

# CHURCH PENSION FUND

## Membership

### *Terms Ending in 2015:*

The Rt. Rev. Wayne P. Wright, D.D., *Chair*  
The Rt. Rev. Robert H. Johnson, D.D., *Vice Chair*  
Ms. Martha B. Alexander  
The Rev. Thomas James Brown  
Canon Dr. Karen Noble Hanson  
The Very Rev. Tracey Lind  
Mr. Kevin B. Lindahl, Esq.  
The Rev. Dr. Timothy J. Mitchell  
Ms. Margaret A. Niles, Esq.  
The Rt. Rev. V. Gene Robinson, D.D.  
Mr. Edgar S. Starns, CPA  
Ms. Sandra S. Swan, D.L.H.

### *Terms Ending in 2018:*

Ms. Barbara B. Creed, *Vice Chair*  
Canon Rosalie Simmonds Ballentine, Esq.  
The Rt. Rev. Diane M. Jardine Bruce  
Mr. Vincent C. Currie, Jr.  
Mr. Gordon B. Fowler, Jr.  
Dr. Delbert C. Glover, PhD  
Mr. Ryan K. Kusumoto  
Canon Kathryn Weathersby McCormick  
Mr. Solomon S. Owayda  
Ms. Diane B. Pollard  
The Very Rev. George L.W. Werner, D.D.  
Mr. Cecil Wray, Esq.

### *Elected by the CPF Board of Trustees:*

Ms. Mary Katharine Wold, *CEO and President, The Church Pension Fund*

## Summary of Work

**Mandate:** CANON I.8 Sec. 1. The Church Pension Fund, a corporation created by Chapter 97 of the Laws of 1914 of the State of New York as subsequently amended, is hereby authorized to establish and administer the clergy pension system, including life, accident and health benefits, of this Church, substantially in accordance with the principles adopted by the General Convention of 1913 and approved thereafter by the several Dioceses, with the view to providing pensions and related benefits for the Clergy who reach normal age of retirement, for the Clergy disabled by age or infirmity, and for the surviving spouses and minor children of deceased Clergy. Sec. 2. The General Convention at each regular meeting shall elect, on the nomination of a Joint Committee thereof, twelve persons to serve as Trustees of The Church Pension Fund for a term of six years and until their successors shall have been elected and have qualified, and shall also fill such vacancies as may exist on the Board of Trustees. Effective January 1, 1989, any person who has been elected as a Trustee by General Convention for twelve or more consecutive years shall not be eligible for reelection until the next regular General Convention following the one in which that person was not eligible

for reelection to the Board of Trustees. Any vacancy which occurs at a time when the General Convention is not in session may be filled by the Board of Trustees by appointment, ad interim, of a Trustee who shall serve until the next session of the General Convention thereafter shall have elected a Trustee to serve for the remainder of the unexpired term pertaining to such vacancy.

## OVERVIEW

The Church Pension Fund (CPF) (<http://www.cpg.org>) provides retirement benefits to eligible clergy and lay employees of The Episcopal Church. CPF also oversees a number of affiliated companies, including Church Life Insurance Corporation, The Episcopal Church Medical Trust, the Church Insurance Companies (which includes The Church Insurance Agency Corporation, The Church Insurance Company, The Church Insurance Company of New York, and The Church Insurance Company of Vermont), and Church Publishing Incorporated.

Collectively known as the Church Pension Group (CPG), CPF and its affiliated companies serve eligible Episcopal clergy and lay employees and their families, as well as Episcopal churches and institutions by providing retirement benefits and services, life and disability insurance, health benefits, financial and wellness education, property and casualty insurance, and book and music publishing, including the official worship materials of the Church.

CPG strives to be an advocate for the well-being of those it serves, looking ahead at needs and potential risks and developing products, programs, and services to help the Church manage them. CPG hosts hundreds of educational programs, answers more than 55,000 client calls, visits almost 4,000 congregations and other institutions, and hosts 250,000 visits to its website each year. The core values that guide CPG in fulfilling its mission are professionalism, compassion, and trustworthiness.

The population CPG serves continues to expand as the lay employee pension system and denominational health plan are implemented across the Church. Much progress was made on these and other important initiatives.

At General Convention, CPG provides data and feedback to the Church Pension Fund Committees and other committees that consider resolutions that may impact its work.

This *Blue Book* report reviews the work of CPF and its affiliated companies during the past triennium and describes a number of major areas of focus over the past three years:

- CPF Board and Governance
- Review of the Past Triennium
- Serving CPG's Participants Every Day
- Benefit Changes for Clergy and Lay Employees
- Improved Delivery of Benefits and Related Services
- Ongoing Listening Around the Church
- CPG's Corporate Citizenship Initiatives
- CPF Response to Resolutions of the 77th General Convention

### **CPF Board and Governance**

Governance of CPF is provided by a 25-member Board of Trustees that consists of 24 trustees elected by General Convention and the CPF CEO and President, who is appointed by and serves at the pleasure of the CPF Board.

## **The Work of the CPF Board**

The CPF Board makes significant decisions affecting investment strategy, pensions, and other benefits and services. It is responsible for overseeing the strategic direction of a broad and varied consortium of businesses as well as the CPF investment portfolio. The CPF Board must address complex issues faced by the pension funds and CPF's affiliated companies, both recognizing the need for compassion and flexibility and ensuring fiscal accountability. As a result, the trustees have the challenge of balancing sometimes-conflicting social and fiduciary responsibilities.

The CPF Board is enriched by the presence of lay and ordained leaders, as well as experienced investment managers, attorneys, accountants, and business and financial professionals. It is essential to bring to the Board's deliberations the most expert and thoughtful advice available to the Church. The current challenges impacting the economy and the Church put a special emphasis on CPF's fiduciary responsibilities and the need for experienced and engaged trustees.

## **The Election Process and the Current CPF Board**

As set out in The Episcopal Church's Canons, General Convention will elect 12 trustees, selecting from the slate of nominees proposed by the Joint Standing Committee on Nominations.

The following three trustees are retiring from the CPF Board in 2015, having faithfully served the two consecutive six-year terms allowed by the Canons of The Episcopal Church: The Rt. Rev. Robert H. Johnson, The Rt. Rev. V. Gene Robinson, and The Rt. Rev. Wayne P. Wright. Nine trustees — Martha Bedell Alexander, The Rev. Thomas James Brown, Canon Dr. Karen Noble Hanson, The Very Rev. Tracey Lind, Kevin B. Lindahl, Esq., The Rev. Dr. Timothy J. Mitchell, Margaret A. Niles, Esq., Edgar Starns, CPA, and Sandra S. Swan, D.H.L. — are eligible and have agreed to stand for re-election. The 13 remaining trustees will continue to serve.

## **REVIEW OF THE PAST TRIENNium**

### **Financial Strength of CPF**

The single most important job of the CPF Board and management is monitoring the financial security of CPF. Since J.P. Morgan helped raise the first \$8.5 million to fund CPF, CPF's assets have grown steadily through prudent investment strategies and disciplined expense management. CPF monitors the funding positions of its pension plans and when it has been prudent to do so, the CPF Board has implemented significant benefit enhancements. During the fiscal year ended March 31, 2014, CPF received approximately \$87 million in assessments and paid out almost \$346 million in pension and related benefits to Episcopal clergy and lay employees.

Over the last three years, the economy has experienced a sluggish recovery, continually threatened by uncertainty both overseas and at home. Currently, interest rates sit near historically low levels. However, more recently there has been increased volatility in the level of interest rates as market participants grapple with the implications of the elimination of the Federal Reserve's bond purchase program, continued sluggish growth, and recurring geopolitical concerns.

World equity and credit markets have continued to recover from the recent downturn and, for the most part, now sit at or above pre-crisis levels. Volatility has remained low as market participants remain confident in global central banks. The investment performance of CPF for the three-year period ending September 30, 2014 was strong, with an 11.8 percent total rate of return for the period. Over the 10-year period ending September 30, 2014, the total rate of return was 8.3 percent, which exceeded both CPF's passive benchmark

of 67 percent S&P 500 stocks/33 percent bonds for that period, and its investment objective of inflation plus 4.5 percent.

CPF remains in sound financial condition due to both good investment results and strong financial stewardship. The goal is to maintain not only sufficient assets to cover benefits, but also a surplus of assets to provide a cushion in uncertain economic times, and flexibility to accommodate future entrants to the plans.

As of September 30, 2014, CPF assets stood at \$11.8 billion (unaudited). Assets Available for Benefits in The Church Pension Fund Clergy Pension Plan (Clergy Pension Plan) stood at \$11.0 billion (unaudited). Assets Available for Benefits in The Episcopal Church Lay Employees' Retirement Plan (Lay DB Plan) stood at \$172.4 million (unaudited), which is an improvement over previous years, with the remaining assets allocated for other benefits and liabilities such as the CPF Medicare Supplement subsidy for eligible clergy and their eligible spouses.

Results for the fiscal year ended March 31, 2015, will be available at General Convention in July and will also appear in the 2015 Church Pension Group Annual Report, which will be available online at <http://www.cpg.org>. CPG has been, and will continue to be, in communication with its plan beneficiaries and other clients, updating them on the financial condition of CPF through the Annual Report, other information posted on the CPG website, and CPG publications such as the semi-annual *Perspective* newsletter.

### **CPF Leadership Transitions**

This past triennium saw two important leadership transitions, with the retirement of William L. Cobb, Jr., Executive Vice President and Chief Investment Officer, and The Rev. Canon Patricia Coller, Executive Vice President and Chief Ecclesiastical Officer; and with the welcoming of their successors, Roger A. Sayler and The Rev. Canon Anne Mallonee, respectively.

#### **SERVING CPG'S PARTICIPANTS EVERY DAY**

CPG provides a broad array of employee benefits, educational programs, and other products and services to the Church.

### **Pension and Retirement Savings Plans**

CPF administers the following retirement plans for eligible clergy and lay employees of the Church:

The Church Pension Fund Clergy Pension Plan (Clergy Pension Plan) is a defined-benefit plan in which all eligible Episcopal clergy participate through assessments paid by their employers. It currently provides pension and related benefits for a total of 18,398 active and retired clergy, eligible surviving spouses, or other named beneficiaries. Clergy Plan benefits include monthly pension benefits, a Christmas benefit, a disability retirement benefit, a lump-sum death benefit, a resettlement benefit, and a pre-retirement survivor's benefit. Other benefits offered to eligible participants in the Clergy Pension Plan through separate plans are a short-term disability benefit, life insurance, and a subsidy toward the cost of a Medicare supplement plan.

The Episcopal Church Lay Employees' Retirement Plan (Lay DB Plan) is a defined-benefit pension plan that was established in 1980. It currently provides benefit coverage for almost 2,600 active and vested participants and 1,480 retirees. Lay DB Plan benefits include monthly pension benefits to retirees, a disability retirement benefit, a lump-sum death benefit, and a surviving spouse benefit to qualifying participants. Eligible participants in the Lay DB Plan are also entitled to a pre-retirement survivor's benefit, which is paid to their eligible surviving spouse if the participant dies on or after attaining age 55 but prior to retirement.

The Episcopal Church Lay Employees' Defined Contribution Retirement Plan (Lay DC Plan) provides individual retirement savings accounts to 10,440 active participants, with eligible employers and employees making regular contributions. There are 2,673 retired participants in the Lay DC Plan. Administered with Fidelity Investments, the Lay DC Plan offers a wide range of investment options and tools to support retirement savings planning.

The Episcopal Church Retirement Savings Plan (RSVP) is a defined contribution retirement savings plan through which clergy and eligible lay employees can make their own tax-deferred contributions toward their financial futures. Participants have their own accounts and direct the way their money is invested. Like the Lay DC Plan, Fidelity Investments is the record-keeper for the RSVP, and the investment options in the plan are the same as those in the Lay DC Plan.

### **Health, Life, Property and Casualty, and Other Products and Services**

In addition to retirement benefits, CPG provides individuals and institutions with other benefits and programs, as authorized by General Convention, through its affiliate companies, described below.

The Episcopal Church Medical Trust (Medical Trust) is the sponsor of The Episcopal Church Clergy and Employees' Benefit Trust (ECCEBT), a Voluntary Employees' Beneficiary Association (VEBA) established in 1978. The Medical Trust offers an extensive selection of health plan options to meet the unique needs of clergy, lay employees, and retirees of the Church and their eligible dependents. The Medical Trust sponsors health plans offered by world-class health networks: Aetna, Cigna, Anthem BlueCross BlueShield, Express Scripts, Kaiser, and UnitedHealthcare. The Medical Trust provides in-network access to 98 percent of covered Episcopal employees nationwide. The Medical Trust offers 20 different plan designs that include preferred-provider, managed-care, and consumer-directed plans. These plans all include mental health, vision, employee-assistance, and health-advocacy benefits at no additional charge. Dental care plans are also available. One hundred dioceses and 48 institutions are currently served by the Medical Trust (an increase of eight dioceses and four institutions since 2012). CPG's relationship managers, Client Services call center, web self-service tools, personalized service, and strong administrative and educational support allow Church employers, as well as employees and retirees, to focus on their mission, confident that their health care benefits are effectively managed.

Church Life Insurance Corporation (Church Life) has provided essential life insurance protection and retirement savings products to the clergy and lay employees of the Church and their families since 1922. Church Life provides life insurance protection to all eligible active and retired Episcopal clergy through the group life plan sponsored by CPF. In addition, more than 90% of Episcopal dioceses choose to provide group life and disability insurance to their employees through Church Life. Church Life also provides group annuity funding for CPF to offer the Stable Value Option in both the Lay DC Plan and the RSVP. For clergy and lay employees seeking retirement savings and income products on an individual basis, Church Life offers an array of deferred and immediate annuities and Roth and traditional individual retirement annuity products. Since 2010, Protective Life Corporation's full portfolio of innovative individual life insurance products has been available through Church Life agents at affordable rates. Protective Life is one of the nation's leading insurance companies, rated A+ superior by A.M. Best.

The Church Insurance Companies have provided property and casualty insurance and agency services to Episcopal churches and institutions since 1929. This group of companies consists of the Church Insurance Agency Corporation (CIAC), the Church Insurance Company of Vermont (CICVT), the Church Insurance Company of New York (CICNY), and the Church Insurance Company. CIAC provides non-claim client services for all companies as well as access to insurance products of outside product partners (e.g., Liberty Mutual for workers' compensation insurance). CIAC representatives visit more than 3,700 client locations each year and publish a popular risk management e-newsletter, *The Good Steward*. Two of these companies — CICVT

and CICNY — provide insurance to eligible institutions using a captive insurance structure that is more cost-effective and flexible than any alternative. Most core activities are performed in Bennington, Vermont, where CICVT is headquartered. A meeting of diocesan participants is held in Vermont each year to gather ideas and suggestions from clients and to introduce new initiatives. These companies also fund periodic, professional valuations for all insured properties and a diocesan-endorsed program (the Episcopal Safety Program) to inspect churches and identify and correct hazards before they turn into insurance claims. While Episcopal churches and other institutions are able to purchase their property and casualty insurance from any insurer they choose, 90 percent of churches choose to buy it from the Church Insurance Companies.

Church Publishing Incorporated (CPI) was founded in 1918 and is headquartered in New York. CPI is an official publisher of worship materials and resources for the Church, as well as a multifaceted publisher and supplier to the broader ecumenical marketplace. In addition to book publishing, CPI offers church supplies; lectionary inserts; bulletins; vestments; the lectionary-based curriculum, *Living the Good News*; faith-formation programs such as *Weaving God's Promises*, *Godly Play*, and the popular “Embracing” series of video studies by such luminaries as Marcus Borg, Phyllis Tickle, Walter Brueggemann, and Kathleen Norris; and e-publishing resources and services. CPI continues to distribute its products through Cokesbury.

The exhibit below provides a summary of the clients served and services provided by CPF and each of the major affiliates.

<b>The Church Pension Fund and Affiliated Companies Services and Clients</b>		
<b>The Church Pension Fund</b>		
Clergy Pension Plan		18,398
Lay DB Plan		2,770
Lay DC Plan		13,133
RSVP Plan		5,341
<b>The Episcopal Church Medical Trust</b>		
Clergy		
Not-yet-retired		4,280
Retired and surviving spouses		5,444
Lay employees		
Not-yet-retired		9,560
Retired and surviving spouses		1,880
Family members		
Not-yet-retired		12,176
Retired		2,337
		35,677
<b>Church Life Insurance Corporation</b>		
Group insurance policies		23,350
Individual insurance policies		1,510
Annuities		4,900
Disability insureds		5,580
<b>The Church Insurance Companies</b>		
Number / percentage of Episcopal churches that purchase their property and casualty insurance from CICVT or CICY		
Episcopal churches		6,391 / 90%
Episcopal dioceses		91 / 90%
<b>Church Publishing Incorporated</b>		
Church Publishing, Morehouse Publishing, Seabury Books, Morehouse Church Supplies, Morehouse Education Resources		
Books in print		891
Church supplies		896
Christian Education resources		350
eBooks		617
eProducts		50
<i>As of October 31, 2014</i>		

## BENEFIT CHANGES FOR CLERGY AND LAY EMPLOYEES

CPG's responsibility is to provide retirement, health, and related benefits to the eligible clergy and lay employees of the Church. Despite continuing economic volatility, CPG has been blessed with sufficient resources that have allowed it to improve and enhance benefits during this triennium.

### **COLA Determinations for the Years 2013-2015**

Although not required by plan rules, the CPF Board has granted cost-of-living-related pension increases (COLAs) to beneficiaries of its defined benefit plans when economic circumstances with respect to inflation justified it and the financial condition of the plans allowed for it. While the CPF Board makes its own decisions as to these increases, it historically has looked to the U.S. Bureau of Labor Statistics' Consumer Price Index (CPI) as a benchmark to guide its thinking, a standard that many organizations, such as the Social Security Administration (SSA), look to when making decisions about cost-of-living increases. For the years 2013, 2014, and 2015, the SSA granted cost-of-living increases of 1.7 percent, 1.5 percent, and 1.7 percent, respectively.

In making its COLA decisions for each of those years, the CPF Board referred to its current COLA policy stating that no COLA will be granted for a pension plan that has a funding ratio of less than 1.00. The funding ratio, which is calculated by dividing the plan's assets by its actuarially determined liabilities, is a measure of the financial strength of a pension plan. A funding ratio of 1.00 means the assets are at least equal to the actuarially determined liabilities, even with the estimated cost of the discretionary COLA factored into the assumptions. The granting of a COLA in any given year results in increased payments to currently retired participants and has the potential, therefore, to reduce the funding ratio.

As of September 30th of the years 2012, 2013, and 2014, the Clergy Pension Plan had a funding ratio above 1.00, and therefore cost of living increases equal to the SSA's COLAs for 2013, 2014, and 2015 were granted to beneficiaries in the Clergy Pension Plan in those years. While the funding ratio of the Lay DB Plan has improved substantially over the past three years, the Lay DB Plan's funding ratio remained less than 1.00 in each of those three years, and therefore COLAs were not granted in that plan.

Cost-of-living increases equal to the Social Security Administration's COLAs for 2013, 2014, and 2015, respectively, were granted to clergy retirees and their beneficiaries in the non-domestic dioceses of The Episcopal Church and Iglesia Anglicana de la Region Central de America (IARCA).

The financial position of the Clergy Pension Plan and the Lay Defined Benefit Plan is disclosed in the CPG Annual Report each year.

### **New Compensation Standard Established for Accruing Full-Time Credited Service under the Clergy Pension Plan**

In order to assist the growing number of clergy working part-time, effective January 1, 2013, a participant who earns \$18,200 or more per year (the "Hypothetical Minimum Compensation," which is subject to change by the CPF Board) is credited with a full year of service, and a participant who earns less than \$18,200 per year is credited with a partial year of service. In addition, participants may establish make-up accounts to pay assessments on the difference between the actual compensation earned and \$18,200 in order to receive a full year of credited service.

### **Medicare Supplement Plans**

CPF has long provided a subsidy to eligible clergy and their eligible spouses toward the cost of a Medical Trust Medicare Supplement Plan (the Medicare Supplement subsidy), although given the rising cost of

medical care, coupled with the uncertainty regarding the structure of Medicare in the future, the provision of this subsidy is not guaranteed. The Medical Trust offers three post-65 retiree Medicare Supplement Plans — the Comprehensive, Plus, and Premium Plans — that retirees may choose from to suit their health care needs and financial resources. These plans provide benefits supplemental to Medicare’s coverage for hospital stays, physician visits, lab work, annual physicals, and prescription drugs. The Medical Trust also offers three dental plans to retirees. The plans have been continually improved over time, including the addition of hearing and travel benefits, a 24/7 nurse line, Health Advocate resources, and the Employee Assistance Program.

Costs for the Medicare Supplement Plans have increased modestly each year from 2013 through 2015: a cumulative total of \$30 per member per month for the Comprehensive Plan and \$45 per member per month for the Plus and Premium Plans. However, the Medicare Supplement subsidy was increased to cover the full cost increase for the Comprehensive Plan for all eligible clergy who retired with 20 or more years of credited service under the Clergy Pension Plan and their eligible spouses. Effective with retirements on or after July 1, 2013, the amount of the monthly Medicare Supplement subsidy is based on a percentage of the total monthly cost of the Medical Trust’s Comprehensive Plan, adjusted by years of credited service. Clergy who were already retired as of that date and their eligible spouses or surviving spouses, and clergy who were eligible to retire as of June 30, 2013 but chose to retire at a later date and their eligible spouses or surviving spouses, were not affected by this change.

Enhancements to the Medicare Supplement Plans have been made during the past triennium. Effective January 1, 2013, the Medical Trust increased the annual benefit maximum for the Basic Dental and Dental & Orthodontia Plans from \$1,500 to \$2,000. The implementation of the Medicare Secondary Payer Small Employer Exception Plan as of January 2013 provides premium reductions for qualifying small employers who choose to participate and lower out-of-pocket costs for most qualifying employees who choose to participate. Effective January 1, 2014, the Medical Trust’s Medicare Supplement Plan prescription drug benefit changed to a Medicare Part D Plan with additional benefits administered by Express Scripts. This program exceeds Medicare Part D’s required level of coverage. It provides benefits comparable to our previous Express Scripts plan while eliminating the \$50 retail pharmacy deductible, making brand-name medications available without a penalty, and providing additional coverage during the coverage gap (“donut hole”) stage. Effective January 1, 2015, the Medical Trust is adding the SilverSneakers fitness program, the nation’s leader in promoting overall health and well-being to Medicare-eligible members, focusing on physical activity, social interaction, and health education.

### **Health Care Benefits for Active Clergy and Lay Employees**

The Medical Trust continues to offer an extensive selection of health plan options to meet the unique needs of clergy and lay employees of the Church and their eligible dependents. Effective January 1, 2013, the Medical Trust increased the annual benefit maximum for the Basic Dental and Dental & Orthodontia Plans from \$1,500 to \$2,000. The Medical Trust has also continued to implement the requirements of the Affordable Care Act (ACA), many of which result in benefit enhancements for our members. For example, payments such as copays, coinsurance, and deductibles now count toward the out-of-pocket limit on expenses for which members are responsible. In 2014, this was applied to medical and behavioral services, and for 2015 it is being extended to prescription drugs. Benefit enhancements for 2015 include Applied Behavioral Analysis (ABA Therapy) for children with Autism Spectrum Disorder, a benefit for treatment of infertility up to the prescribed limit, and medical transition benefits for transgender clients including gender reassignment surgeries and hormone replacement therapies. Wellness initiatives are ongoing and include targeted education and communications and an annual Benefits Partnership Conference for administrators.

## **Investment Options in the Defined Contribution Plans**

CPG regularly reviews the investment options offered under its defined contribution plans (i.e., bond funds, equity funds, target date funds, etc.) and monitors the performance of each investment option. In so doing, it considers whether changes should be made to try to ensure that the options continue to help participants meet their financial goals and investment objectives and to take advantage of opportunities in the financial markets. For example, effective January 16, 2013, a new share class of the Fidelity Freedom Funds® — the Fidelity Freedom K Funds® — was made available to participants in the Lay DC Plan and the RSVP in order to provide the same investment strategy and risk as the Fidelity Freedom Funds® but at an overall lower cost. In July 2014, CPF added new, low-cost Fidelity Index Funds, as well as a lower cost share class for five existing investment options. Effective January 2, 2015, and commencing with fees assessed after the first quarter of 2015 based on fourth-quarter 2014 balances, the administration fees charged on the Lay DC Plan and RSVP will be reduced from 7.5 basis points of the quarterly mutual fund account balance to 5.0 basis points. This means that a participant with a quarterly balance of \$10,000 will enjoy a fee reduction of \$2.50 per quarter.

### **IMPROVED DELIVERY OF BENEFITS AND RELATED SERVICES**

With almost 100 years of history serving the institutions and individuals who comprise the Church, CPG continues to look for ways to improve the service experience it offers. One way CPG accomplishes this is by speaking with clients around the Church about how the organization can better support them in their interactions with CPG.

## **Easier, More Seamless Benefits Experience**

Last year, CPG restructured several of its client-facing functions to provide both administrators and employees with a more seamless benefits experience across various life events. In addition, more and more, CPG is exploring ways to use digital media to deliver high-quality information, education, and service. The Medical Life Participant System (MLPS), as well as the Institution Roster, the Employee Roster, and MyCPG Accounts that were launched last year on <http://www.cpg.org> are examples. CPG's innovation in this area continues at a pace that feels appropriate for those it serves.

The administrator service experience is a high priority for the organization. Its user-friendly, web-based tools provide real-time data management and benefits administration through web self-service from any computer, 24/7. CPG streamlined verification procedures so that administrators can get the information they need quickly and safely, and created a dedicated toll-free administrator number staffed with experienced, cross-trained client service representatives who are able to answer a variety of benefits-related questions. CPG launched an Administrators' Resource Center (ARC) on its website that provides diocesan, parish, and institutional administrators with the tools, forms, guides, benefits news, and other updates they need to do their jobs. And it is developing "just in time" web-based training for new and experienced administrators to supplement the in-person conferences CPG hosts for administrators during the year.

## **Financial and Wellness Education**

During the past triennium, CPG has reevaluated the needs of those it serves with educational programs and resources around financial and physical wellness. As a result, CPG has enhanced its existing conferences, such as Planning For Tomorrow, Enriching Your Retirement, Steps to Wellness, and CREDO; added new programs that focus on physical and emotional health; and broadened the range of planning resources it offers online. Whether saving for retirement or focusing on their physical health and well-being, CPG clients may take advantage of a wide variety of educational programs, tools, and resources that CPG makes available to them.

The Planning For Tomorrow conferences provide financial education and strategies for increasing retirement security and making the most of CPG's benefit programs. Steps to Wellness conferences provide education and strategies for healthy eating, exercising, and reducing stress. In order to extend the wellness experience beyond the conferences themselves, CPG added optional post-conference programs. CREDO conferences encourage a holistic approach to wellness — spiritual, vocational, financial, and physical — through personal reflection and discernment. There are CREDO I and II conferences for active clergy, and separate conferences for recently ordained, retired, and bi-vocational or part-time clergy. Walk and Be Well is a 28-day walking program delivered through a series of online podcasts. CPG enhanced its service to retired clergy through updated formats for its Enriching Your Retirement conferences that are coordinated with local dioceses around the Church. Online financial- and wellness-education resources include retirement-planning calculators, guides, informative webinars on a variety of topics, and the ability to schedule a personal consultation with trained specialists. To learn more about these and other wellness programs, go to <http://www.cpg.org/wellness>.

#### ONGOING LISTENING AROUND THE CHURCH

CPG is committed to ongoing dialogue with the individuals and institutions it serves. To this end, it conducts ongoing surveys, focus groups, and other meetings to collect feedback. More than a year ago, CPG commenced a series of listening events to explore the specific issues facing the Church that intersect with the mission of the organization.

The CPG executive team and CPF trustees have been hosting a series of targeted focus groups, regional forums, and smaller conferences that will have taken them to all of the Provinces of the Church during this triennium. These face-to-face discussions with clergy, lay employees, treasurers, and wardens will inform deliberations as CPG leadership contemplates the evolving needs of those it serves and potential, mission-appropriate ways to address them.

CPG is especially interested in the Church's input around specific initiatives it is considering in light of the changing demographics of those they serve. Areas of focus include the personal-finance and wellness-education needs of seminarians, the education and benefit needs of part-time and bi-vocational clergy, and the impact of late ordination on retirement planning and benefits. These topics and others are the subject of ongoing strategic discussion by the CPF Board and management.

#### **Continuing Outreach to Bishops**

During 2014, CPG held a series of one-on-one phone conversations with 70 diocesan, provisional, and suffragan bishops in order to talk about issues of specific interest to them and to learn what they see as the most pressing needs of the Church that lie within CPG's mission. Topics raised most often in these conversations included congregational development, congregational finances, development of clergy leadership skills, and current cultural and societal changes in which religion has a less certain place. Addressing some of these issues falls outside of CPG's mission, but the conversations have given the organization a sense of the challenges and opportunities facing Church leadership. CPG will be following up on these conversations by meeting with bishops, both individually and in groups, in order to delve more deeply into areas where their needs and its mission overlap.

#### CPG'S CORPORATE CITIZENSHIP INITIATIVES

CPG has a strong history of corporate social responsibility. Its programs encompass sustainable, environmentally friendly operations; diversity in employment and purchasing; community outreach; and socially responsible investing that is consistent with its fiduciary responsibilities.

### **Socially Responsible Investing Consistent with CPF's Fiduciary Responsibilities**

The organization has a fiduciary responsibility as a pension fund, charged with the fiscal stewardship of CPF's assets to ensure that the benefits it promises members are there for them. To that end, CPF has a broadly diversified portfolio of securities invested across the globe in a variety of investment strategies. Because they also recognize that their investments can play an important role in addressing social needs, CPF's investment team actively identifies a variety of investments that offer fully competitive investment returns while also providing important social benefits. CPF's current portfolio includes economically targeted investments, environmentally responsible investments, and investments with women- and minority-owned firms and investment management partners. In addition, CPF encourages changes in corporate behavior by filing shareholder resolutions with companies in its investment portfolio, in collaboration with Executive Council's Corporate Social Responsibility Committee. Most recently, these resolutions have encouraged companies to reduce greenhouse gas emissions, to increase diversity on corporate boards of directors, and to prevent human trafficking. All this is part of a larger, organization-wide commitment to making socially responsible "investments" — of time, talent, and other resources — that have tangible social impact.

CPF also is committed to using its power as a shareholder to influence corporate behavior in a manner that addresses the faith and important social, ethical, and environmental concerns of The Episcopal Church, to the extent consistent with its fiduciary, regulatory, and other legal responsibilities. To this end, CPF votes proxies consistent with these values.

### **Sustainable, Environmentally Friendly Operations**

CPG has a long-standing commitment to operating in an environmentally responsible, sustainable manner. Its efforts include the use of electronic publishing for internal and external documents and statements, and sustainable practices in its office operations, including recycling and the use of low-VOC paints and carpets. In designing the organization's new home office, CPG specialists teamed with architects and engineers to create an environment that meets LEED-certified levels of sustainability and cost efficiency in water and energy use, building materials, and environmental quality.

### **Diversity in Employment and Purchasing**

Diversity is woven into the fabric of the culture at CPG, and the organization demonstrates its commitment to this principle in numerous ways, including an active Diversity Council and a Development and Diversity Officer who develops, aligns, and delivers programs that advance a culture of inclusiveness. In addition, CPG's recruiting efforts include partnerships with diversity organizations that allow it to nurture relationships with future leaders. CPG's Minority Supplier Program is a company-wide initiative to identify opportunities to expand CPG's business interactions with companies owned by women and other underrepresented groups.

### **Community Outreach**

CPG is committed to community outreach through ongoing fundraising and grassroots ministries. Its employees support Episcopal organizations in New York City and elsewhere by way of collection drives that support the elderly, the homeless, the hungry, the victims of natural disasters, and other underserved groups.

### **CPF RESPONSE TO RESOLUTIONS OF THE 77TH GENERAL CONVENTION**

CPF was asked to respond to a number of resolutions of the 77th General Convention. The following is a summary of its actions in regard to the resolutions dealing with the Denominational Health Plan and Lay Employee Pension System, respectively. Its responses to other resolutions can be found at the end of this report.

**Response to Resolution B026: Implementation of the Denominational Health Plan**

In 2009, the 76th General Convention passed Resolution A177 and its associated Canon establishing the Denominational Health Plan (DHP). The resolution requires that clergy and lay employees scheduled to work at least 1,500 compensated hours annually for any domestic diocese, parish, mission, or other ecclesiastical organization or body subject to the authority of the Church be provided with equal access to, and funding for, health care coverage, with health care benefits to be provided through the Medical Trust. In 2012, the 77th General Convention passed Resolution B026 affirming the requirements of Resolution A177, but extending the period for achieving parity in cost-sharing until December 31, 2015. The DHP has the additional goal of achieving cost-containment for the Church in light of continually rising healthcare costs.

Although all domestic dioceses, congregations, and missions are required to participate in the DHP, each diocese decides whether its schools, day care facilities, and other diocesan institutions are required to participate. Dioceses also decide what their diocesan-wide cost-sharing policy will be, whether or not to offer domestic partner health care benefits, and what Medical Trust health plans to offer. Individual employees may opt out of the DHP if they have coverage through approved sources such as a spouse or partner's coverage, Tricare, or individual coverage through the Health Insurance Marketplace if verification of qualification for federal premium tax credits is provided. CPG relationship managers work with each diocese to custom tailor an implementation plan to specific needs.

CPG has reached out to dioceses and provinces to assist Church employers with understanding their choices under the DHP. As of January 1, 2014, all domestic dioceses, missions, or other ecclesiastical organizations subject to the authority of the Church were enrolled in Medical Trust plans for their active clergy and eligible lay employees.

The DHP continues to deliver cost-containment to the Church. The increased collective purchasing power due to the expanded participation in the Medical Trust allowed the DHP to drive cumulative cost-containment leading to a savings of approximately 13 percent, or \$69 million, to the Church from 2012 through 2014. These savings have been passed directly to the Church through lower annual rate increases for participating dioceses and institutions. Over the past triennium, Medical Trust average contribution rate increases have been between 4 percent and 6 percent, consistently 1 percent to 3 percent lower than national industry trends over that same time period.

Material progress has been made toward more equitable cost-sharing. Resolution B026 urges the Medical Trust to continue to reduce the disparity in health care premium costs among dioceses. Before the passage of the DHP, the Medical Trust operated with 14 pricing bands (where band 14 rates were approximately three times the level of band 1 rates). The cumulative DHP savings realized to date have enabled the Medical Trust to take meaningful steps in addressing the premium cost disparities that have historically existed by compressing the pricing structure from 14 bands to 6 bands from 2011 through 2014 renewals. Further action was taken for 2015 renewals, resulting in rate levels that positioned over three-quarters of dioceses to within 5 percent of the average Medical Trust book of business rate. CPG anticipates minimal additional movement as it looks to balance equitable sharing of costs with local market competition.

CPG continues to monitor both federal and state healthcare reform legislation and the emerging healthcare exchange offerings brought about by the Affordable Care Act, responding to changing requirements and adapting health plans in ways that seek to minimize disruption to participating groups and members.

Non-Domestic Dioceses. Although non-domestic dioceses and institutions are not part of the DHP as defined by Resolution A177, the resolution directed CPF to “continue to work with the Dioceses of Colombia, Convocation of American Churches in Europe, Dominican Republic, Ecuador Central, Ecuador Litoral, Haiti,

Honduras, Micronesia, Taiwan, and Venezuela to make recommendations with respect to the provision and funding of healthcare benefits of such dioceses under The Denominational Health Plan.”

In response to varying economic and healthcare access constraints in these countries, the CPF Board established the Fund for Medical Assistance (FMA) as a five-year pilot program in 2010. The purpose of the FMA is to provide funding for qualified medical expenses incurred by eligible clergy and lay employees in certain non-domestic dioceses when those expenses are not covered by public or private insurance. Active clergy and lay employees scheduled to work 1,500 hours or more per year are eligible to apply for this assistance through their bishop. In 2014, the CPF Board approved a three-year extension of the FMA, expanded eligibility, simplified the application process, and provided greater overall flexibility in efforts to promote greater use of this program.

DHP Advisory Group Becomes CPG Client Council. As required by Resolution A177, an advisory committee was created in 2009 with the purpose of being an additional channel of feedback from leaders in each province. Their input provided useful feedback and was integrated into the DHP strategy and process. More recently, this advisory committee has evolved to become a Client Council with an even broader mandate. In addition to fulfilling the responsibilities of the advisory committee required by Resolution A177, members of the Client Council are encouraged to offer feedback on all of CPG’s current programs and to provide input on new ideas the organization may be considering.

The Client Council is composed of diverse stakeholders from around the Church: The Rev. Canon Lucy Amerman (Canon to the Ordinary for Pastoral Services, Diocese of Pennsylvania); Robert Biehl (Treasurer, Diocese of Texas); Anilin Collado (Missioner for Human Resources, Diocese of Los Angeles); Kenneth Cummings (Associate Human Resources Director, Trinity Church Wall Street, Diocese of New York); The Rev. Irv Cutter (Rector, St. John’s Episcopal Church, Diocese of Oklahoma); The Rev. Canon Neysa Ellgren (Canon to the Ordinary, Diocese of Oregon); Julie Giguere (Financial Administrator, Diocese of Vermont); The Rt. Rev. E. Ambrose Gumbs (Bishop, Diocese of the Virgin Islands); Kathleen Hall (Director of Human Resources and Administration, Diocese of Washington); JoAnn Hardy (Diocesan Administrator, Diocese of Michigan); The Rev. Dr. Daniel Heischman (Executive Director, National Association of Episcopal Schools); The Rt. Rev. Scott Hayashi (Bishop, Diocese of Utah); The Rt. Rev. Paul Lambert (Bishop Suffragan, Diocese of Dallas); Hugh McIntosh (Head of School, Episcopal High School of Baton Rouge, Diocese of Louisiana); The Rev. Rob Morpeth (Staff Officer for Finance and Administration, Diocese of Alabama); The Rev. Christopher Powell (Rector, Christ Church, Diocese of Chicago); The Rt. Rev. Wilfrido Ramos (Bishop Provisional, Iglesia Episcopal Puertorriqueña); Todd Rubiano (Chief Financial Missioner, Diocese of Rochester); The Rt. Rev. John Smylie (Bishop, Diocese of Wyoming); Jeff Tyrakowski (Consultant, Ernst Tyrakowski Benefits, LLC); Anne Wagner (Operations Manager and Convention Coordinator, Diocese of Iowa); The Very Rev. George Werner (Dean Emeritus, Trinity Cathedral, Diocese of Pittsburgh); and Lisa White (Parish Administrator and Controller, St. Paul’s Episcopal Church, Diocese of Indianapolis).

**Response to Resolution C042: Extend Implementation Period for the Lay Employee Pension Plan**

In 2009, the 76th General Convention passed Resolution A138 and its associated Canon establishing a church-wide Lay Employee Pension System (LPS). The resolution requires that pension benefits be provided to lay employees scheduled to work at least 1,000 compensated hours annually for any domestic diocese, parish, mission, or other ecclesiastical organization or body subject to the authority of the Church; calls for CPF to administer this system; and requires that if a defined contribution pension plan is provided, it must be CPF’s Lay DC Plan or, in the case of schools, either the Lay DC Plan or a TIAA-CREF-sponsored pension plan. In July 2012, the 77th General Convention passed Resolution C042 affirming the requirements of Resolution A138, and extending the period, for schools only, to achieve the full employer base and matching contributions until January 2018 according to a specific year-by-year schedule delineated by that resolution.

Over the past triennium, schools have continued to enroll in defined-contribution retirement plans administered by CPF or TIAA-CREF. CPF is encouraging and educating school administrators around compliance with the requirements of Resolutions A138 and C042 through a series of direct mailings and web-based and in-person presentations. In addition to direct work with schools, CPF has worked in collaboration with diocesan leadership, the National Association of Episcopal Schools (NAES), and other regional school associations to educate and engage schools around the requirements. CPG continues to provide online resources, including webinars and calculators, for administrators, employers, and employees. In both 2012 and 2014, CPG hosted web-based presentations to schools in collaboration with NAES to answer questions regarding these resolutions, including the timeline for compliance with the phase-in requirement. CPG participated in NAES's biannual conference in 2012 and 2014 and the biannual conference of the Southwestern Association of Episcopal Schools in 2013, and will participate again in 2015.

### **Response to Resolution A137: Strengthening Families**

The Medical Trust has recently completed extensive research on the medical necessity, prevalence, cost, and typical coverage levels for infertility treatment; and the results of this research and analysis have been key components of our ongoing planning. Effective January 1, 2015, Medical Trust plans include expanded coverage for the treatment of infertility.

### **Response to Resolution A140: Advocate for Maternal and Infant Health**

All Medical Trust plan provisions are in compliance with current ACA provisions related to women's health. The Medical Trust has developed a formal, ongoing process to ensure that the medical plan provisions and policies remain current with ACA guidance, specifically in the area of women's health and preventive care. Effective January 1, 2015, Medical Trust plans include expanded coverage for the treatment of autism to include coverage for Applied Behavioral Analysis.

### **Response to Resolution A076: Strengthen Small Congregations**

CPF regularly conducts ongoing surveys, focus groups, and other meetings around the Church to collect feedback from the individuals and institutions CPG serves, including small congregations. During this triennium, three CPG management team members met with the Standing Commission on Small Congregations and discussed issues such as pensions, medical and other employee benefits, and demographic data related to small parishes.

Church Publishing Incorporated (CPI), an affiliate of CPF, also has taken action in response to this resolution. CPI submitted a list of resources for the General Convention booklet entitled, *Hope & Action: Abundant Small Congregations*. CPI published a number of resources during the past triennium that address this resolution, including *Marked for Mission: Youth in Action* (2014), which addresses the Five Marks of Mission; "Building Faith," a regularly published (through 2014) blog targeted to small congregations; and several books for small churches, including *Big Lessons from Little Places: Faithfulness and the Future in Small Congregations*. CPI's Weaving God's Promises curriculum and the Rite Series e-products have tiered pricing structures so that small churches can afford them.

### **Response to Resolution A049: Authorize Liturgical Resources for Same-Gender Blessings**

CPI has printed "I Will Bless You and You Will Be A Blessing," the same-gender blessing rite authorized for use by General Convention, in English, Spanish, and French. At the request of the Standing Commission on Liturgy and Music, both a PDF and a Word document of this liturgy, along with a one-page explanation of its theological foundations, have been made available at no cost on <http://www.episcopalchurch.org> in all three languages, and a link to it is provided on the CPI website at <http://www.churchpublishing.org>. CPI has

included the liturgical text in the e-product Rite Stuff 2.0 and has made available, through Morehouse Church Supplies, a souvenir version of the liturgy similar to the gift editions of the BCP text for Holy Matrimony.

**Response to Resolution A055: Authorize Daily Prayer for All Seasons**

In August 2014, CPI published the volume, *Daily Prayer for All Seasons* in both English and Spanish and made it available as an e-book in both languages. A PDF of the text is available at no cost on: <http://www.episcopalchurch.org>. A deluxe gift edition of the English text is scheduled for publication in January 2015.

In the event of a conflict between the information contained in this report and the official plan documents, the official plan documents will govern. The Church Pension Fund and its affiliates retain the right to amend, terminate, or modify the terms of any benefit plans described in this report at any time, without notice, and for any reason.