

NO. 0914

**PENSION FUND OF THE CHRISTIAN CHURCH (DISCIPLES OF CHRIST)**  
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## **REPORT TO THE GENERAL BOARD**

### **2008 ANNUAL REPORT**

The Pension Fund of the Christian Church (Disciples of Christ) continues to provide effective, compassionate service to members, congregations and wider ministries of the church on behalf of those dedicated saints who serve so faithfully. Since 1895, the Pension Fund, founded as the Board of Ministerial Relief, has provided support to persons serving the church as ministers or lay employees. The Pension Fund provides retirement, disability and survivor benefits through the Pension Plan as well as related financial services to enable participants to live comfortably in their retirement years. It also administers health and wellness programs on behalf of the Church.

The Pension Fund seeks in all of its activities to serve in a manner consistent with its core values – Trust, Security and Compassion. These values form the basis of our Ministerial Relief and Assistance programs, which provide support for ministers and others who retire with little or no pension, due to their service to congregations that offered low salaries or minimal pension dues contributions. Support for these deserving saints of the Church is sustained by direct gifts, Disciples Mission Fund dollars and earnings on Endowment Funds.

These are challenging times in our economy, perhaps from a financial perspective the most challenging since the Great Depression, during which the Pension Plan was launched. The Pension Fund has not been immune to the effects of the investment “bear market”. Yet, while the economy has been stressful, the Pension Fund remains one of the most well funded retirement programs in existence.

#### **1. CONTRACTUAL PROGRAMS**

- a. The Pension Fund, like most financial institutions, had negative investment performance in 2009. Total return for 2008 was negative 23.5%. Assets under management declined to \$2 billion from \$2.7 billion a year earlier. As a result of this decline, no Special Apportionment will be declared for Plan participants and retirees in 2009. However, there has been no decrease in pensions or pension credits as a result of the financial down turn. Over the past ten years, pensions and pension credits have been increased an average of more than 5% per year through Special Apportionments. This is well ahead of rates of inflation and consistent with our objective of enhancing the financial well being of our retirees and active members.
- b. The negative investment performance also precludes the declaration of Good Experience Credits in 2009. And, although the Pension Fund has committed to providing a return of 4% on Tax Deferred and Benefit Accumulation accounts through June, 2009, the negative investment market could have negative impact upon future rates. Without question, the primary focus of the Pension Fund is the protection of assets for the benefit of those we serve. The restoration of adequate reserves is crucial for this effort. Until reserves have been adequately restored, it is likely that future Special Apportionments and Good Experience Credits will be substantially reduced.
- c. The Pension Fund serves as trustee of the Christian Church (Disciples of Christ) Health Care

Benefit Trust and as such administers Churchwide Health Care, Dental and Flexible Spending Account programs on behalf of the Church. Churchwide Health Care is a “self funded program”, meaning that premiums must cover actual claims experience. In each of the past four years, Churchwide Health Care has been able to reduce the operating deficit. At December 2004, the deficit stood at \$5.4 million and the program was facing demise. At the end of 2008, the deficit had been reduced to \$1.4 million, exclusive of funds received in the Heartbeats of Faith Campaign.

At the request of the Pension Fund directors and other supporters, the General Assembly meeting in Portland in 2005 approved an emergency resolution calling for the revamping of Churchwide Healthcare and authorizing a churchwide capital campaign to create a reserve to assure the financial viability of the program in the foreseeable future. The campaign concluded its promotion period at the end of 2008. Gifts totaled \$1.35 million, which was well below the \$5 million goal. However, the campaign was successful in raising the awareness of health and wellness efforts. Income from the HBOF reserve will be used to support health and wellness programs as well as to provide some measure of financial support for health care premiums among key groups.

We give thanks for the strong support of those who worked so diligently on the campaign. While we have discontinued promotion efforts, we continue to encourage every congregation and organization of the Church to focus on health and wellness activities among employees. We also encourage every congregation to consider using Churchwide Health Care for their clergy and lay employees. We believe it is a very good health care program, one that is fairly priced to the benefits and markets in which we serve. For more information, check our website - [www.discipleshealth.org](http://www.discipleshealth.org).

- d. The Pension Fund continues to offer Churchwide Accident Insurance and Long Term Care insurance to participants of the Pension Plan and related programs. Churchwide Accident Insurance is provided through Reliance Standard Life Insurance Company. Long Term Care insurance is provided by CNA Insurance Company. All billing and services related to the Long Term Care insurance is provided directly by CNA.

## **2. CONTRACTUAL PROGRAMS - INTERNATIONAL**

The Pension Fund has provided access to membership in the Pension Plan by clergy and lay employees of congregations in Canada, Puerto Rico and certain other service areas. The Pension Fund was successful in its efforts to restore full benefits in the Pension Plan - Canada. At the end of 2008, the dues hiatus was discontinued. Plan participants received Special Apportionments that had been deferred in previous years, while the program was restructured. We are delighted with the result and trust those served feel well supported. In 2009, we expect to make compliance adjustments for participants from Puerto Rico. Other changes may be made in the future with respect to participation, reporting and taxation as dictated by the applicable laws and regulations.

## **3. INVESTMENTS**

During 2008, total net assets of the Pension Fund declined from \$2.76 billion to \$2 billion. Even in this challenging economic environment, the Pension Fund continues to maintain a fully-invested policy with long-term asset allocation of 55% equities, 30% fixed income and 15% alternative investments. However, actions have been taken to enhance and preserve the necessary liquidity that assures our ability to make pension payments when due and respond to other financial events as they unfold. Even though the investment returns were negative 23.5%, the Pension Fund still out performed the investment benchmarks by which we measure our results. We believe that the portfolio is well positioned for a recovery when one begins to emerge. Long term investment strategies, although frequently reviewed, rarely shift as a result of market fluctuations.

## **4. 2008 FINANCIAL OVERVIEW**

The 2008 actuarial valuation and financial audit have been completed and reported to the directors. We are grateful that the Pension Fund was able to out perform most of the benchmarks used to

evaluate performance. However, the negative results meant that neither Special Apportionments nor Good Experience Credits could be offered.

## **5. MINISTERIAL RELIEF AND ASSISTANCE**

The Pension Fund distributed \$1.7 million in Ministerial Relief and Assistance in 2008 on behalf of the Christian Church (Disciples of Christ). Only 16.8% of the Ministerial Relief and Assistance funds came from congregations through Disciples Mission Funding. Another 23.6% was contributed directly by concerned individuals. The remainder was derived from earnings on the Endowment Fund for Ministerial Relief and Assistance or funds previously placed in escrow for these purposes.

Supplemental Gift Pensions are gift distributions to those retirees who have extremely low pensions. It is a way for the Church to assist those who are most affected by economic turmoil. The Pension Fund was unable to increase supplemental gift pensions for qualifying pension retirees and surviving spouses this year. In the future, increases will be possible only when additional resources from gifts from individuals and additional income from Endowment Funds allow. Reductions in Disciples Mission Funding have a direct impact upon the benefits that can be provided for these worthy servants.

The "Thirteenth Check," which is a gift to all persons on the Ministerial Relief roll and some of the neediest on the low pension roll, was sent between Thanksgiving and Christmas. The Fort Worth General Assembly offering for this purpose, along with contributions from individuals and churches, provided the gift funds for 2007 and 2008. We are gratified that the generosity of the assembly participants and other supporters enabled the 13<sup>th</sup> checks to be increased over prior years. We give thanks for the generosity of all donors who made this increase possible, even as we prepare for another offering at the Indianapolis General Assembly.

## **5. GOVERNANCE**

The Board of Directors and Staff of the Pension Fund are keenly aware of their fiduciary responsibilities to the Church and those served. The Pension Fund was created to provide a unique ministry to clergy and lay employees on behalf of congregations and their members. The Pension Fund seeks to fulfill these responsibilities with compassion, wisdom and prudence.

The Board of Directors of the Pension Fund of the Christian Church (Disciples of Christ) adheres to practices intended to provide oversight and accountability. These are consistent with practices now required of public corporations. In this respect:

- a. The Board of Directors has assigned to its Financial Affairs Committee the function of "audit committee" through which independent auditors report directly to the board. This committee includes at least one person who is a financial expert (e.g., a CPA).
- b. The Board of Directors enforces their written "Conflict of Interest Policy; a written board member evaluation policy and a board member education policy."
- c. The independent auditor is required to provide the directors with a management letter addressing any material internal control weaknesses or suggesting improvements to internal controls.
- d. The Pension Fund staff is required to provide written response to each issue raised in the management letter as to the steps taken or to address or resolve the issue or the rationale for disagreement with the conclusions presented.
- e. Each standing committee has a written committee charter approved and periodically reviewed by the Board of Directors.
- f. The President and Treasurer certify in writing to the Board of Directors the "appropriateness" of the financial statements and disclosures contained in periodic reports prepared in accordance with accounting conventions appropriate to the Pension Fund, and that such financial statements and disclosures fairly present, in all material respects, the operations and financial condition of the organization.
- g. Staff and Directors enforce their historic prohibition on the extension of credit to any director or

executive officer except as “de minimus” reimbursable charges may arise in the normal course of business.

## **6. KEY FOCUS**

The Pension Fund is a unique financial services ministry, focusing its efforts and resources toward the care and support of clergy and lay employees of the Christian Church (Disciples of Christ). The Directors and Staff believe the Pension Fund fulfills its historic mandate when it functions as an innkeeper (Luke 10:35) assisting whomever the Church presents for care.

Because of the unique nature of the Pension Fund’s ministry, one can describe its activities within the context of the missional goals of the Christian Church (Disciples of Christ), although most impacts are tangential rather than direct initiatives. For example:

The Pension Fund seeks to support the establishment of new congregations by assisting the pastors with subsidized health care. New congregation pastors may qualify for three years of health care premium subsidy on a declining basis, beginning with a year of full subsidy, if the congregation agrees to continue in Churchwide Health Care following the subsidy period. However, reductions in gifts which make this support possible could cause a reduction in access to this service in future years.

The Pension Fund believes that revitalization of congregations will require vibrant and healthy clergy. Addressing stress, depression, spiritual healing and the life choices these issues bring, which reduce effectiveness and cause illness, is the new ministerial relief issue of our day. Staff, directors, consultants, and other key participants are working to form strategies to address these issues. Success in this arena will benefit congregations, the clergy, Churchwide Health Care and the Church.

Leadership development is crucial to the growth and vitality of the Church. Pension Fund efforts in this area are related to our efforts to develop a financial net through Pension Plan membership and health care resources. Pension Fund will continue to work on this task in the years ahead. Of particular concern is the enrollment and support of seminarians and pastors of racial/ethnic heritage historically not served well.

To enhance our ability to serve the Church effectively, the staff and directors continue to address systemic racism within the organization, board membership, staffing, and culturally sensitive service capabilities. A multi-cultural staff team is working with outside guidance to assist in this process. Our goal is to serve all constituencies with equal vigor and effectiveness. This is essential to broadening our ability to serve throughout all of our church family.

## **7. TAX INFORMATION**

The Pension Fund continues to keep its constituents informed of changes in tax laws and government regulations. The Pension Fund continues to work with the Church Alliance, an interdenominational coalition of pension boards, to understand and respond to issues which could affect the services, reporting and taxation requirements which relate to the programs and services offered by the Pension Fund. The Church Alliance expects to be actively engaged on several issues in 2008 and beyond.

## **8. OTHER SERVICES**

In addition to those services already described, the Pension Fund provides other services to those who serve the church and its organizations. These include the conducting of workshops and seminars on Financial Planning and Preparation for Retirement.

## **9. HEARTBEATS OF FAITH**

In accordance with the provisions of the Emergency Resolution passed at the Portland General Assembly, the Pension Fund took the lead in the launch of a churchwide capital campaign intended to establish a \$5million reserve fund to undergird the health and wellness programs. The campaign, which concluded its promotional phase, did not achieve the level of success to date that was expected or desired. We believe that key factors in the lack of support were the belief that funds

were being raised for the retirement of the health care fund deficit and that the health care program would ultimately be determined to be unsustainable. Gifts and pledges, including a few deferred gift agreements, total more than \$1.3 million. Net proceeds, after all campaign expenses total just under \$900,000. Further fund raising efforts in connection with the Heartbeats Reserve will continue through development staff.

## **9. CLOSING WORD**

The Board of Directors and Staff of the Pension Fund are grateful for the opportunity to serve the Church, its ministers and lay employees. There is no secret that current financial markets and recession are placing the Pension Fund under great stress. Concern about the safety of pensions and retirement savings is quite understandable in this environment. To address such concerns, regular call in question and answer programs have been provided. Such call in opportunities will continue to provide participants with an opportunity to raise questions directly with staff and hear those of other participants.

Pension Fund staff and directors are working diligently to protect the pensions and retirement savings of all participants. We believe that as the market recovery begins to emerge, the Pension Fund will have the opportunity to restore to a great extent the reserves that have enabled it to weather the worst downturn in more than seventy years. We ask God's guidance and your trust as we continue to focus on our ability to serve our constituents. This ministry is an expression of Thanksgiving from a grateful Church to those who accepted the call to the ministry, as clergy or lay employees, and who have carried out that ministry faithfully.

### **Recommended Action:**

The General Board receives the report of the Pension Fund.