



Operating at the Intersection of Faith and Finance

Annual Report 2015



**The Pension Boards**  
United Church of Christ, Inc.

## 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.



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## 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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# A Message from the President/CEO



Brian R. Bodager

Dear Colleagues,

The year 2015 was a time of transition for the Pension Boards-United Church of Christ (PBUCC). We celebrated and expressed thanks for the leadership of Michael A. (“Mike”) Downs, who concluded his service as President and CEO of the Pension Boards at General Synod 30. In July, we launched an organization-wide strategic planning process, “Turning Our Vision Into Action,” which engaged management, staff, Trustees, and other stakeholders representing diverse ministries throughout the United Church of Christ.

Early in my tenure, I asked staff colleagues and stakeholders to imagine with me the Pension Boards of 2025. All were challenged to think about, “what would make for a paradigm shift, the kind of change that requires whole new ways of thinking about what we do, for whom we do it, and why we do it...adaptive changes.”

The key to answering a question such as this lies not just with us, but also with our members. Their wishes, their preferences, their choices within the industry’s competing demands must inform our ongoing work.

To paraphrase UCC General Minister and President, the Rev. Dr. John C. Dorhauer,

**It is incumbent upon all of us at the Pension Boards to find out what is going on in the “worlds” of our members and potential members that we need to care about, and then to ask: “What can we do to address your needs and concerns?”**

A key learning from the strategic planning process is that, while our primary purpose – to provide valued services leading to greater financial security and wellness for those engaged in the life of the church – remains unchanged, the needs of the 21<sup>st</sup> century church, and of those who serve it, are markedly different from what they were even a generation ago. Therefore, we must be constantly looking forward to improve and grow, making adjustments to meet the changing needs of our members and markets.

Out of our strategic plan have come new Mission and Vision Statements, organizational Objectives, and comprehensive Action Plans to guide our work as we go forward. All Pension Boards plans and programs will be evaluated through the lens of “faith and finance” – a commitment to stewardship and sustainability that reflects our values as a ministry of the United Church of Christ. We are also committed to strengthening our relationships with the wider Church – Conferences, Covenanted Ministries, financial ministries, and ecumenical partners.

Much has been accomplished in our first few months together, and we look forward eagerly to the many opportunities that lie ahead. I am grateful for your confidence and trust in us.

Best regards,

Brian R. Bodager  
President/Chief Executive Officer

## Honoring Dan J. Carwile



The Board of Trustees of the Pension Boards-United Church of Christ Inc. expresses deep appreciation to Dan J. Carwile, as he concludes his service as Chair of the Board of Trustees. He will remain on the Board of Trustees until the end of his term in 2017.

Dan was elected to the Board of Trustees in 2005, and was elected Chair of the Board in 2008. He has brought to the Board

extensive experience in financial services, investments, and law. In his eight years as Chair, Dan’s wisdom and leadership have helped guide the Pension Boards through both times of challenge and of opportunity. As Chair, he has served on all Trustee Committees.

Dan has demonstrated a strong commitment to the faithful stewardship of the resources entrusted to the Pension Boards by our

members, churches, and employers. The Trustees and staff are grateful for his dedicated service to the clergy and lay employees of the United Church of Christ. On behalf of all members, we also express our thanks to Dan’s wife, Cindy; his sons, Andrew and Matt; and to Bethlehem United Church of Christ in Evansville, Indiana, for their support of Dan and of the Pension Boards.



# A Message from the Board of Trustees

Dear Friends in Christ,

The Pension Boards has been actively working on your behalf by being careful stewards and administering comprehensive employee benefits programs for the United Church of Christ. One of the highlights of Board of Trustees' actions in 2015 was the completion of an extensive executive search for a President and Chief Executive Officer. Mr. Brian R. Bodager, a former Pension Boards Trustee, was selected for the position and began his service on July 1, 2015. The Board engaged with Brian, senior Pension Boards staff, and stakeholders within the wider UCC family in a strategic planning process that resulted in the affirmation of a new mission statement:

**“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.”**

This statement is foundational to the ongoing work of the Board of Trustees in offering the UCC family the highest standards of service, as we transition into our second century of serving those who serve the church.

Moving forward, we are mindful of the changing and evolving needs of those we serve. We are seeking ways to assist members and congregations in the face of challenges such as growing numbers of bivocational clergy and congregations with shrinking finances. The Pension Boards is also seeking to become a recognized thought leader in the context of faith and finance (please see p. 4). A proposed policy currently under review by the Board describes faith and finance as “...distinctive convictions and practices that embody how God’s abundance can best reach and benefit God’s people.”

The Board continues to be grateful for the work of the staff and Trustees who serve you with commitment and excellence. We look forward to continuing to earn your trust as we serve those who serve the church, affirming the words of 1 John 3: 17-18, “...We should love people not only with words and talk, but by our actions and true caring.”

Peace and blessings,



The Rev. Dr. Rodney Franklin  
Vice Chair, Board of Trustees

“...we are mindful of the changing and evolving needs of those we serve...”



The Rev. Dr. Rodney Franklin



“We are not differentiated by faith or finance...[but] by what we do with faith and finance.”

## What is “faith and finance”?

“Faith and finance” is a key concept and core principle of PBUCC’s identity and mission. Operating at the intersection of faith and finance is what differentiates the products and services that PBUCC provides from retirement and benefits plans available in the commercial financial services marketplace.

## How does faith and finance differentiate PBUCC from other financial services providers?

We are not differentiated by faith or finance, nor will we be. We are differentiated by what we do with faith and finance. The word for “doing” in theological terms is “witness.” Therefore, we will be differentiated by our witness of faith. We have defined that witness as “sustainable investment.” That investment is two-fold: financial investment in securities that reflect our values and concerns, and investment in people – specifically authorized

ministers, lay church workers, and congregations.

## What does faith and finance mean for the way our pensions are invested?

We propose that the witness of PBUCC at the intersection of faith and finance is sustainable investment, defined as “the double bottom line” objective of “doing good” for creation and humankind as measured by environmental, social, and governance (ESG) criteria, and “doing well” with financial performance, measured by accepted benchmarks, for our members, stakeholders, and faith communities.

## What steps has PBUCC taken to implement its faith and finance initiative?

In 2014, PBUCC adopted a new investment policy that includes Socially Responsible Investment Guidelines that state, in part, “We (PBUCC) advocate an incorporation of ESG factors into our investment policy and proxy

voting guidelines based upon the sole purpose of the financial best interest of plan participants.” The new faith and finance initiative relates these guidelines to our theological, biblical, and moral responsibility in the light of our witness at the intersection of faith and finance.

Programmatically, this has resulted in renewed efforts to incorporate ESG into our corporate engagement, proxy voting, and investment analysis. Examples include new investments in renewable energy, and the elimination of oil sands and thermal coal companies from our portfolio of separately-managed (non-commingled) investments (see p. 5). And, we have begun offering to members in the accumulation phase of the Annuity Plan a new investment option in the Global Sustainability Index Fund (GSIF), which bases investments on best in class performance in ESG factors (p. 5).



## Northern Trust Global Sustainability Index Fund (GSIF)

The Northern Trust Global Sustainability Index Fund (GSIF) was launched in November 2015, as a new socially responsible investment option for members with accumulation accounts.

GSIF is a registered mutual fund carefully evaluated by the PBUCC Investment staff and the Investment Committee of PBUCC's Board of Trustees. GSIF provides an investment option with enhanced environmental, social, and governance (ESG) criteria, based on the MSCI World ESG Index, which measures not only the traditional investment performance of publicly-traded companies, but also the quality of their performance in ESG factors and sustainability. Companies that adhere to widely accepted sustainability principles can help protect the environment and foster more favorable living conditions for future generations, through:

- environmental stewardship;
- service to local communities and to society at large;
- commitments to higher labor standards;
- safe, high-quality products; and

- ethical management.

The Global Sustainability Index Fund is designed to help socially conscious investors meet their retirement goals while investing in the well-being of the planet.

PBUCC introduced this fund option with three particular goals in mind:

- To provide a retirement investment that is reasonably expected, considering all pertinent financial factors, to provide the same or better investment performance as other fund options in the equity market.
- To further PBUCC's Investment Policy that calls upon fund managers to offer investments that are sensitive to ESG factors and have long-term sustainability.
- To respond covenantally and faithfully to the prophetic voice of the United Church of Christ, within the bounds of the duty of loyalty to plan members.

## PBUCC Investment Committee Votes to Eliminate Oil Sands, Thermal Coal Investments

The Investment Committee of the Board of Trustees of the Pension Boards has voted to eliminate separately-managed (non-commingled) investments in oil sands and thermal coal.

The Committee's action is based on socially responsible investment guidelines in PBUCC's Investment Policy, which encourage the application of environmental, social, and governance (ESG) factors in analyzing investment choices, particularly where investments with the same or better risk-to-reward characteristics are available. PBUCC has invested over \$20 million in renewable

energy bonds over the past year.

Asking our managers to eliminate companies that derive a significant amount of their revenue or their total business from thermal coal and tar sands, based on reliable third-party data from Sustainalytics, not only makes our portfolio stronger from an investment perspective, it also makes a positive move toward investment in the best of class within the energy sector.

For more information on PBUCC's Corporate Social Responsibility efforts, visit [http://bit.ly/PB\\_CSR](http://bit.ly/PB_CSR).

“An environmental benefit results in that the burning of thermal coal accounts for up to 60% of the total carbon emissions released, which contributes to the urgent problem of global warming and climate change.”



# General Synod 30

The Thirtieth General Synod of the United Church of Christ, meeting June 26-30, 2015 in Cleveland, Ohio, passed a resolution of witness, cosponsored by the Pension Boards and United Church Funds. The *Resolution Urging Socially Responsible Investment Practices* calls upon all settings of the church to examine and adopt socially responsible investing practices appropriate to their individual assets, retirement accounts, and endowments.

The Pension Boards has a long and active history of social witness on political, human rights, and environmental issues and 100 years of service to its members and the UCC. PBUCC continues to engage in an active corporate social responsibility program of socially responsible investing, education, research, public advocacy, shareholder activism and corporate engagement around climate change and issues important to the prophetic witness of the United Church of Christ. The resolution calls upon all settings of the church to examine and implement these practices as well.

## Highlights of the Report of the Pension Boards to General Synod 30 Concerning Its Response to the General Synod 29 Climate Change Resolution

The *Resolution Urging Divestment – Along with Other Strategies – from Fossil Fuel Companies to Address Climate Change* was adopted by General Synod 29 in 2013. Included in the resolution was a call for key church stakeholders to report at the next five Synods regarding their responses to specific actions. The following are highlights of the Pension Boards' activities, as reported to General Synod 30 in 2015:

- PBUCC was instrumental in acquiring the Interchurch Center LEED Award for the environmental integrity and efficiency of its offices at 475 Riverside Drive in New York City.
- The Board of Trustees voted an official resolution committing to seek ways to reduce Board members' carbon footprints in their own lives and communities.
- Over 400 shareholder resolutions were filed in the 2015 proxy season, some with dramatic results, calling for transparency in government influence by fossil fuel companies and other businesses.
- A new accumulation investment fund, which incorporates environmental, social, and governance (ESG) factors, and will track the MSCI World ESG Index, will be offered to members of retirement plans, including the Annuity Plan, administered and managed by the Pension Boards.
- PBUCC and United Church Funds (UCF) are the primary ministries of the UCC still engaged, along with 300 ecumenical partners and other NGOs, in meaningful and powerful direct witness to companies concerning the social justice witness priorities of the United Church of Christ.

The full report is available at [http://bit.ly/PB\\_GS30Report](http://bit.ly/PB_GS30Report).

“PBUCC takes seriously its covenantal responsibility to our members as well as our mutual accountability as an Affiliated Ministry of the UCC. We have developed expertise and methods we are eager to share with other settings of the church that can increase the effectiveness of the social justice witness of the church.”

- Brian R. Bodager  
President/CEO





## Pension Boards Speakers Bureau

Strengthening relationships with the wider Church is a key organizational priority for the Pension Boards.

At the close of 2015, the responsibilities and functions previously lodged in the Conference Relations portfolio were expanded under a newly-configured office of Communications and Church Relations and now includes our partnerships with the national Church and UCC-related ministries. The Pension Boards is working with UCC ministry partners to enhance our collaborations.

In response to requests for leadership at Conference and wider Church events, the Pension Boards recently launched a Speakers Bureau. Pension Boards staff and Trustees, and other United Church of Christ leaders, are available to speak, lead workshops, and make presentations on a variety of topics of interest to those engaged in the life of the Church. The Pension Boards' desire is to be seen as a provider of content for meetings, and will cover all travel costs and speaker fees for meetings sponsored by UCC Covenanted Ministries, Conferences, and groups with a primary relationship with the United Church of Christ as described in the UCC Bylaws. Information on available speakers, and a speaker request form, are available at [http://bit.ly/PB\\_Speakers](http://bit.ly/PB_Speakers). Additional keynote and topical speakers will be added to the Speakers Bureau in the months ahead.



## The State of the Church – A Message from the Rev. Dr. John C. Dorhauer

I am honored to bear witness to the mission and ministry that unfolds every day in the name of Jesus and through the agency of the United Church of Christ (UCC). Our work in the Office of General Minister and President (OGMP) has been focused on building a foundation for a future, in part, by launching several new initiatives:

1. a year-long campaign to lift up the UCC's voice and fulfill our call to be a bold public witness;
2. breathing new life into the StillSpeaking campaign;
3. creating a task force to articulate the UCC's future mission and vision, and then to help reshape a national setting to undertake that mission and vision;
4. a daily campaign of deploying national employees who reach out to local churches to find out what it is that excites them and gives them passion;
5. writing a curriculum to engage the denomination in safe, meaningful, and substantive dialogue on white privilege as a part of our ongoing Sacred Conversations on Race.

*"As GMP, I serve as an ex-officio Trustee of the Pension Boards and as a Director of the United Church Board for Ministerial Assistance. I am grateful for the Pension Boards' faithful service, and for our continued partnership in serving those who serve the United Church of Christ."*

I am pleased to report that all five initiatives have launched successfully.

- We have the hope of reporting to General Synod that a national staff person has made contact with every local church in the denomination by the time

we gather in Baltimore in June of 2017.

- Two pilots have been launched around StillSpeaking 2.0, and we have used input from those pilots to begin launching a more concentrated campaign in Spring/Summer of 2016. We are under contract to produce a video consistent with those StillSpeaking messages soon.
- The writing team is assembled for the white privilege curriculum, and every deadline on the timeline has been met with an anticipated launch of September 2016.
- The task force on the future of the UCC gave its full report to the UCC Board, and phase II is underway. They received feedback from over 3,000 sources in gathering their data for what the future UCC will need to be.
- Four of the 12 monthly media events have been completed, each with very successful figures to report.
- Over \$700,000 in new money has been gifted in support of these initiatives, and a new OGMP fund, entitled "Shaping Our Future," was launched in mid-April to help fund these and other initiatives designed to revitalize the denomination.



A new future for the United Church of Christ is unfolding. None of this is possible without the ongoing support, prayers, and offerings of leaders at every level of this denomination. Thank you for all that you do to support the mission and ministry of the United Church of Christ. We can't do any of this without you.

## Does Asset Allocation Work? A Look Back at 2015

You might be stunned by the title, especially coming from us, but you also might have already come to that conclusion yourself, after 2015, the worst year for allocation since 1990. Not that the overall returns were especially bad, but that the best asset class only returned 1.82%. In practice, this means many investment programs fell short of expectations.

In 2015, if you had invested all of your money in U.S. large companies, as represented by the Standard & Poor's (S&P) 500 stock index, you would have had a positive total return of 1.38%, before fees. Smaller companies returned far less, down 4.41% for the year. Emerging market equities (MSCI EM) were down a disappointing 14.92% for 2015. The international developed equity markets index (MSCI EAFE) registered a total return of -0.81%. Although local stock markets, especially in Germany and Japan, were generally positive, U.S. investors experienced negative returns due to the impact of translating returns in the euro back into the strong U.S. dollar. This was also true in many emerging markets.

In the fixed-income world, U.S. bonds as measured by Barclays Aggregate Index eked out a tiny 0.55% return for 2015. Although the bond market benefitted from the still-weak global economic growth, very low inflation, and large-scale asset purchases by European and Japanese central banks, a sharp drop in energy and commodity prices caused repricing in the lower quality spectrum and particularly in the energy, material and mining sectors. The Barclays High Yield Index had its first negative year since 2008, with a return of -4.64%.

The Pension Boards' Equity and Balanced Funds have meaningful equity allocations to the U.S., and the managers we hire on your behalf had varied results, with 8 out of 14 managers ahead of benchmarks. In general, managers who focus on faster growing companies were rewarded as growth was scarce and was given a premium. Both William Blair and Brown Advisory outperformed nicely, with outperformance ranging from 2.4% (Brown) to 6.2% (Blair). Managers who focus on value stocks, which tend to be exposed to global manufacturing and commodity price action, suffered in 2015. In particular, both Dodge and Cox International (a manager since 2007), and Sasco Capital Management (a manager since 1989) had difficult years, both down by over 10% on an absolute basis, and versus benchmarks only down slightly in 2015.

In addition, slowing growth in the emerging markets and concerns about excessive debt growth in some regions has contributed negatively, and our dedicated emerging markets managers underperformed their benchmarks. On balance,

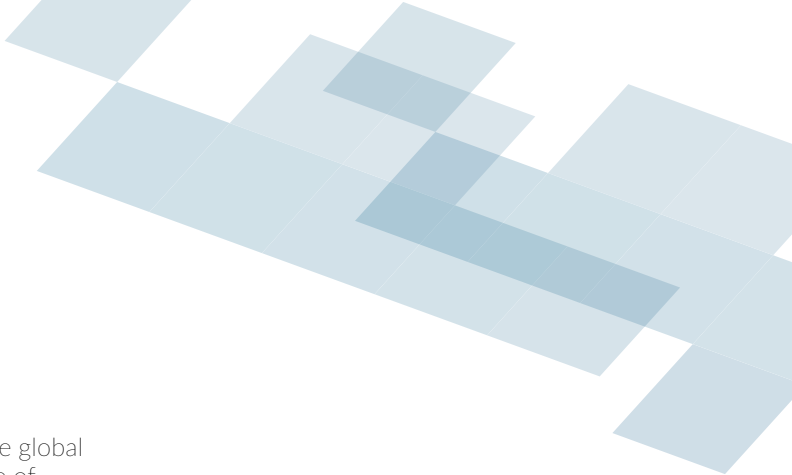
diversification did not help in 2015, and active managers had varied results.



As for the Pension Boards' Bond Fund, which is also part of the PBUCC Balanced Funds, our core fixed-income manager had been positioning our U.S.-oriented fixed-income portfolios to protect against an eventual rise in interest rates at the start of the year. Towards the end of the year, when global growth began to slow, the manager increased positioning to benefit from the possibility of lower rates. As a result, the manager ended the year with slightly positive returns, in line with benchmark returns. However, a diversification strategy into the areas of bank loans, high yield and emerging market debt held back performance. Although we like senior secured bank loans, our bank loan manager, Western Asset Management, had a tough year, with their portfolio down 3% versus an index which was flat.

Overall, Pension Boards' Funds were not immune from market trends in 2015, as depicted in the accompanying charts. The Equity Fund had a return of -3.90%. The Stable Value Fund continued to perform better than lower-yield money market funds and returned 1.69% for 2015. The Bond Fund generated a return of -1.43% for the year. The Balanced Fund had a return of -3.05% for the year. Target Annuity Date (TAD) Funds had returns of 1.47% to -2.60% for the year, depending on the mix among stocks, bonds, and stable value assets. Finally, the Global Sustainability Index Fund had a return of -1.86% in its first full month of existence for accumulating members.

“Pension Boards' Funds were not immune from market trends in 2015...”



## Market Outlook

For 2016, investors are likely to continue to have concerns about the global economy, especially in China, diverging central bank policies because of differing growth projections around the world and, of course, the U.S. presidential election. Slow but steady economic improvement is the most likely scenario here in the U.S. In Europe, more accommodative policy appears to be offsetting the lack of growth and potential deflation. China and concerns about its economy have asserted themselves as major stories, especially in regard to the demand for commodities, which has affected those emerging market countries which are commodity producers as opposed to importers. Large imbalances in oil supply and demand and the elevated inventory levels have continued to weigh on oil prices and energy-related businesses.

The election should not be a major driver of returns but markets and investors prefer certainty, so the race for the White House will be closely monitored. With all of these unknowns in early 2016, one thing is certain: the abnormally low volatility of prior years is gone, and a return to more normal volatility is likely. It is our hope and expectation that active managers can help to weather the volatility by selecting outperforming companies. At the same time, we are also believers in low-cost indexing in asset classes that are more efficient, as well as uncorrelated strategies that may buck market trends.

Valuations are slightly more attractive than last year at this time, especially in emerging markets and credit. Back home, the economic recovery post-financial crisis has been underway for seven years. Investors are starting to question what the impact will be from higher U.S. policy rates. In this environment, there is a less clear-cut path. In PBUCC Balanced Funds, we remain overweight equities versus fixed income, but will be nimble as we adjust weightings as circumstances permit. In other words, while we take a long-term view on the relative attractiveness of equities versus fixed income, we are always cognizant of risk-reward and know the importance of weathering (and potentially benefiting from) continued volatility.

As for fixed-income, the market participants have been anticipating the possibility of muted returns in U.S. treasuries and corporate bonds for more than three years. Our strategy continues to be one of diversifying somewhat away from core U.S. fixed-income to more credit-sensitive sectors, in the search for higher risk-adjusted returns. We continue to adjust to the reality that interest rates will not increase gradually in a straight line, particularly given the uncertainty of sustained economic growth globally. We are constantly watching the more credit-sensitive fixed-income asset classes to ensure that the economic realities support their valuations, and can strategically adjust these allocations when conditions warrant.

Over the long term, our priorities remain to scrutinize and select relationships with talented managers who are experienced at navigating these volatile markets and to allocate to attractive asset classes, for your benefit. Diversification will work again and your portfolios will benefit.

We look forward to working hard again on your behalf in 2016 and thank you for your continued confidence in us.



“We continue to adjust to the reality that interest rates will not increase gradually in a straight line...”

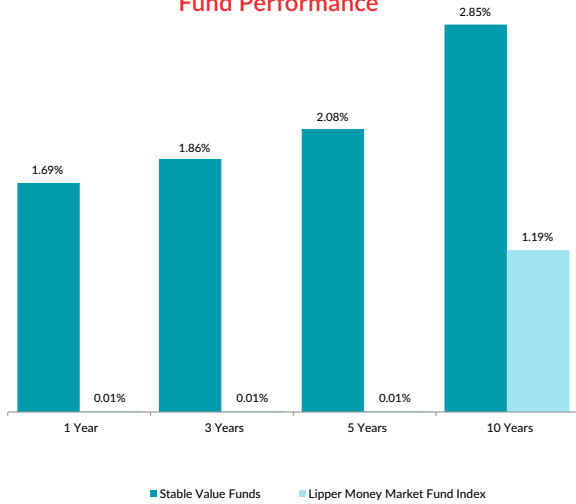


# Accumulation Fund Performance

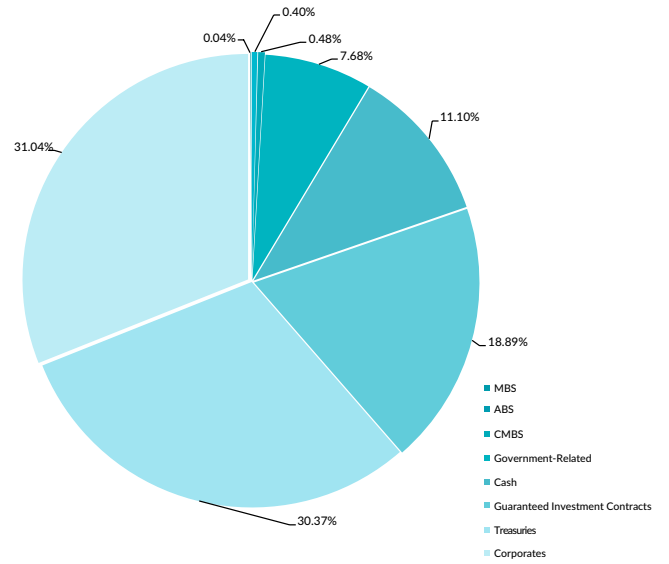
The following are comments on, and charts illustrating, fund performance for various periods as of December 31, 2015. Asset allocation at year end is shown as well. Fund performance, as shown, is net of all expenses.

## Stable Value Fund

### Fund Performance



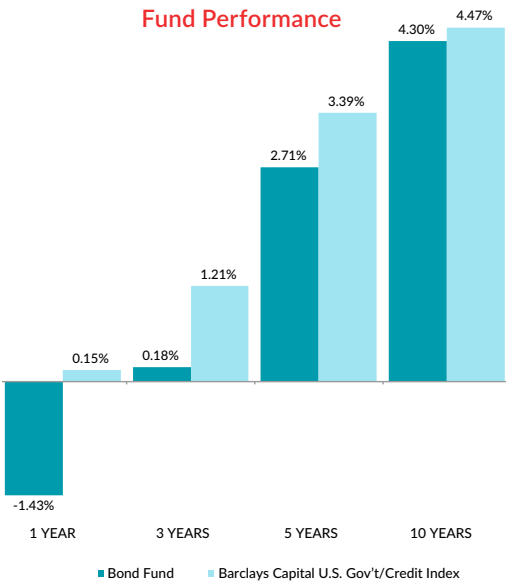
### Asset Allocation



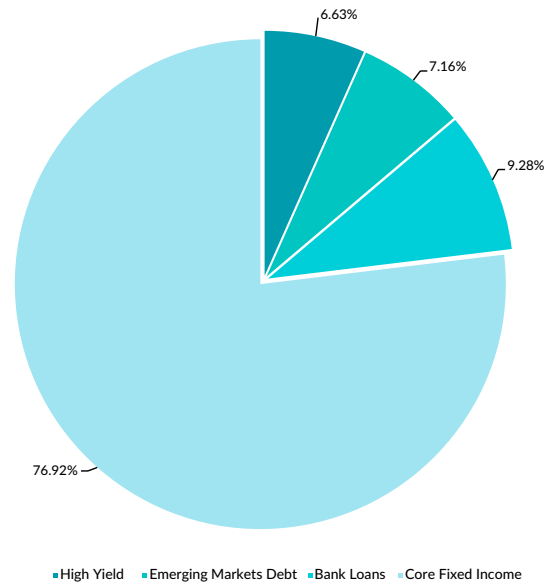
In 2015, the Stable Value Fund had a total return of 1.69% versus 0.01% for the Lipper Money Market Fund Index. The Stable Value Fund has continued to maintain a higher yield than the Lipper Money Market Fund Index, as money market yields remained low throughout 2015. The Fund seeks a principal preservation 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

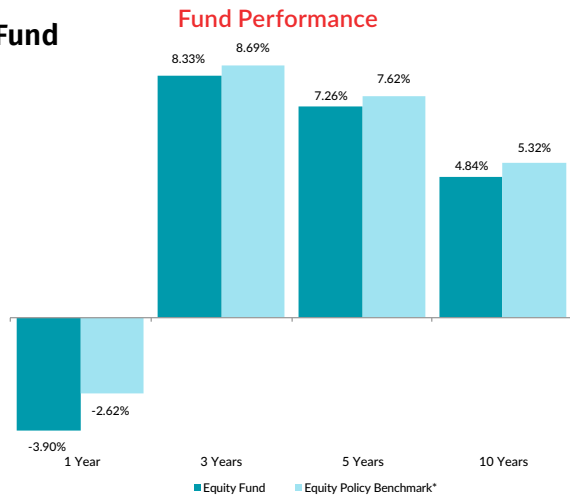


### Asset Allocation



In 2015, the Bond Fund had a total return of -1.43% versus 0.15% for the Barclays Capital U.S. Government/Credit Index. The Fund trailed the benchmark, which reflects investments in U.S. treasuries and corporate bonds only, in a slightly positive year for those asset classes. Underlying managers in core fixed income, high yield and emerging markets debt outperformed benchmarks, while the bank loan manager trailed benchmarks. The Fund had a lower duration than the Index for most of the year, which detracted from its relative return. Diversification away from core fixed income strategies in favor of higher-yielding investments, especially emerging markets debt, also limited portfolio returns.

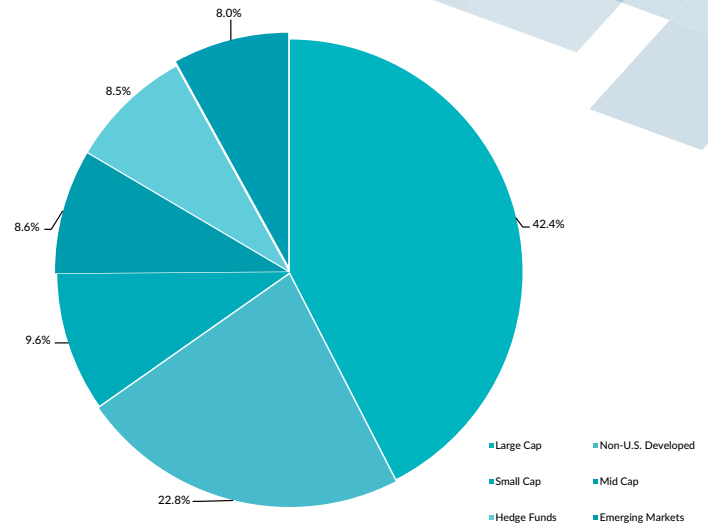
## Equity Fund



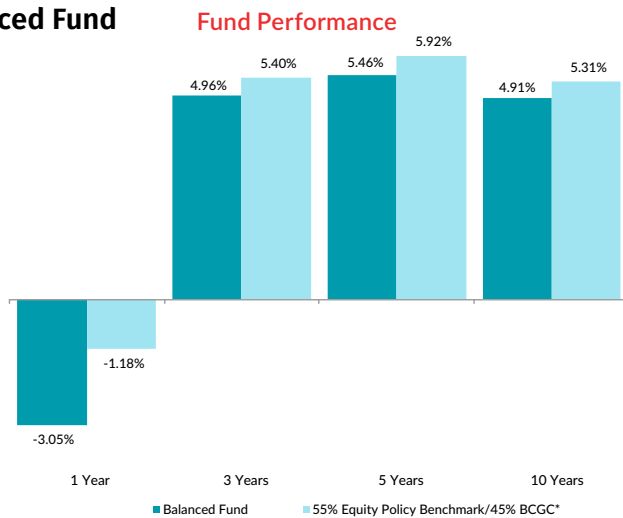
\* The Equity Policy Benchmark reflects the asset class targets established by the Pension Boards' Investment Committee and is based on the following Index weightings effective January 1, 2013: S&P 500 Index (40.0%), Russell Midcap™ Value Index (10.0%), Russell 2000™ Index (10.0%), MSCI EAFE Index (20.0%), MSCI Emerging Markets Index (12.5%) and HFRX Global Hedge Fund Index (7.5%). For historical weightings and composition of the Equity Policy Benchmark, please see [Policy Benchmark Historical Allocation](#).

In 2015, the Equity Fund had a total return of -3.90% versus -2.62% for the Equity Policy Benchmark. In 2015, the Fund was helped by exposure to large stocks in the U.S., in particular. The Standard & Poor's 500 Index, a well-established benchmark for U.S. large-cap stocks, and the Russell 2000 Index, a similar index for U.S. small-cap stocks, had total returns in 2015 of 1.38% and -4.41%, respectively. Emerging markets equity returns were more challenging in 2015. As the allocation chart illustrates, the Equity Fund is diversified to include small, medium, and large U.S. stocks, developed market and emerging market international stocks, and hedge fund investments.

## Asset Allocation



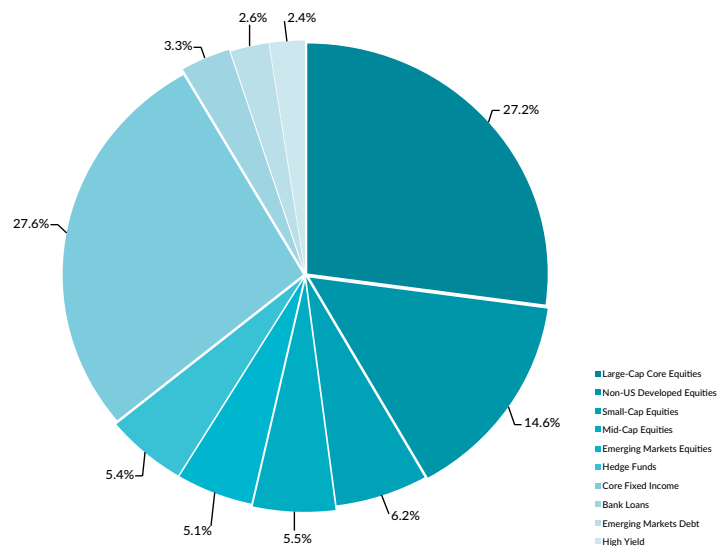
## Balanced Fund



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

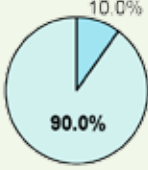
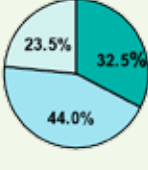
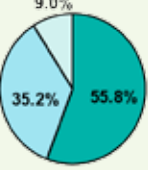
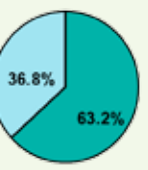
For 2015, the Balanced Fund had a total return of -3.05% versus -1.18% for the Policy Benchmark (55% Equity Policy Benchmark/45% Barclays Capital U.S. Government/Credit Index). This return reflected the underlying Equity Fund and Bond Fund underperformance, as well as an overweight to equities during the year, which had been beneficial previously. Heading into 2016, the longer view continues to reflect better return potential of equities than bonds and an overweight to start the year, but the CIO has the ability to make adjustments as conditions change.

## Asset Allocation



## Target Annuitization Date 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 conservative as the annuitization date approaches. 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 twice a year to conform to the established allocations. In light of the objective to preserve capital closer to retirement, the TAD Funds achieved their goals in 2015.

Target Annuitization Date Fund	Target Asset Allocation	Total Return			
		One Year	Three Years	Five Years	Since Inception
2015		1.47%	2.48%	3.60%	3.03%
2020		-1.17%	4.34%	4.98%	3.76%
2025		-2.22%	5.27%	5.66%	3.55%
2030		-2.60%	5.74%	5.92%	3.62%

■ Equity Fund   
 ■ Bond Fund   
 ■ Stable Value Fund

Inception date: 04/01/2007

Fund performance is net of all expenses and includes price changes and reinvestment of interest, dividends, and capital gains, if any.

Past performance is no guarantee of future results.

## Fees

Expenses (or expense ratios) are reported as the percentage of total expenses for the management and administration of the funds divided by the total average assets of the fund. Expenses in 2015 for the Equity Fund were 0.73% compared to an average expense ratio of 1.36% as reported by Morningstar for equity funds with global securities similar to the types of securities in our Fund. Expenses for the Bond Fund were 0.39% compared to the Morningstar average of 0.85% for similar funds. The Balanced Fund had expenses of 0.64% compared to the Morningstar average of 1.23% for similar funds. Expenses for the Stable Value Fund in 2015 were 0.55%. Expenses for the TAD 2015, 2020, 2025, and 2030 Funds were 0.54%, 0.54%, 0.59%, and 0.61%, respectively.



# Annuities

Members currently 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 portfolio of stocks, bonds, and real assets (targeted allocation of 55% to stocks, 35% to bonds and 10% to real assets). Over longer periods of time, this annuity should produce average returns that are higher than the 4% return assumption built into the base level of annuity benefits and should allow for benefit increases from time to time that are expected to continue to be paid over the annuitant's lifetime. If investment and mortality experience result in decreased assets that no longer support the benefit levels, then monthly benefit can also decrease. There was no increase approved for 2016.

## Basic Annuity

The assets supporting this annuity are invested in fixed-income securities that reflect high overall quality ratings. Given that most of these securities pay a fixed amount of interest, 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. It is not currently anticipated that the benefit will be adjusted (to increase or decrease) in the near-term future. 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 no increase approved for 2016.

## Equity Benefit Annuity

*(Closed to new investment since April 1, 2006)*

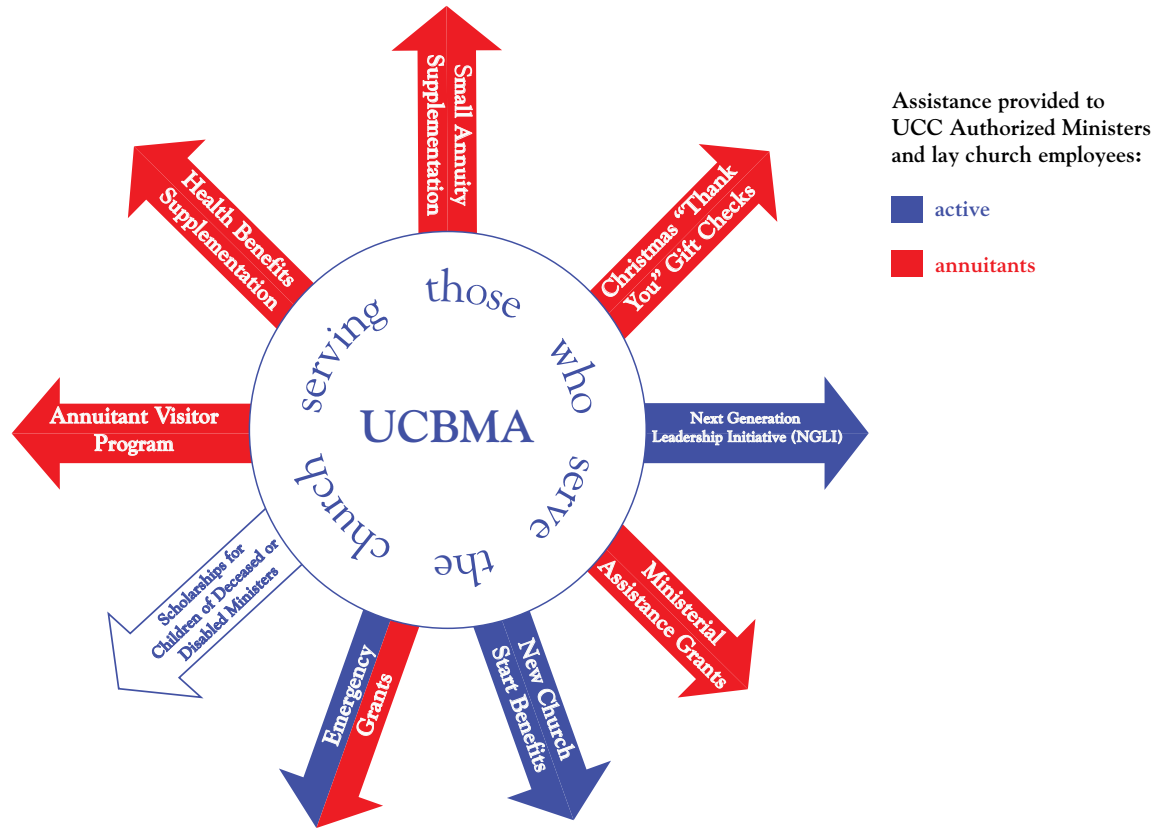
Payments from this annuity are supported 100% by equity securities and fluctuate with the movement in equities (with a three-month lag). Payments are adjusted twice a year, effective April 1 and October 1, and incorporate the 4% annual growth assumption that is built into the levels of a member's initial annuity payment. On April 1, 2015, the annuity decreased 2.19%, reflecting the decrease in stocks over the last six months of 2014. On October 1, 2015, the annuity increased 0.81%, reflecting the increase in stocks over the first six months of 2015. Stock returns in the second half of the 2015 were down, resulting in a 6.39% decrease effective April 1, 2016.

## 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 on April 1 and October 1 and incorporate the 4% annual growth assumption that is built into the level of a member's initial annuity payment. On April 1, 2015, the annuity decreased 2.80%, reflecting a decrease in portfolio investments over the last six months of 2014. On October 1, 2015, the annuity also decreased 1.36%, reflecting the decrease in portfolio investments in the first six months of 2015. Stock returns in the second half of the 2015 were down, on concerns of slowing global economic growth. Benefit payments were decreased 5.45% effective April 1, 2016.

# United Church Board for Ministerial Assistance (UCBMA)



## UCBMA's Mission

Embodying the covenantal spirit of the United Church of Christ, we...

*provide direct support to authorized ministers and lay church employees whose circumstances call for compassionate responses, and  
offer specialized initiatives and insightful witness to promote sustainable ministry within the church.*

In 2015, the caring ministries of UCBMA included:

- **Small Pension Supplementation** for 464 retired clergy/lay employees totaling \$1,500,203.
- **Health Benefits Supplementation** for 235 retired clergy/lay employees totaling \$452,561.
- **Emergency Grants** for 58 individuals/families totaling \$91,694.
- **Christmas "Thank You" Gift Checks** to 528 retired clergy/lay employees totaling \$211,200.
- **Ministerial Assistance Grants** to 76 retired/disabled clergy/lay employees totaling \$360,071.
- **New Church Start Benefit** (health benefit and/or annuity) Support to 11 new church start pastors totaling \$67,417 (in cooperation with Local Church Ministries and UCC Conferences).
- **Scholarships** for 3 children of deceased/disabled clergy for a total of \$8,000.
- **Annuitant Visitor Program** has 139 visitors who call on about some 6,000 annuitants/spouses on annual basis. The cost of this ministry was \$274,704.
- **Next Generation Leadership Initiative (NGLI)** is a leadership development initiative that equips, energizes, and empowers younger UCC pastors to build up vibrant congregations that change lives and further God's mission in the world. There are currently 85 pastors in the initiative.

In all, about \$3 million was disbursed as direct support and \$650,000 in programs that support those who serve the church. Those funds come from the annual Christmas Fund for Veterans of the Cross and the Emergency Fund, Our Church's Wider Mission (OCWM), and legacy gifts.

# The Christmas Fund for the Veterans of the Cross and the Emergency Fund

**“This year you have taken a great load of concern from me...can you hear the sigh of relief?”**

For over a century, the Christmas Fund for the Veterans of the Cross and the Emergency Fund has been compassionate and responsive to those who serve the church and are struggling with unexpected financial needs. As one of the four Special Mission Offerings of the UCC, gifts to the Christmas Fund provide direct assistance to those who have so faithfully and selflessly served and now find themselves facing tough times.

Through the generosity of UCC congregations and individuals across the country, UCBMA is able to supplement small pensions of retirees, supplement health benefits for retirees, send Christmas “Thank You” gift checks, and provide emergency grants. While the offering brings in



#### Mini Nativity

Kate Cosgrove is the artist who created *Mini Nativity*, the 2015 Christmas Fund image. Her art has been featured in books, magazines, albums, and a Hollywood film. She has also exhibited in galleries and online, with collectors across the United States, Australia, Canada, Colombia, England, France, Switzerland, and Ukraine.

about \$1.5 million, the need is so great, that about \$2.3 million is disbursed in these four grant categories.

“Every Christmas Eve in churches I served we took the Offering. I never dreamed that someday I would benefit from it.”



# \$1,528,481

Total Gifts to the 2015 Christmas Fund Offering

# 2,623



United Church of Christ congregations gave to the Christmas Fund in 2015

Thanks to everyone who has helped support this ministry!

To make a gift or to learn more visit [www.christmasfund.org](http://www.christmasfund.org) or contact the Rev. Dr. Jonathan B. Lee, Philanthropy Officer, at [jlee@pbucc.org](mailto:jlee@pbucc.org).



# Next Generation Leadership Initiative (NGLI)

Ministerial leadership today demands a set of skills and abilities that can connect and respond to the rapidly changing and increasingly complex world around us. NGLI is a leadership development initiative that equips, energizes, and empowers younger UCC local church pastors to build up vibrant congregations that change lives and further God's mission in the world.

NGLI seeks to honor and challenge young clergy who demonstrate significant potential, who have accepted the high calling to parish ministry, who view parish ministry as a career path, and who are willing to make a long-term commitment to service in congregational settings of the United Church of Christ.

Those selected for NGLI are provided with advanced training to hone their skills and gifts in order to serve as transformational leaders. They also have the opportunity to create a cohort of colleagues in which they can encourage and challenge one another, as well as reflect together on the life of a local church pastor in the 21<sup>st</sup> century. Eighty-five NGLI pastors are currently serving in local church congregations in 32 of the Conferences of the United Church of Christ.

For more information, visit <http://www.ngli2030.pbucc.org>.



“I’m better able to see how we’re creating a context, how we’re creating communities and churches...creating space for God to speak and move.”



# Annuitant Visitor Program

The Annuitant Visitor Program has its roots in a 1982 experiment with four Conferences. Now, it encompasses all 38 Conferences of the United Church of Christ.

The original intent of the ministry was to identify persons who were experiencing need, especially financial, and to provide assistance. However, visitors soon discovered that they were providing assistance with questions regarding pensions, health and dental plans, Social Security, death benefits, taxation, and other practical matters. As the ministry evolved, it became clear there was a less tangible, more valuable aspect – collegial support for the retirees.

Today, Annuitant Visitors call on more than 6,000 UCC annuitants and their spouses/partners.

Annuitant Visitors:

- serve as ambassadors for the Pension Boards' pension and health benefits programs and Ministerial Assistance, either answering the questions of the person(s) being visited or connecting them with the resources to find the information they need;
- express appreciation for faithful – and often sacrificial – service on behalf of the whole United Church of Christ; and
- offer collegial support.



ANNUITANT VISITOR



2015 Annual Report





# CREDO

“It was a life changing seminar. It cleared my head, helped me breathe, and was a salve for my wounded soul.”

PBUCC CREDO, a holistic wellness benefit for eligible members of the Annuity and Medical Plans, was launched in 2015. The pilot phase consists of three seminars in 2015 and 2016.

PBUCC CREDO adapts for the UCC context a successful program originally developed by the Episcopal Church nearly 20 years ago.

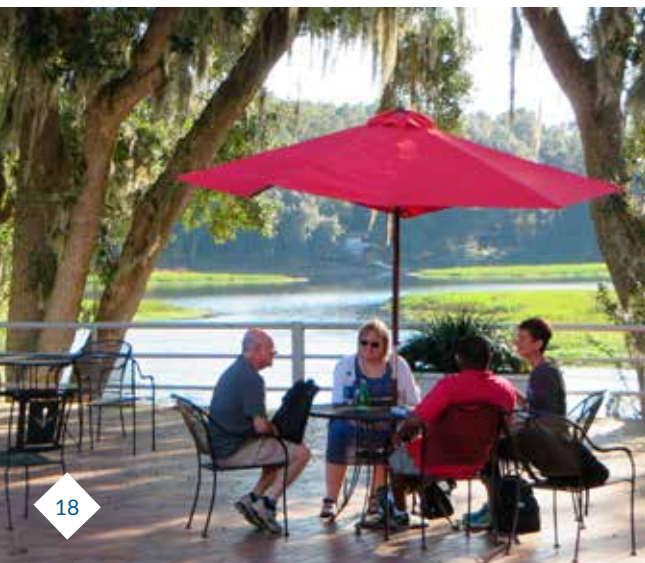
The CREDO experience is anchored in a week-long Seminar, which focuses on four interrelated dimensions of wellness: spiritual, vocational, financial, and health. During the Seminar, participants examine significant areas of their lives and discern prayerfully the future direction of their vocation as they respond to God's call in a lifelong process of practice and transformation.

One hundred Pension Boards' members between 35-55 years of age, with at least five years of ministry experience, will participate in the pilot phase.

Visit [http://bit.ly/PB\\_CREDO](http://bit.ly/PB_CREDO) for more information.



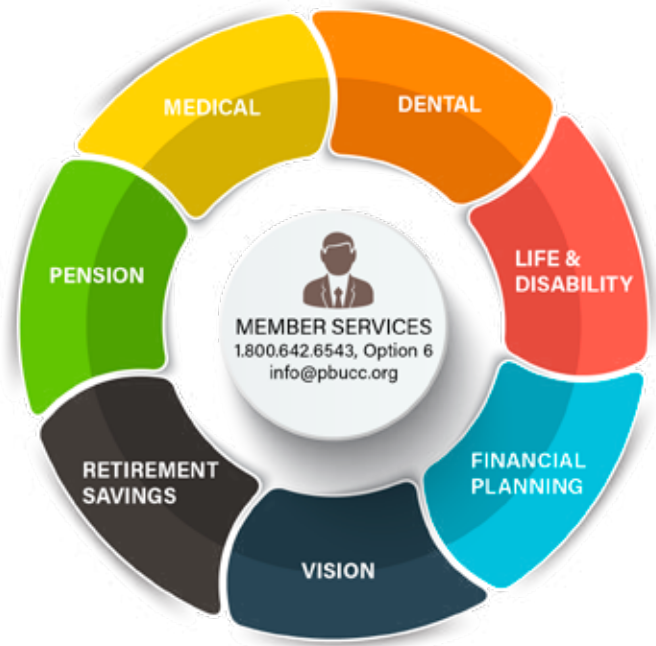
“Too often in the church we only pay attention to parts of a person instead of the whole person. CREDO develops the whole person.”



The Member Services department at the Pension Boards is the primary group responsible for the day-to-day administration of our plans. Principally, this group is charged with responding to member requests for service, including the processing of new enrollments, terminations, retirements, and more.

Also housed within the Member Services department is our call center. This group is staffed by caring professionals who stand ready to answer questions spanning from the simple to the complex. The Member Services staff is supplemented by those in our Accounting Department, who handle invoice and billing questions.

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 do it with a smile. We continually strive to provide top-tier customer service in all that we do.



# 25,000

Tasks Completed  
in 2015

**...we are caring professionals partnering with those who serve the Church...**





# Member Education and Member Relations

PBUCC's Member Education and Member Relations program assists members in maximizing the benefit plans and programs administered by the Pension Boards, through educational events including:

- Retirement Seminars and Webinar for individuals 50 and over and their spouses/partners in the six geographic regions of the United Church of Christ.

- Webinars with information on specific benefits available to UCC employees through plans administered by the Pension Boards.
- Financial Planning Seminars for actively-contributing members of the Annuity Plan.

Learn more about the Member Education program and see a schedule of upcoming events at [http://bit.ly/PB\\_MemberEd](http://bit.ly/PB_MemberEd).

# 321

members  
participated in  
Member Education  
retirement  
seminars and  
webinars in 2015



**...to provide  
valued services  
leading to greater  
financial security  
and wellness.**

## Member Education Webinars Offered in 2015

Financial Planning Services for Actively-Contributing  
Members of the Annuity Plan

The Flexible Spending Account (FSA), Rollover  
Contributions, Flexible Benefit Plan and  
Additional Life Insurance

Medicare Supplement Plan Options for 2016:  
Overview & Discussion

The Benefits of the Short- and Long-Term Disability Plan  
Required Minimum Distributions

UCC Health Plan in 2016: Positioning for Growth  
An Overview of the Annuity Plan

Navigating the Health Plan Vendor/Partner Websites

Navigating the Website for Annuitants

Vision Plan Open Enrollment

Health Plan Highlights for 2015

In June 2015, the Pension Boards introduced financial planning services through Ernst & Young Financial Planning Services® (EYFPS) at no cost to actively-contributing members. EY financial planners are trained in topics of importance to members, including PBUCC-administered plans and programs, and provide independent, objective, and confidential financial education and counseling in the following areas:



- Planning for retirement;
- Determining how much to save;
- Making investment decisions;
- Understanding tax issues;
- Budgeting;
- Insurance needs and options;
- Buying a home or car;
- Managing credit card and other debt;
- Financing college education; and more.

## Plan Members Sought Expert Professional Advice in:



Cash Flow / Debt Mgmt.	6%
Estate Planning	6%
Income Tax Planning	8%
Insurance Planning	5%
Investment Planning	30%
Other / Misc.	28%
Retirement Planning	17%

## Introducing Early- and Mid-Career Financial Planning Seminars

In 2016, PBUCC, in conjunction with EYFPS will launch financial planning seminars and webinars for actively-contributing Annuity Plan members in early- and mid-career stages.

plan for the future. The seminars assist members in putting a plan in place to improve their financial wellness and to reach their financial goals.

These seminars are designed to provide tools and resources to make it easier for younger members to address their finances and

These seminars are provided at no cost.

For more information on financial planning services, visit [http://bit.ly/PB\\_EY](http://bit.ly/PB_EY).



“The planner did a great job educating me with the 'investment' vernacular necessary to understand what in the world all this retirement stuff is about. Thank you!”

“I really appreciate this service and hope that it will continue to be a resource. Thank you!”

“My financial planner was excellent...phone financial coaching, that's an art. I felt a positive connection and grasped new information and understanding. Thank you!”

# Health Plan Operations

The UCC Medical Benefits Plan offers a schedule of comprehensive benefits to assist participants in maintaining healthy lifestyles, with emphasis on preventive care, wellness, and chronic condition management.

Non-Medicare Health Plan benefits include coverage for medical office visits, hospitalization, maternity and well-baby/well-child care, pharmacy, mental health and substance abuse treatment, and work-life balance resources.

The Medicare Supplement Plan covers up to 80% of the amount not covered by Medicare, and also includes pharmacy benefits.

“As the parent of an adult child with an autism spectrum disorder, I am grateful to the Pension Boards for expanding its coverage of services that will help others like our daughter achieve their fullest potential.”

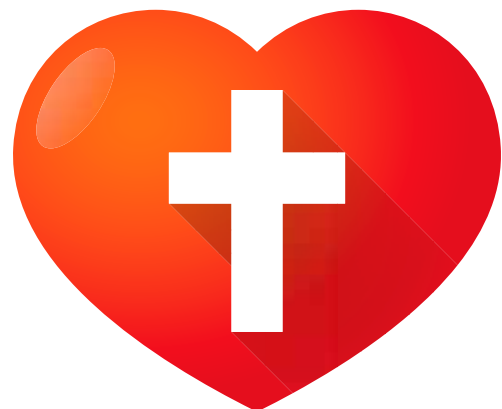
The Dental Plan provides preventive, therapeutic, restorative and prosthetic services, as well as orthodontic services.

The Vision Plan offers annual eye exams, lenses, frames, contacts, as well as extra savings and discounts on popular lens options.

Plan enhancements in 2015 included:

- Addition of \$2,500 annual benefit for Autism Spectrum Services under the Non-Medicare Health Plan
- Addition of \$25,000 lifetime benefit for Gender Identity Services under the Non-Medicare and Medicare Supplement Plans
- Maximum annual dental benefit increased to \$1,800 under the Dental Plan 1800
- Annual allowance for frames/contacts increased to \$140 under the optional Vision Plan

To learn about Health, Dental, and Vision coverage, visit [http://bit.ly/PB\\_Health](http://bit.ly/PB_Health).



## Medical and Pharmacy Coalitions

The UCC Health Plan is an active participant in the medical and pharmacy coalitions sponsored by the Church Benefits Association (CBA). Through this partnership with the CBA, participants in the UCC Health Plan derive direct benefits from the purchasing power obtained by this relationship with other denominations. The substantial discounts for medical services and prescription drugs from our vendor/partners that the UCC Plan can pass along to participants is made possible by our relationship with the CBA.

## Specialty Medications and High Cost Claims

Following nationwide trends, 30% of total pharmacy costs in 2015 for our active and retired health plans are related to the use of specialty medications.

Specialty medications are prescribed to provide relief for ten clinical indications in our membership, to include

cancer; hepatitis C; and inflammatory conditions.

The number of Plan participants prescribed specialty medications increased by 17 in 2015.

For the medical plan, high cost claims (claims greater than \$25,000) account for

over 30% of total plan costs. Conditions associated with musculoskeletal, circulatory system, and cancers account for the majority of the high cost claims.



# 30%

of the medical plans total cost are derived from high cost claims



“...that all may go well with you and that you may be in good health, just as it is well with your soul.”  
(3 John 1:2)

The Pension Boards knows that healthy leaders are essential to healthy churches. The Healthy Stewards program reflects PBUCC's wellness philosophy, rooted in the biblical understanding that we are called to be stewards of all our resources, including our health.

Non-Medicare Health Plan participants and their covered spouses/partners are eligible to earn up to \$300 in Healthy Stewards Wellness Rewards. For more information about Healthy Stewards, visit [http://bit.ly/PB\\_HS](http://bit.ly/PB_HS).

Care monitoring for members with chronic medical conditions continues to be an important component of the Healthy Stewards program. Through interactions with health coaches (nurses), members are offered individualized education and follow-up consultation services.



**THE PENSION BOARDS-UNITED CHURCH OF CHRIST, INC.**

(An Affiliated Ministry of the United Church of Christ)

Incorporated under the laws of New Jersey, 1914

**UNITED CHURCH BOARD FOR MINISTERIAL ASSISTANCE, INC.**

(A Controlled Affiliate of The Pension Boards-United Church of Christ, Inc.)

Incorporated under the laws of Connecticut, 1885

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**Chief Financial Officer/Treasurer/Chief Risk Officer:**

Maxine Seifert

**Chief Operating Officer:**

Todd A. Muchnicki

**Chief Investment Officer:**

David A. Klassen

**General Counsel/Corporate Secretary:**

James T. Herod

**Chief Information Officer:**

Thomas J. Nolan

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Bridget Langevine

**Communications/Church Relations Officer:**

Rev. Martha M. Cruz

**Director, Corporate Social Responsibility:**

Rev. Richard E. Walters

**Director, Ministerial Assistance:**

Rev. Krista L. Betz

**Director, Health Plans Operations:**

Frank E. Loiacono

**Director, Member Relations/Education:**

Wynonia Y. Leak

**Philanthropy Officer**

Rev. Dr. Jonathan B. Lee

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Rev. Dr. Sheldon Culver

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Joel E. Strauch

Jane Tedder

Lawrence Yunaska

**Ex Officio Trustee of The Pension Boards-United Church of Christ, Inc.**

Rev. Dr. John C. Dorhauer

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Jane Tedder

**Vice Chair of the Board:**

Rev. Elena P. Larssen

**President:**

Brian R. Bodager

**Vice President:**

Todd A. Muchnicki

**Treasurer:**

Maxine Seifert

**Secretary:**

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Rev. Leslie M. Schenk

Jane Tedder

Rev. Ann Asper Wilson

## A Litany for the Pension Boards

Gracious God, as trustees and staff of the Pension Boards of the United Church of Christ, gathered in your Spirit, we honor our mission of operating at the intersection of faith and finance.

We give thanks for the caring professionals who work with and for the Pension Boards, partnering with those engaged in the life of the Church.

We ask for your guidance as we continue to provide essential and life-giving services, transforming lives for greater wellness and financial security for clergy and lay members of the Church.

- The Rev. Dr. Barbara Kershner Daniel  
Trustee



**The Pension Boards**  
United Church of Christ, Inc.

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New York, NY 10115-0059