



“A Time for New Things”

A Summary Report of the 103rd Annual Meeting

“A Time for New Things” was the theme of President and CEO Brian R. Bodager’s report to members and guests during the 103rd annual meeting of The Pension Boards-United Church of Christ, Inc. (Pension Boards), held Friday, May 12, 2017, at The Interchurch Center in New York City. The Rev. Dr. Rodney Franklin, Vice Chair of the Board of Trustees, convened the meeting at 8:30 a.m. (Eastern Time), and welcomed attendees.

In his address, Mr. Bodager referenced Isaiah 43:18-19 and discussed times of change throughout Christian history when institutional structures were challenged and transformed. He noted that in the 21st century church, bi-vocational and second- or third-career ministry were becoming the new normal.

“Many churches struggle to maintain brick and mortar facilities built for an era and model of ministry that no longer exist,” said Mr. Bodager. “These challenges are profoundly influencing how the Pension Boards carries out its mission.”

Mr. Bodager went on to discuss the changes being made through the implementation of the strategic plan adopted in 2015, as the Pension Boards seeks new ways to serve its members more effectively.

He highlighted some of the “new things” in progress that position the Pension Boards as a leader in faith and finance, including:

- The launching of the “Faith and Personal Finance” program, made possible by a grant from the Lilly Endowment’s *National Initiative to Address Economic Challenges Facing Pastoral Leaders*. This program is intended to increase and improve financial vitality among United Church of Christ (UCC) authorized ministers, especially those from historically-underrepresented groups.
- The hiring of an ordained UCC minister to serve as its program director. Applications for the “Faith and Personal Finance” program will be developed with a goal of having the first of three, three-year classes begin later in 2017.
- The start of the “Generations of Service: Faith and Finance in Action” capital campaign to

ensure adequate financial resources for the United Church Board for Ministerial Assistance (UCMBA). The program’s goal is to raise \$20 million – \$10 million for existing direct assistance programs, \$7.5 million for our Next Generation Leadership Initiative (NGLI) and CREDO programs, and \$2.5 million for a financial wellness program for UCC authorized ministers.

- The hiring of Goldman Sachs Asset Management (GSAM) as PBUCC’s new investment consultant in mid-2016. GSAM was selected for its leadership in the global investment world, as well as for its commitment to developing investment solutions that align with the Pension Boards’ values as a ministry of the UCC.

Proxy Role and Elected Trustees

Prior to Mr. Bodager’s address, Kristi A. Hayek, General Counsel and Corporate Secretary, who serves as members’ proxy representative at the meeting, discussed the role of the proxy, which is to represent and follow the direction of members with respect to the election of Trustees as specified in the proxy ballots properly returned to the Pension Boards.

Ms. Hayek introduced the following Trustees presented for election: Mr. William C. Huffman and the Rev. Dr. Carol Lytch were presented for election to four-year terms ending in 2021; Ms. Jeanette Carpenter Schreiber was presented for reelection to a four-year term ending in 2021; and Ms. Jane Tedder was presented for reelection to a one-year term ending in 2018. Ms. Hayek announced that in her capacity as proxy she had executed a proxy vote document, documenting Trustee selections made on ballots properly submitted by members.

Good Governance

Vice President and Chief Financial Officer Maxine Seifert shared examples of how the Pension Boards applies good governance principles in support of financial stewardship.



Ms. Seifert reported that RSM US LLP issued an unmodified audit opinion on the Pension Boards 2016 financial statements, and that no material weaknesses in internal controls were noted during their audit. The audit was performed according to generally accepted auditing standards.

The Pension Boards adopts the same standards used by public companies for its Audit Committee, including designating an Audit Committee Chair who is a financial expert as defined by the U.S. Securities & Exchange Commission. The Pension Boards has an effective internal control system, and it sets the ethical tone by maintaining and enforcing the highest standards of conduct.

Ms. Seifert discussed the role of the Enterprise Risk Management Committee, one of the standing committees of the Board of Trustees that ensures appropriate oversight of enterprise-wide risk. She discussed the Committee's importance given the volume and complexity of risk in times of rapid change.

Ms. Seifert reported on the Pension Boards' engagement of professional firms in support of financial stewardship:

- All investments are held in custody by the Northern Trust Company.
- The Audit Committee has engaged RSM US LLP as independent external auditors.
- The Hay Group ensures that the assets of the Annuity Fund are sufficient to satisfy all benefit commitments.
- Conduent HR Consulting LLP provides specialized expertise to help with the prudent management of the Pension Boards Health Services business.

She added that the Pension Boards December 31, 2016 Net Assets were \$3.2 billion, of which \$2.9 billion was held in trust for members. Annuitants represent the largest portion of those assets, \$1.8 billion. She concluded her remarks by expressing her hope that the presentation had demonstrated the rigor of stewardship of the assets entrusted to the Pension Boards.

Investment/Financial Markets Report

Chief Investment Officer David A. Klassen opened with a look at 2016 market performance.

The Pension Boards' Stable Value Fund and Bond Fund, with year-end returns of 1.55% and 4.97% respectively, "scored an A," said Mr. Klassen, ahead of their respective benchmark indexes and with lower fees. Year-end returns for PBUCC's Equity and Balanced Funds were 7.41% and 5.92%, respectively, while the Northern Trust Global Sustainability Index Fund returned 7.22%. The Pension Boards' 2020, 2025, and 2030 Target Annuitization Date (TAD) Funds, which are designed to be less risky as a member moves toward retirement, had performance ranging from 4.61% to 6.35% in 2016. Two new TAD Funds, with target dates of 2035 and 2040 for members with longer retirement time horizons, were added to the Pension Boards' funds lineup in 2016.

Mr. Klassen went on to report on Annuity Plan assets, which at year-end 2016 included \$1.8 billion in the annuitant fund and \$1.1 million in the accumulation fund. This, Mr. Klassen stated, "shows the continuing shift toward retirees mirroring the demographics of our current constituents."

Mr. Klassen reported that there were no adjustments to the Basic and Participating Annuities in 2016. The Equity and Balanced Benefit Annuities, which are closed to new investments, are adjusted twice a year, in April and October. Payments from the Equity Annuity declined by 6.39% on April 1, 2016 and by 0.07% on October 1, 2016. Payments from the Balanced Annuity declined by 5.45% on April 1, 2016 and increased by 0.97% on October 1, 2016.

The business portion of the meeting was concluded with the announcement of the voting results. The meeting was adjourned by the Rev. Dr. Franklin following the conclusion of business.

WHERE FAITH AND FINANCE INTERSECT

