The 100th annual corporate meeting of The Pension Boards-United Church of Christ, Inc. (Pension Boards) was held Friday, June 6, 2014, at The Interchurch Center in New York City. Eighteen proxies representing the six geographical regions of the United Church of Christ (UCC) attended on behalf of Pension Boards members. A seminary representative from UCC-related Chicago Theological Seminary participated with voice but not vote.

Trustee Chair Dan J. Carwile convened the meeting at 8:30 a.m. (Eastern Time). He welcomed all present and brought greetings from former Pension Boards Executive Vice President Joan F. Brannick, who was unable to attend. Mr. Carwile then introduced President and Chief Executive Officer Michael A. Downs, who shared the Pension Boards' 100th Anniversary theme Scripture – "Thankful for your partnership" (Philippians 1:5, RSV) – and offered the invocation.

Mr. Carwile introduced General Counsel and Corporate Secretary James T. Herod, J.D., LL.M. (Tax), CEBS, who introduced the proxies, seminary representative, members of the Board of Trustees, Directors of the United Church Board for Ministerial Assistance, and Pension Boards staff. Guests Dr. David J. Stinson, Senior Pastor of Glen Ridge Congregational Church in Glen Ridge, New Jersey and Rev. Dr. Bill Nye, Pastor Emeritus of All Souls Bethlehem Church in Brooklyn, New York also were recognized.

Mr. Herod declared that, in accordance with the laws of the State of New Jersey – in which the Pension Boards is incorporated – there was a quorum of members of the corporation as represented by the proxies, and called the meeting into session and to order. He explained the two formal votes before the proxies at this year's meeting: 1) to elect Trustees; and, 2) to authorize the President and Corporate Secretary to approve the meeting minutes. Mr. Herod then presented the slate of Trustee nominees. Mr. Neal Miller was presented for re-election for a one-year term ending in 2015. Ms. Marguerite Boslaugh, Mr. George Ochs, and Mr. Lawrence Yunaska were presented for re-election for four-year terms ending in 2018. Mr. Joel Strauch was presented for election for a four-year term ending in 2018. Following votes on the two items of business, Mr. Carwile called on Mr. Downs to present the report of the President and Chief Executive Officer.

Mr. Downs began his presentation with the Pension Boards' Vision Statement ("To strengthen the church by helping participants achieve health and economic security") and Values Statement ("In all that we do, the core values of The Pension Boards-United Church of Christ, Inc. are to Act Ethically, Build Trust, Communicate Transparently, Demonstrate Excellence"). He went on to discuss the Pension Boards' commitment to stewardship. At year-end 2003, net assets were $2.486 billion. At year-end 2013, the total was $3.285 billion – an increase of nearly $800 million over a 10-year period, and the highest asset level in the Pension Boards' 100-year history. During that same period, the number of UCC congregations and church membership declined by 12% and 21%, respectively. At a time in which the church as a whole contracted – and which included the end of the tech bubble and the economic crisis of 2008 – Pension Boards' assets continued to grow. In the first quarter of 2014, assets increased by an additional $60 million.

While investment expenses have risen over the past five years due to a more robust mix of investments, core operating expenses have trended down in that same five-year period. The Pension Boards' combined operational and investment expenses are 65 basis points (65% of one penny), significantly lower than most commercial plans. Of the more than 50 denominational benefits plans represented in the Church Benefits Association (CBA), the Pension Boards is one of three that has kept expenses at this level.

Mr. Downs noted that the Pension Boards receives, on average, 240 requests for service from members daily. The 2013 annual all-member satisfaction survey showed that 89% of respondents view the Pension Boards as a trusted service provider and 88% place a high value on their Pension Boards membership. In 2013, the Corporate Social Responsibility program voted 1,003 corporate proxy ballots in companies in which the Pension Boards invests, guided by the values of the UCC. The Pension Boards' website averages 6,829 page views per month. During 2013, there was a significant shift in Annuity Plan membership from active to retired. The number of retiree members is now over 10,000. There are about 500 new members, and 300-350 member deaths, annually. While total retiree assets have grown over the past five years from $1.3 billion to $1.7 billion, total assets in the accumulation fund are not growing at the same rate.

Although Health Plan Operations represents about 8% of what the Pension Boards does, about 80% of member "touch points" – doctor visits, prescriptions, and other health and wellness services – are Medical Plan-related. The UCC Medical Plan, with about 9,200 participants, achieves $15 million in annual savings and has been at half the industry trend for 10 consecutive years. There were no premium increases in 2014 for the Non-Medicare Health Plan, Medicare Supplement Plan, Dental Plan, and Vision Plan. The average age of Plan participants is 43. About 89% of participants utilize their medical benefits; however, only about 20% participate in wellness programs. For every $1 spent on wellness initiatives such as the Healthy Stewards Wellness Program, the Plan achieves $3 in savings. Purchasing power is leveraged in collaboration with other denominational benefits plans through the CBA. Currently, 13 CBA plans participate in the Highmark Blue Cross Blue Shield purchasing coalition, and 15 in Express Scripts. A recent Highmark survey of UCC Plan participants showed a 98% satisfaction rate.

The UCC Life Insurance and Disability Income (LIDI) Benefit Plan has 4,860 participants, with $132 million in combined death benefit coverage. The Plan includes life insurance, and short- and long-term disability at a cost of 1.5% of salary basis. In the event of long-term disability, it pays Health Plan contributions and Annuity Plan dues (at a rate of 7%) until age 65. There are 525 employees, representing 273 UCC employers, participating in the Flexible Benefit Plan for UCC Ministries. Federal income tax saved by participants on qualifying medical and dependent care expenses in 2013 was $141,000.

Mr. Downs gave an overview of the Ministerial Assistance program. Contributions to the 2013 Christmas Fund Offering totaled $1.5 million. Ninety-two cents of every dollar contributed goes out in the form of small annuity supplementation, health premium supplementation, Christmas "Thank You" gift checks, and grants. Ministerial Assistance provided approximately $3 million in support in 2013. The Next Generation Leadership Initiative (NGLI) has 60 young clergy participants in the first four classes; two 2014 Annual Meeting proxies were NGLI participants. The Annuitant Visitor Program has six deans and 148 visitors and reaches approximately 6,000 UCC retirees each year.

The Pension Boards provides WebEx conferencing licenses to the Conferences and National Ministries of the United Church of Christ at no cost. Mr. Downs discussed the Pension Boards ' five-year "Strategy Roadmap" for accomplishing organizational goals, which are set by the Board and guide the work of staff. At the conclusion of his report, he introduced Chief Financial Officer David A. Klassen.

Mr. Klassen began his report by stating that investing for ministers' retirement is serious business, and noted that the Annuity Plan is also the retirement plan for Pension Boards staff. All Pension Boards funds were ahead of their benchmarks in 2013. The Equity Fund returned 25.04% for the year, after fees. The Bond Fund was down for the year at -1.44%, but still outperformed its benchmark index. The Balanced Fund returned 14.05%, and the Stable Value Fund was up 2.10%. Returns for the four Target Annuitization Date (TAD) Funds, designed to adjust asset allocations as members move closer to retirement, ranged from 3.43% to 15.63%.

The Equity and Balanced Funds benefitted from strong performance in U.S. markets in 2013. Mr. Klassen noted that the Pension Boards is always monitoring global investment opportunities in equity markets. Over time, adjustments have been made to the fixed-income portfolio to mitigate potential interest rate risks.

Mr. Klassen noted that the unemployment rate has dropped, housing prices are up, and consumers in general are in a better place. Because financial markets are connected to the economy, the economy needs to continue picking up strength in order for earnings to come through.

In conclusion, Mr. Klassen summed up Pension Boards' investment strategies: adapting to changes in the core fixed income outlook; diversifying in a thoughtful and analytical way because valuation ultimately matters; focusing on the longer-term opportunity; and maintaining positive performance momentum. He then introduced Chief Financial Officer Maxine Seifert, CPA.

Ms. Seifert began her report with an overview of the Pension Boards Annual Report, which contains a summary of the year's activities, selected data, and information about gifts and legacies. She noted that the 2013 Financial Statements would be published separately from the Annual Report, and will be available in July. The Financial Statements will include a report of management, independent auditor's report, and combined financial statements.

Ms. Seifert reported that gifts and legacies totaled $267,000 in 2013 and she expressed appreciation for the donors' trust in the Pension Boards' stewardship. Part of that stewardship is adhering to best practices, which are applied to all aspects of financial management. The report of management published with the Financial Statements attests that management is responsible for the integrity and objectivity of all financial information. Management certifies that all financial information is prepared in accordance with U.S. Generally Accepted Accounting Principles, and is responsible for maintaining an effective internal accounting system and the highest standards of conduct by all Pension Boards employees. The Financial Statements will contain an opinion by McGladrey LLP, the external auditors appointed by the Audit Committee of the Board of Trustees. Ms. Seifert noted that, as in prior years, the Pension Boards expects to receive a clean opinion on the Financial Statements. The external expert opinion from The Hay Group, the Pension Boards' actuaries, has been received. The Annuity Plan is actuarially sound and the mortality assumptions used are reasonable.

Ms. Seifert discussed governance best practices. The Board of Trustees is independent of management. A conflict of interests policy is in place for all Trustees and staff. The Audit Committee of the Board, which includes financial experts, hires and oversees both the external and internal auditors. A robust enterprise risk management (ERM) system is in place, with formal processes that include an ERM Committee of the Board of Trustees and a staff-led Risk Management Committee that meets on a regular basis. Plans include enhancing the Pension Boards' organizational capability through additional training and expanding the ERM program to include all staff. Ms. Seifert concluded her remarks by emphasizing the critical importance of ERM as the Pension Boards enters its second century of service.

Following the formal reports, Mr. Downs opened the meeting to questions. At the end of the Q&A session, Mr. Herod reported that all Trustee nominees had been elected by votes cast by members through their proxy representatives. There being no further business, the meeting was adjourned by Mr. Carwile at 9:41 a.m.

2014 Proxies and Seminary Representative