

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

2009 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. For the Pension Fund's ministry, wholeness in a fragmented world is the outcome that we seek to achieve for all who look to it for financial support. 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.

Last year began with investment markets continuing a massive decline, creating financial challenges for all ministries in the Church. It was reported a year ago that the Pension Fund was not immune to the effects of the market declines. Yet, the recovery in asset values throughout the final ten months of the year was such that the Pension Fund was able to finish the year with pension and retirement savings programs fully funded. No participant in the Pension Fund, Tax Deferred or Benefit Accumulation accounts suffered any loss in their account value, nor were benefits reduced or delayed in payment. The Pension Fund remains one of the most well funded retirement programs in existence.

1. CONTRACTUAL PROGRAMS

- a. The Pension Fund was able achieve substantial recovery in asset values in 2009. Total return for 2009 was 20.78%. Assets under management grew from \$2 billion at the beginning of the year to \$2.35 billion. While historic reserves were partially restored, they did not reach the level that is necessary for approval of Special Apportionments in 2010. Over the past ten years, pensions and pension credits have been increased an average of approximately 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. As indicated above, positive investment performance enabled the restoration of some reserves, but not sufficiently to enable the declaration of Good Experience Credits in 2010. However, all accounts were maintained at full value and no investor suffered any loss during the economic downturn. Throughout the market downturn, the primary focus of the Pension Fund has been on the protection of assets for the benefit of those we serve. Further restoration of reserves is

the goal. Until reserves have been adequately restored, it is likely that future Good Experience Credits will be substantially reduced or foregone.

- 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 2009, further reduction in the deficit was achieved. Including the Heartbeats of Faith campaign, total assets stood at \$-123,705.

We give thanks for the strong support of those who worked so diligently on the campaign. While the promotional phase of the campaign has ended, 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 an excellent 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.

- 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, Mexico and certain other service areas. The Pension Fund was successful in its efforts to restore full benefits in the Pension Plan - Canada. In 2009, 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 2010, we expect to complete 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 2009, total net assets of the Pension Fund rose from \$2 billion to \$2.35 billion. Growth was achieved in large measure through the adherence to sound long term investment strategies properly adjusted to the market circumstances. 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, we continue to monitor liquidity objectives and stand ready to take appropriate actions to preserve our ability to make pension payments when due and respond to other financial events as they unfold. Even though the investment climate remains unsettled, the Pension Fund is well positioned to out perform the investment benchmarks by which we measure our results. We believe the portfolio is positioned for further recovery in the months and years ahead. Long term investment strategies, although frequently reviewed, rarely shift as a result of market fluctuations.

4. 2009 FINANCIAL OVERVIEW

The 2009 actuarial valuation and financial audit are in process. When completed, they will be reported to the directors. We are grateful that the Pension Fund was able to out perform most of the benchmarks used to evaluate performance. We are equally grateful that all programs are fully funded on an actuarial basis.

5. MINISTERIAL RELIEF AND ASSISTANCE

The Pension Fund distributed \$1.7 million in Ministerial Relief and Assistance in 2009 of 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 most needy on the low pension roll, was sent between Thanksgiving and Christmas. The Indianapolis General Assembly offering for this purpose, along with contributions from individuals and churches, provided gift funds for 2009 and 2010. We are gratified that the generosity of the assembly participants and other supporters enabled the 13th checks to be increased over prior years, even in the recessionary environment. We give thanks for the generosity of all donors who made this increase possible.

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 well served.

To enhance our ability to serve the Church effectively, the staff and directors continues 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.

Finally, the Pension Fund believes that its efforts can best assist in the achievement of wholeness in a fragmented world by seeking to promote and support the work of healthy vibrant ministry leaders. We celebrate and give thanks for the faithful efforts of clergy and lay employees throughout the Church.

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 in several issues in 2010 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 and administering a Churchwide Accident Insurance program.

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 effects of the recession are severe and long lasting. Concern about the safety of pensions and retirement savings remain for some

participants. To address such concerns, regular call-in question and answer programs were provided in 2009. We anticipate further sessions will be scheduled throughout 2010. We believe that these call-in opportunities provide participants with a unique opportunity to raise questions directly with staff and hear those of other participants.

Pension Fund staff and directors continue their efforts to protect the pensions and retirement savings of all participants. We ask God's continuing 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 carry out those ministries faithfully.