



ANNUITANT

NEWS & VIEWS

**PARTNERS
INTO THE NEXT
CENTURY**

An Update from the Pension Boards

Winter 2015

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http://bit.ly/PB_2010

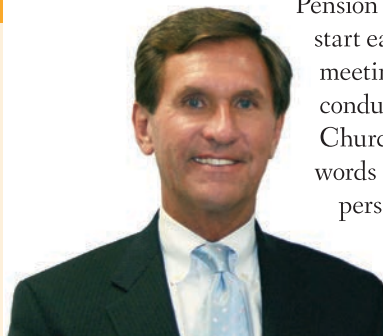


@pensionboards



<http://bit.ly/PB-UCC>

Thank You!



Pension Boards staff start each of the meetings that we conduct across the Church with the words “thank you” – a personal thanks to each individual present for their

ministry, many years of service, hundreds of lives touched, and dozens of communities transformed. There are now more than 10,500 annuitants, and we visit between 6,000 and 8,000 each year. Our Annuitant Visitors begin each of their visits with the words, “On behalf of a grateful church, thank you for your ministry.”

As we concluded our 100th Anniversary and began the next century of service to our Church, the Board of Trustees considered many matters in its strategic planning retreat. Rapidly changing member demographics inform the Board’s ongoing deliberations. Currently, 53% of retirement plan assets support annuity payments to our retirees and 60% of our voting members are annuitants. It is projected that within five years, 60% of our retirement assets will be supporting annuity payments to retirees and 70% of voting members will be annuitants. These trends are important as we strive to maintain excellent, cost-effective, risk-adjusted performance and member service.

We are happy to report that the Board approved a 2% permanent increase to the Participating Annuity effective January 1, 2015 while holding the Basic Annuity constant (please see p. 3). A second Medicare Supplement Plan option for retired, non-working participants – with a lower-cost, less-robust pharmacy benefit – was introduced on January 1. Information on this new option was mailed to Plan participants in the Fall. Pharmacy benefits represent more than 70% of the cost of Medicare Supplement plans. Please see the article by Health Plan Operations Director Frank Loiacono (p. 4) for information on Plan enhancements for 2015.

We are thankful to all individuals and congregations that supported the annual Christmas Fund for the Veterans of the Cross and the Emergency Fund Offering. The Offering, plus earnings on endowments, will enable us to once again increase pension supplementation to lower-income retirees and their beneficiaries.

Wishing you joy, peace, and hope for the New Year.

Yours in Christ,

Michael A. Downs
President/CEO

THE TRUSTEES AND STAFF OF THE PENSION BOARDS
WISH YOU AND YOUR LOVED ONES A

2015
Happy New Year

The Pension Boards

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Markets, Outlook, and Positioning

David A. Klassen, Chief Investment Officer

Equity and fixed-income markets ended the year with mixed but positive results. Global economic and geopolitical concerns have resurfaced, and lower-risk assets, like bonds, have continued their positive and surprising results even after the quarter ended, as investors sought safer assets as refuge.

Domestic equities, as represented by the Standard & Poor's (S&P) 500 stock index, returned 4.93% for the quarter and 13.69% for all of 2014. The international developed equity markets index (EAFE) had a negative quarter, down 3.57%, and was down 4.90% as of year-end. This underperformance was primarily due to the impact of translating returns in currencies (euro, yen) back into the strong U.S. dollar. Emerging market equities (MSCI EM) have given up positive early year outperformance and were down 4.50% for the quarter, and down 2.19% for 2014.

Fixed-income indices have recently extended their price gains as yields have fallen. The Federal Reserve (Fed), led now by Chair Janet Yellen, has wound down the "taper," a reduced level of asset purchases, from \$85 billion a month down to zero at the time of this writing.

Fixed-income gains can be attributed to still-weak global economic growth, the spillover effect from a dramatic decline in bond yields in Europe, and very low inflation, made more pronounced by the recent sharp drop in energy prices.

As we turn our attention to 2015, investors are likely to express concerns about the global economy. Slow but steady economic improvement, however, continues in the U.S. The conundrum in Europe remains whether more accommodative policy can offset the paucity of growth and potential deflation soon enough. Some emerging economies have adjusted to fast-changing global growth patterns and investor sentiment. Selectivity remains vital internationally, as divergences in global growth have caused the U.S. dollar to remain strong compared to most other currencies.

The majority of the Pension Boards' equity managers remain allocated to the U.S., and large company shares have continued to perform better again. However, we are still diversified globally, as the attractiveness of relatively strong growth in the U.S. is still offset by somewhat less attractive valuations

here and higher potential opportunities elsewhere in the world.

As for fixed income, we had been positioning our U.S.-oriented fixed-income portfolios to protect against an eventual rise in interest rates, although the Pension Boards team has become more optimistic recently about longer-dated treasury bonds because of the low inflation trends. That said, our prudent diversification strategy into areas such as high yield, bank loans, and some emerging market debt continues.

In the near term, it appears that markets could once again become more volatile. Over the long term, though, our dual priorities are on scrutinizing and selecting relationships with talented managers who are experienced at navigating these markets, and also on allocating assets to attractive asset classes, for your benefit.

We are extremely grateful for your confidence in us.



Economic Leverage Signals a New Era in the Church's Social Justice Witness

Richard E. Walters, Director, Corporate Social Responsibility

Many UCC churches are strategizing ways to rethink and revitalize congregational life.

Part of these changes is the emergence of new plans of action for social justice witness and transformation within faith communities and institutions, including economic leverage of assets to influence changes in policies and practices in the service of human rights. While some have been using economic leverage for positive change for some time, it is relatively new to many within the church, or limited to approaches pioneered during the campaign against apartheid in South Africa.

The Pension Boards has been engaged in a program of social justice witness for at least 42 of its 100 years. As a co-founder of the Interfaith Center on Corporate

Responsibility (ICCR), PBUCC was instrumental in the efforts of faith-based investors that called for U.S. companies to cease operations in South Africa and to adopt the Sullivan Principles desegregating the South African workplace. PBUCC was involved in the first shareholder actions 25 years ago to address climate change, and has now branched out to interact and add the leverage of other investors in the Investors Network on Climate Risk, Ceres, and The Forum for Sustainable and Responsible Investment.

The effectiveness of shareholder activism is not only a timely discovery for the church at a moment when a complex, interconnected, global economy has made isolated action less effective, but also borne out by research examining investor action on climate change and human rights.

Faith-based investors have the ability to witness to the management of companies concerning human rights, treatment of workers, the environment, and diversity. Regularly scheduled dialogues afford opportunities to push for better policies, prohibitions of harmful actions, and increased opportunities for employees and their families. When dialogue hits a stumbling block, shareholder resolutions and proxy voting can make clear the importance of these goals for other investors, management, and boards of directors.

PBUCC engages social policy by leveraging the power of the assets owned by our members. To learn more, contact Rick Walters, Director of Corporate Social Responsibility, toll-free at 1.800.642.6543, ext. 2760 or by e-mail at rwalters@pbucc.org

Next Generation Leadership Initiative: Target 2030

Rev. Krista L. Betz, Director, Ministerial Assistance

In 2010 the Pension Boards, through the United Church Board for Ministerial Assistance, began a bold new initiative to invest in the health and vitality of local congregations by strengthening the quality of pastoral leadership. The initiative targets clergy in their 20s and 30s who have high potential for leadership and are willing to make a long-term commitment to service in congregational settings of the United Church of Christ. Each year a cohort of about 15 young clergy is identified for a series of leadership education events for the next 10 years. The first four years move through a core curriculum that builds basic skills around adaptive leadership, family systems, self-differentiation, and team building. The final six years provide some flexibility as to the topic of study depending on the participant's strengths, interests and areas of growth. We are now five years into the program and have 75 bright, hopeful, and collegial young clergy participating.

When asked to choose one word to describe their experience so far, a few replied: guidance, connection, equipping, accountability, and toolkit. When this group gathers there is such a spirit of eagerness to learn, compassion and support for each other as well as a deep and abiding commitment to the Church. We hope that spirit will be contagious, connect with other movements of vitality and spread throughout the Church!

Applications for the next class of the Next Generation Leadership Initiative are now being accepted. The intent to apply is due March 27, 2015 and

video applications are due April 24, 2015. We hope you will consider applying yourself (if eligible), or encourage a young clergyperson you know to apply. To read more about the application process or the program itself, see ngli2030.pbucc.org. For more information, contact Rev. Krista Betz, Director of Ministerial Assistance, at 1.800.642.6543 or kbetz@pbucc.org



Consumer Protection

Know that wiring money is like sending cash. Con artists often insist that people wire money, especially overseas, because it's nearly impossible to reverse the transaction or trace the money. Don't

wire money to strangers, to sellers who insist on wire transfers for payment, or to anyone who claims to be a relative or friend in an emergency and wants to keep the request a secret.

For more information for consumers, visit: <http://www.consumer.ftc.gov>.

Update on Participating and Basic Annuity Benefits in 2015

At their November 6-8, 2014 meetings, the Board of Trustees of the Pension Boards voted to increase monthly payments from the Participating Annuity by 2% for those who annuitized prior to January 1, 2014, and to maintain monthly payments from the Basic Annuity at their current levels, effective January 1, 2015.

Both the Participating and Basic Annuities have an assumed rate of return of 4%. This 4% return, plus other adjustments that have been approved by the Board, are factored into your monthly payment. Adjustments, when authorized by the Board, are based upon a calculation that includes investment returns, adjustments for mortality, a provision for smoothing volatility, and

fees. The payout on your annuity works similarly to a reverse mortgage; the starting balance is your account balance at the time you annuitized, the term is the actuarial projection based upon the annuity selected, and the interest rate is 4%. Smoothing factors protected annuitants during the dramatic market decline of 2008 and the severe recession that followed, resulting in no historical declines to annuity payments.

Participating Annuity

The target asset allocation in the Participating Annuity is 55% in equities, 35% in fixed income, and 10% in real assets. Portfolio returns earned over the past year supported an increase and, as such, the Board of Trustees voted for a 2% increase effective January 1, 2015.

Basic Annuity

The Basic Annuity is invested 100% in fixed-income securities. The interest rate environment remains at historic lows, with short-term bonds yielding virtually nothing and long-term treasury bonds yielding about 3%. The current interest rate environment coupled with the returns earned by the Basic Annuity over the last year did not support any increase and, as such, the Board of Trustees voted to keep Basic Annuity payments at their current levels for 2015.

Letters have been sent to all members receiving benefits from the Participating and Basic Annuities.

If you have any questions, please contact Member Services toll-free at 1.800.642.6543, Option 6.

HEALTH & WELLNESS

2015 Medical and Dental Plan Rates and Plan Enhancements

Frank Loiacono, Director, Health Plan Operations

Thank you for your continued participation in and support of the UCC Medical and Dental Benefits Plan. Please note the following rate action and plan enhancements for the 2015 Plan Year, effective January 1, 2015:

- » Non-Medicare Health Plan (includes participants with Combination Medicare Supplement/Non-Medicare coverage): 4% increase
 - Covered allowance for Autism Spectrum Services (\$2,500 annual benefit)

- Covered allowance for Gender Identity Services (\$25,000 lifetime benefit)
- » Medicare Supplement Plan with Rx: No increase
 - Covered allowance for Gender Identity Services (\$25,000 lifetime benefit)
- » Dental Plan: No increase
 - Maximum Annual Benefit increased to \$1,800

- » Vision Plan: No increase
 - Annual Allowance for frames/contacts increased to \$140 (effective April 1, 2015)

Plan participants were mailed individual rate letters with summary benefit plan information in September. If you have any questions, please contact a Health Services Representative at **1.800.642.6543, ext. 2870**.

Appellate Court Issues Ruling in Ministers Housing Allowance Case

James T. Herod, General Counsel

The U.S. Court of Appeals for the 7th Circuit has issued a favorable ruling in the ministers housing allowance case (*Freedom From Religion Foundation v. Lew*). The appellate court vacated the lower court ruling that the ministers housing allowance was unconstitutional in violation of the Establishment Clause. The appellate court avoided the constitutional issues by basing its ruling on the plaintiffs' lack of standing (or right) to bring the case. The plaintiffs may now petition the 7th Circuit for an *en banc* (full court) review and may also petition the U.S. Supreme Court for review, both of which reviews are discretionary and not automatic.

It should be noted that the Church Alliance, of which the Pension Boards is an active

member, filed an *amicus curiae* brief in the 7th Circuit proceeding. The brief, while arguing in support of the ministers housing allowance and the government's position in the case based on constitutional principles, also argued that the plaintiffs lacked standing. The appellate court agreed with the government and the Church Alliance brief on the standing issue.

It should be further noted that the ruling, while helpful, does not preclude future, similar lawsuits by plaintiffs who may be able to better position themselves to secure standing to challenge the ministers housing allowance on constitutional grounds.

We are pleased with this ruling, but the Pension Boards and Church Alliance will

Upcoming Member Education Webinar

February 11, 2015

Vision Plan Open Enrollment

Member Education webinars on a variety of benefits topics are offered at Noon (ET) on the second Wednesday of every month. Webinar recordings are also available on the Member Education section of the Pension Boards' website at http://bit.ly/PB_MbrEd.

Watch your e-mail for registration information in the weeks ahead, or check the Member Education webinar schedule at http://bit.ly/PB_MbrEd.

remain diligent in protecting the ministers housing allowance in this and other potential cases.