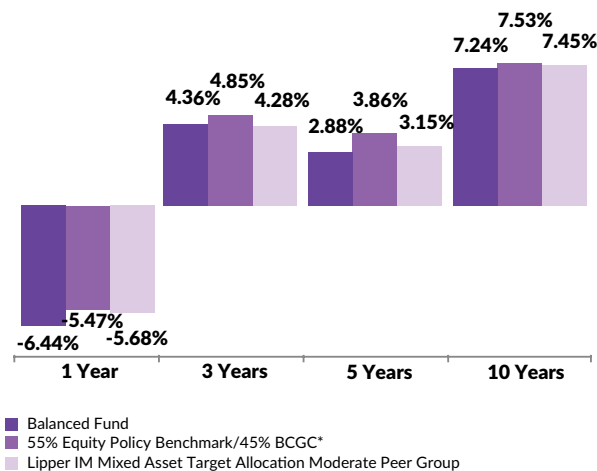


* The Equity Policy Benchmark reflects the asset class targets established by the Pension Boards' Investment Committee and is based on the following Index weightings effective January 1, 2018: MSCI ACWI IMI, net (92.5%) and HFRX Global Hedge Fund Index (7.5%). For historical weightings and composition of the Equity Policy Benchmark, please see Policy.

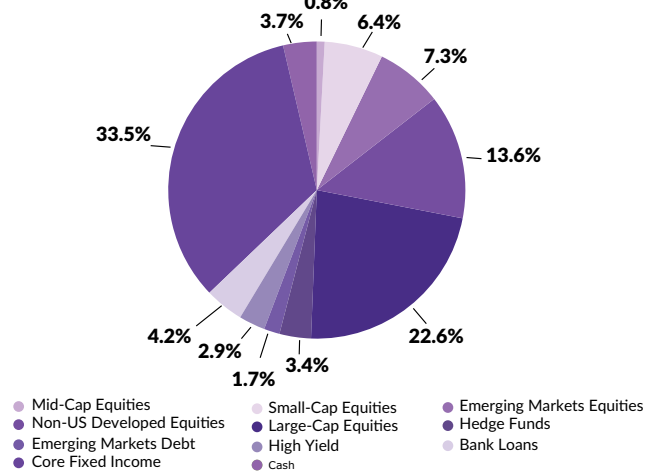
In 2018, the Equity Fund had a total return of -10.32% versus -9.81% for the Equity Policy Benchmark. The Fund's underweight to International Equity and International small cap benefitted the portfolio, while overweights to emerging markets equity and U.S. small cap detracted but not enough to negate the benefits. The Russell 1000 Index®, for U.S. large cap stocks, and the Russell 2000 Index®, a similar index for U.S. small cap stocks, had total returns in 2018 of -4.78% and -11.01%, respectively. International stocks in developed countries, as represented by the MSCI EAFE Index, returned -13.79%, and emerging markets stocks returned -14.57%. As the allocation chart illustrates, the Equity Fund is diversified to include small, medium, and large U.S. stocks, as well as developed international and emerging market stocks, and hedge fund investments. The Fund benefited from allocations to managers like Walter Scott and William Blair in small/mid cap growth, and to hedge funds. International managers Dodge & Cox and GlobeFlex, and emerging market manager Lazard were the largest detractors.

Balanced Fund

Fund Performance



Asset Allocation

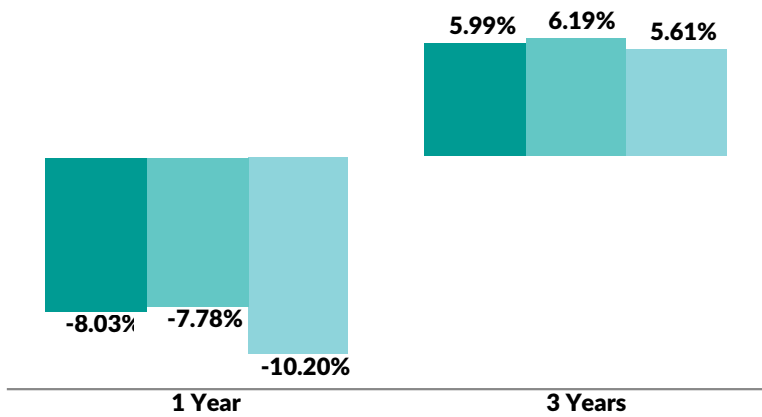


*The Balanced Fund benchmark is 55% of the Equity Policy Benchmark return and 45% of the BCGC return.

In 2018, the Balanced Fund had a total return of -6.44% versus -5.47% for the Policy Benchmark. The Balanced Fund invests in the Equity and Bond Funds. The Fund had a lower return than the benchmark return, as the underlying Equity Fund and Bond Fund underperformed benchmarks. Asset allocation decisions were generally favorable as an increased allocation to cash outpaced equities and fixed income for the year.

Northern Trust Global Sustainability Index Fund (GSIF)

Fund Performance



- Northern Trust Global Sustainability Index Fund (GSIF)*
- MSCI World ESG Index
- Lipper IM Global Equity Peer Group

* Inception Date: December

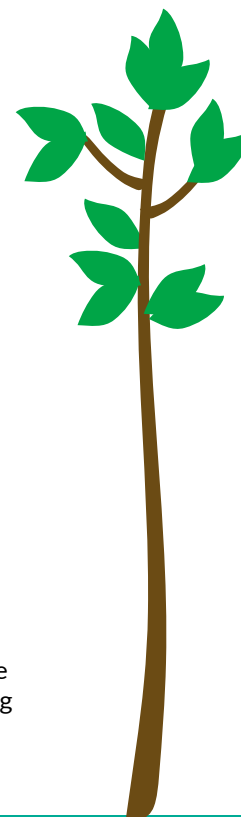


In 2018, The Northern Trust Global Sustainability Index Fund (GSIF) had a total return of -8.03% versus -7.78% for the unmanaged MSCI World ESG Index. This Index Fund invests primarily in a broadly diversified portfolio of domestic and international equity securities further diversified by market capitalization, sector, and style. In addition, the GSIF is a registered mutual fund that utilizes one of the best-known measures of ESG (environmental, social and governance) factors. The Fund is indexed to the MSCI World ESG Index, which it seeks to replicate.

Target Annuitization Date (TAD) Funds

The Target Annuitization Date (TAD) Funds are invested in the Equity, Bond, and Stable Value Funds according to asset allocation glide paths that become more focused on capital preservation as the annuitization date approaches.

Total Return				
Target Annuitization Date (TAD) Funds	One Year	Three Years	Five Years	Ten Years
TAD 2020	-0.49%	3.57%	2.69%	6.63%
TAD 2025	-4.35%	4.60%	3.21%	7.56%
TAD 2030	-6.34%	4.64%	3.22%	7.88%
TAD 2035	-7.00%	na	na	na
TAD 2040	-7.64%	na	na	na



As the target date approaches, a higher allocation is given to the Bond and Stable Value Funds and less to the Equity Fund, which is more volatile than the other two Funds. Asset allocation is adjusted at least twice a year to conform to the established allocations. The performance of the TAD Funds reflects the underlying performance of the Funds in which they are invested. In a tougher year for financial assets, we believe the TAD Funds achieved their objectives.

Fees

Expenses (or expense ratios) are reported as the percentage of total costs for the management and administration of the funds divided by the total average assets of the fund. Expenses in 2018 for the Equity Fund were 0.79%, and the expenses for the Northern Trust Global Sustainability Index Fund (GSIF) were 0.62%, compared to an average expense ratio of 1.15% as reported by Morningstar for equity funds with global securities like the types of securities in our Funds. Expenses for the Bond Fund were 0.52% compared to the Morningstar average of 0.76% for similar funds. The Balanced Fund had expenses of 0.66% compared to the Morningstar average of 0.84% for similar funds. Expenses for the Stable Value Fund in 2018 were 0.58%. Expenses for the TAD 2020, 2025, 2030, 2035, and 2040 Funds were 0.56%, 0.66%, 0.70%, 0.75%, and 0.77%, respectively.

Annuities

Members have a choice of two annuities — the Participating Annuity and the Basic Annuity — which were introduced on April 1, 2006. Benefit payment adjustments for these annuities, if any, are made annually at the beginning of each year. January 1, 2007 was the first adjustment date for these annuities.

Annuitants who retired prior to April 1, 2006 and who chose to remain in the Equity Benefit and Balanced Benefit Annuities continue to receive payments as they have in the past, with payment adjustments effective April 1 and October 1.

Participating Annuity

The assets supporting this annuity are invested in a balanced portfolio of stocks, bonds, and real assets (targeted allocation of 55% to stocks, 35% to bonds, and a target of 10% to real and other private assets (real estate and infrastructure investments)). Over longer periods of time, the objective of the Participating Annuity is to produce average returns that are higher than the 4% return assumption built into the base level of annuity benefits, which should allow for benefit increases from time to time that are expected to continue to be paid over the annuitant's lifetime. Of course, if investment and mortality experience result in decreased assets that no longer support the benefit levels, then monthly benefit can also decrease. There was a 2.5% increase approved effective January 1, 2019.

Basic Annuity

The assets supporting the Basic Annuity are invested entirely in fixed-income securities that on a portfolio level have high quality ratings. Our current assumption is that these securities will produce an average investment return that is close to the 4% return assumption built into the base level annuity benefits. However, if interest rates rise or fall significantly above or below the 4% earnings assumptions for extended periods, there is always a possibility that the benefit could change. There was a 10.0% increase approved effective January 1, 2019, due to one-time positive factors. We do not currently anticipate that the benefit will increase or decrease in the near-term future.

Equity Benefit Annuity

(Closed to new investment since April 1, 2006)

Payments from this annuity are supported by equity securities and fluctuate with the movement in global equity markets, with a three-month lag. Payments are adjusted twice a year, effective April 1 and October 1. Payments incorporate the 4% annual growth assumption built into the initial levels of a member's annuity payment. On April 1, 2018, the annuity increased 8.67%, reflecting the increase in stocks over the last six months of 2017. On October 1, 2018, the annuity decreased 1.99%, reflecting even performance relative to the growth assumption over the first six months of 2018. Stock returns in the second half of 2018 were weak, resulting in a 12.14% decrease, effective April 1, 2019.

Balanced Benefit Annuity

(Closed to new investment since April 1, 2006)

Payments from this annuity are supported by investments in fixed-income and equity securities and fluctuate with movements in equity and fixed-income markets, with a three-month lag. Payments are adjusted twice a year, effective April 1 and October 1. Payments incorporate the 4% annual growth assumption built into the initial levels of a member's annuity payment. On April 1, 2018, the annuity increased 4.86%, reflecting an increase in stocks over the last six months of 2017. On October 1, the annuity decreased 2.70%, reflecting the slight decrease in fixed-income markets relative to the growth assumption in the first six months of 2018. Stock returns in the second half of 2018 were very weak, resulting in a decrease of 7.60%, effective April 1, 2019.

Helping Hawai'i Retirees Ride the High Cost of Living

Hawai'i is a popular destination for tourists. It is known for its beautiful, natural scenery, warm tropical climate, oceanic surroundings, and volcanoes. But for residents, especially retiring United Church of Christ (UCC) clergy and lay employees, Hawai'i is an expensive place to live. The cost of living in Hawai'i ranks among the highest in the United States.

To put Hawai'ian prices into context, the average home in Honolulu (three bedrooms and two baths) costs nearly \$800,000. This housing figure speaks for itself. Now, imagine this cost against a pastor's salary.

UCC clergy and lay employees in Hawai'i are only paid by what their local church can afford, not by the value of the job they perform. With congregations diminishing, their pay is at best static against an ever-increasing cost of living reality. So, to make ends meet, some pastors are

working two jobs as well as serving the church. Retired pastors are leaving the state in search of lower costs to live out their retirement. As a result, the benefit of their mentorship and institutional memory is lost. Other pastors are relegated to selling all they own to enable basic amenities, depriving their families of any legacy. This is a tragedy.

Generations of Service, a Template for the UCC

Thankfully, an essential aspect of the UCC is that it cares for everyone. *The Generations of Service: Faith and Finance in Action* campaign will carry out this example of compassion by helping UCC retirees live with a sense of dignity and hope. The campaign will encourage new clergy in fulfilling their call to serve, knowing that they will not be abandoned at the end of their service. It will also prove that by working together, the whole becomes greater than the sum of its parts.

This unique *Generations of Service* campaign partnership of the Hawai'i Conference and The Arcadia

Foundation, with the United Church Board for Ministerial Assistance (UCBMA) and the Pension Boards is a template for future interactions between all levels of the UCC. It not only reinforces UCC polity but proves the relevance of the National Church to its member Conferences, and through the Conferences to the member churches. It also demonstrates the strength of UCC Covenant. *Generations of Service* is an important symbol of who we are.

Sherman Hee
Executive Director
Hawai'i Conference Foundation



GENERATIONS OF SERVICE FAITH AND FINANCE IN ACTION

Generations of Service: An Extension of Family

We are living in changing and challenging times.

In Hawai'i, as clergy and lay employees reach the age of retirement, most are retiring in not-so-good health, with limited income, and no pension funds to support their future years. The needs here are countless.

When I was the Associate Conference Minister for the Hawai'i Conference, we received numerous calls from

retiring clergy who expressed that they did not have enough finances to survive Hawai'i's high cost of living.

I would say that about 90% of Pacific Islanders both clergy and lay do not have a pension or quality health benefits. While many pastors are enrolled in the state Medicare program to care for their health needs, they don't participate in the pension plan because they don't understand how the plan works.

American Samoans and Hawaiians are surviving by relying on their own

families for assistance to meet their basic day-to-day needs. It is this family structure where immediate or extended family come together to care for each other.

Our partnership with the *Generations of Service: Faith and Finance in Action* campaign will be an extension of this family dynamic - impacting clergy and lay employees in a new way. The campaign will help create educational opportunities, workshops, and the ability to work with conference offices to let them know that the Pension Boards is here to help

Imagining Fully-Funded Mission

At the 31st General Synod in Baltimore in 2017, delegates approved a resolution changing the existing Pattern of Giving, creating new opportunities and challenges for funding the mission and ministries of the national settings. In response, the *Generations of Service* campaign initiated a Partnership model—for Conferences and local churches willing to support the effort, campaign staff work hands-on and on-site, providing fundraising tools and helping identify donors, which continue to help those Conferences and congregations after campaign success is complete. To date 14 Conferences, congregations, and foundations have embraced this partnership.

For more than one hundred years, the United Church Board for Ministerial Assistance (UCBMA) has served those who faithfully serve our United Church of Christ (UCC). Our mission is to support and empower these servants of the church, both active and retired, over the course of their whole lives.

Our work grows out of our commitment to a vision of what it takes to be a vibrant church in these challenging times: a church that cares for its leaders and builds sustainable ministry in congregations that transform lives every day.

In 2017, we embarked on the *Generations of Service: Faith and Finance in Action* \$20,000,000 capital funds campaign to bring that vision to life.

Imagine...

UCC pastors living out their lives and ministries debt-free because they are equipped with the skills and resources to manage their personal finances and achieve financial vitality.

Young UCC pastors equipped with leadership skills and empowered to see beyond limitations and bring new vision and purpose to their congregations.

Stressed and over-burdened clergy given the opportunity to reflect, re-engage, and revive their call to ministry through holistic wellness retreats.

Every UCC minister living in retirement with dignity and security because they are provided with necessary financial resources to supplement their income.

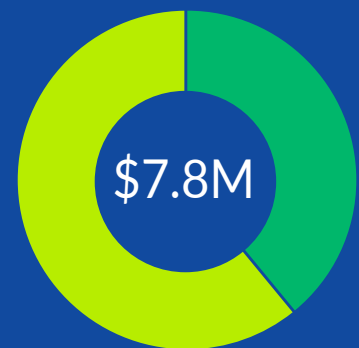
UCC ministers and lay employees living on long-term disability receiving monthly assistance so that they no longer struggle to make ends meet.

This vision is a reality today because of the commitment and financial support of the generations that came before us. The lives of so many who

serve the UCC are being empowered, strengthened, and transformed for effective ministry and personal wholeness right now.

The *Generations of Service* campaign is an expression of our commitment today to meet the growing need for ministerial assistance and leadership initiatives that we know the church will face in the near future and for years to come.

In 2018, campaign staff visited and worked with local church leaders and Conference and Association Ministers in 19 of the 38 Conferences of the UCC, educating them about UCBMA and the campaign, hosting events, meeting with individual donors and pastors, and securing more than \$7,000,000 in commitments and gifts.



through assistance with pension supplementation, grant support, emergency assistance, and the opportunity for young local pastors to participate in sustainable leadership development programs.

A Compassionate Response

Last year, after we signed the *Generations of Service* partnership, I was so touched by the assistance extended by the Pension Boards to the wife of one our colleagues who passed on. The wife needed assistance in covering funeral costs. I read the

Pension Boards' letter of support in front of the entire congregation. The wife said, crying, "Wow, this is really an angel stepping in." The funds from the Pension Boards helped defray the funeral costs; and the pastor who passed on was not a participant in the pension program.

This program is important for our church. It is the compassionate response of a "family member" that is needed to help our clergy and lay employees retire with dignity as they participate in the services provided through the Pension Boards.



Rev. Dr. Iese Tu'uaao
Pastor
Samoan Church of Hawai'i, LMS
Nanakuli

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UNITED CHURCH OF CHRIST, INC.**

(An Affiliated Ministry of the United Church of Christ)
Incorporated under the laws of New Jersey, 1914

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