
The Church Pension Fund

Overview

The Church Pension Fund (CPF), an independent agency of the Episcopal Church, provides pension and related benefits to eligible clergy and lay employees of the Episcopal Church.

With the authorization of General Convention, the Church Pension Fund oversees a number of affiliated companies, including Church Life Insurance Corporation, the Episcopal Church Medical Trust, the Church Insurance Companies (collectively, The Church Insurance Agency Corporation, The Church Insurance Company, The Church Insurance Company of New York, and The Church Insurance Company of Vermont), Church Publishing Incorporated, and CREDO Institute, Inc., that serve eligible Episcopal clergy and lay employees, and their families, as well as Episcopal churches and institutions. Collectively known as the Church Pension Group (CPG), we provide retirement benefits and services, life and disability insurance, health benefits, property and casualty insurance, and book and music publishing including the official worship materials of the Episcopal Church.

Our mission is to be the trusted provider of comprehensive, cost-effective retirement, health and life insurance benefits to the Episcopal Church, its clergy and lay employees. Consistent with this central mission, the Church Pension Fund also serves the Episcopal Church through the development of other programs and services as approved from time to time by the General Convention and the Board of Trustees. The core values that guide CPF in fulfilling its mission are compassion, fiscal stewardship, mutual respect, service, and adaptability.

At General Convention, CPF provides data and feedback to the cognate Church Pension Fund Committees. Resolutions considered by the Church Pension Fund Committees are presented to the House of Bishops and the House of Deputies.

To provide additional information to the Church, and to more fully discuss many of the subjects presented here, we will disseminate a comprehensive *Report to General Convention* in June 2012.

This Blue Book Report reviews the work of the Church Pension Fund and its affiliated companies during the past triennium, and describes a number of major areas of focus over the past three years, including:

- Board of Trustees and Governance
- Review of the Past Triennium
- Updates on our work in regard to Resolutions A138 (Lay Employee Pension System) and A177 (Denominational Health Plan), which CPF was asked to administer
- Benefits Changes for Clergy and Lay Employees

Membership

Terms Ending 2012

The Rt. Rev. Peter James Lee, D.D, *Chair*
Barbara B. Creed, Esq., *Vice-Chair*
Ms. Katherine Tyler Scott, *Vice-Chair*
The Rev. A Thomas Blackmon
The Rev. Dr. Randall Chase, Jr.
Mr. Vincent C. Currie, Jr.
Deborah Harmon Hines, Ph.D.
The Rt. Rev. Claude E. Payne, D.D.
Ms. Diane B. Pollard
Mr. Quintin E. Primo III
The Very. Rev. George L.W. Werner, D.D.
Cecil Wray, Esq.

Terms Ending in 2015

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

Elected by the Board of Trustees

Mary Kate Wold, *President and CEO, The Church Pension Fund*

Board of Trustees and Governance

Governance of the Church Pension Fund is provided by a 25-member Board of Trustees that consists of 24 trustees elected by General Convention and the CPF President and CEO, who is elected by and serves at the pleasure of the board. Governance of the affiliated companies is provided by their respective boards of directors, the memberships of which have included both CPF trustees and additional directors with specific industry expertise, with oversight provided by the CPF Board of Trustees.

Thus, the CPF Trustees play vital roles in both the governance and oversight of Church Pension Fund affairs and the Church Pension Group's complex businesses.

The Work of the CPF Board of Trustees

The CPF Trustees make significant decisions affecting investment strategy, pension policy and benefits, and other CPG services. They are responsible for governance and oversight of the management of a broad and varied consortium of businesses, including assets totaling approximately \$10 billion as of December 31, 2011. There are many aspects of the Church Pension Group organization, with investment management, pension policy, health benefits strategy, and property and casualty insurance among the most challenging; indeed, these businesses are some of the most complicated business areas in America today. The CPF Trustees must address complex issues faced by the pension fund and its affiliated companies, while 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 of Trustees is enriched by the presence of lay and ordained leaders, as well as experienced investment managers, attorneys, accountants, healthcare experts, and business and financial professionals. It is essential to bring to the board's deliberations the most expert and thoughtful advice available to the Episcopal Church. The current financial challenges impacting the economy and the Church put a special emphasis on our fiduciary responsibilities and the need for experienced and engaged trustees. It is more important than ever that we continue to focus on CPF governance.

The Election Process and the Current CPF Board

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

The following seven trustees are retiring from the CPF Board in 2012, having faithfully served the two consecutive six-year terms allowed under General Convention rules: the Rev. A. Thomas Blackmon, the Rev. Dr. Randall Chase, Jr., Deborah Harmon Hines, Ph.D., the Rt. Rev. Peter James Lee, D.D., the Rt. Rev. Claude E. Payne, D.D., Quintin E. Primo III, and Katherine Tyler Scott. Five trustees – Barbara B. Creed, Esq., Vincent C. Currie, Jr., Diane B. Pollard, the Very Rev. George L. W. Werner, and Cecil Wray, Esq. – are eligible and have agreed to stand for reelection. The twelve trustees elected in 2009 will continue to serve. CPF's President and CEO, Mary Kate Wold, who succeeded T. Dennis Sullivan upon his retirement in 2011, will continue to serve as the 25th trustee.

We look to General Convention to elect the most qualified and experienced people to serve the Church in this way.

Review of the Past Triennium

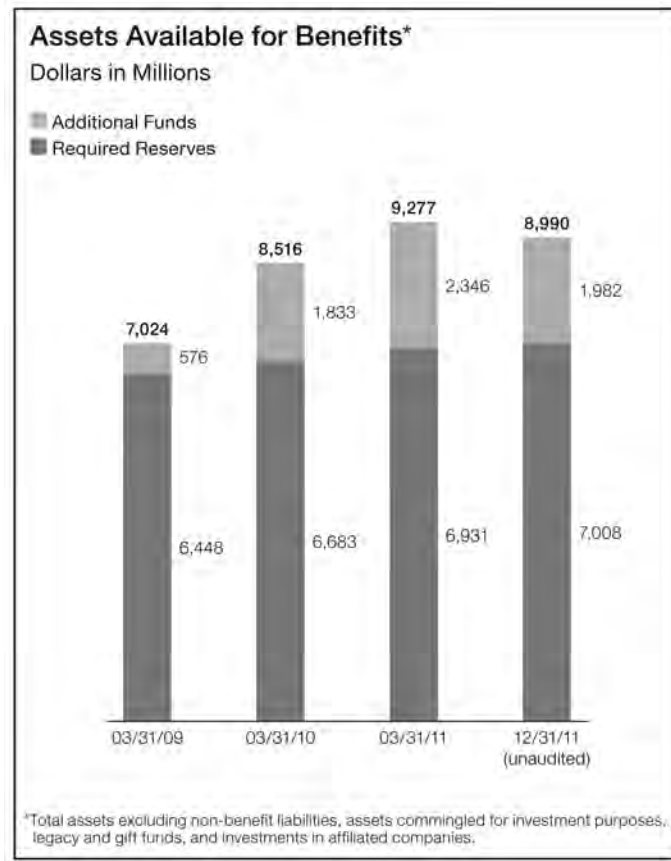
The past three years have been extraordinary ones for world financial markets. While equity and credit markets have recovered meaningfully from the financial crisis of 2008 – 2009, volatility has persisted as concerns remain regarding the sustainability of the U.S. economic recovery, the sovereign debt situations in the U.S. and Europe, and the condition of the banking system in Europe. Despite these concerns, the investment performance of the Church Pension Fund for the three years ended December 31, 2011 has been good, with ten-year results exceeding both our passive benchmark of 67% S&P 500 stocks/ 33% bonds and our investment objective of inflation plus 4.5%.

The population we serve continues to expand as the lay employee pension system and denominational health plan roll out across the Church. Much progress was made on these and other important initiatives undertaken at the request of General Convention. In many instances, the products and services we offer the Church have been improved and expanded.

This past year saw an important leadership transition with the retirement of T. Dennis Sullivan as CPG's President and CEO and the welcoming of his successor, Mary Kate Wold.

Financial Position

The Fund remains in sound financial condition due to both good investment results and strong financial stewardship. As shown in the following exhibit, as of December 31, 2011, Assets Available for Benefits were \$1.9 billion in excess of total required and other discretionary reserves.



Results for the fiscal year ended March 31, 2012 will be available at General Convention in July and will also appear in the Church Pension Group 2012 Annual Report, which will be available online at www.cpg.org. We have been, and will continue to be, in communication with beneficiaries, updating them on the financial condition of the Fund via individual letters, the Annual Report, other information posted on the CPG website, and CPG publications such as the *Perspective*.

To better capitalize on the growing number of investment opportunities in Asia, CPF opened a Hong Kong office in April 2009. The office is headed by Senior Vice President Eric Mason, a highly experienced investment professional who has lived in Asia for 16 years. Eric reports to William L. Cobb, Executive Vice President and Chief Investment Officer, in New York.

COLA Determinations for 2010-11

Although not required by plan rules, the CPF Board has granted cost-of-living-related pension increases (COLAs) to beneficiaries of our defined benefit plans in years when economic circumstances with respect to inflation justified it and the financial condition of the Fund allowed for it. While we make our own decisions as to these increases, we have historically looked to the U.S. Bureau of Labor Statistics’ Consumer Price Index (CPI) as a benchmark to guide our thinking, a standard that many organizations, such as the Social Security Administration, look to when making decisions about cost of living increases. For 2010 and 2011, changes in consumer prices did not result in a cost of living adjustment by the Social Security Administration and, in keeping with past practice, the trustees determined that there should be no cost-of-living-related increase, although the board did grant a Special One-time Supplement in 2010.

New COLA Policy, Effective 2012

The past three years have been unusual in terms of economic volatility and the state of the financial markets. Fortunately, despite the difficult economic environment in which we continue to live, the Fund remains sound. However, the prolonged economic uncertainty has produced many substantive discussions, at both the CPF Board and CPG executive leadership team levels, about our primary responsibility to maintain sound pension plans over the long term.

These discussions ultimately resulted in the adoption by the board at its June 2011 meeting of a policy that no COLA should be granted in any defined benefit pension plan administered by the CPF Board that has a funding ratio of less than 1.00. The board took this action because the granting of a COLA in any given year results in increased payments to all participants in perpetuity and has the potential, therefore, to reduce the funding ratio.

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 a plan is 100% funded because the assets are at least equal to the actuarially determined liabilities, even with the cost of the discretionary COLA factored into the actuarial assumptions.

The funding status of each defined benefit pension plan for which CPF is the plan sponsor and administrator is disclosed, as of the fiscal year ended March 31, in the CPG Annual Report each year.

The adoption of this new policy reflects the trustees' desire to protect the long term viability of the defined benefit plans.

COLA Determinations for 2012

For 2012, changes in consumer prices did result in a cost of living adjustment by the Social Security Administration. In keeping with past practice and the new COLA policy, the CPF Board granted a 3.6% COLA to beneficiaries of the Clergy Pension Plan, which has a funding ratio of over 1.00. It did not grant a COLA to beneficiaries of The Episcopal Church Lay Employees' Retirement Plan (Lay DB Plan) or the CPG Staff Plan, each of which has a funding ratio of less than 1.00.

CPF Responds to Resolutions A138 and A177 of the 76th General Convention

CPF was asked to respond to a number of important resolutions of the 76th General Convention. The following is a summary of our actions in regard to the resolutions that established the Lay Employee Pension System and the Denominational Health Plan, respectively, and authorized CPF to administer them. For expanded information about our work in regard to these resolutions, please refer to our *Report to General Convention*, to be disseminated to the Church in June 2012.

Response to Resolution A138: Lay Employee Pension System

As far back as 1976, the General Convention has attempted to require lay employee pension benefits, and over the years various supportive resolutions were passed. But it was not until July 2009 that the 76th General Convention passed Resolution A138 and its associated canon change, thereby establishing a Churchwide Lay Employee Pension System (LPS). The resolution, which had its genesis in the work and recommendations of the Executive Council's Task Force on Employment Policies and Practices, 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, and authorizes CPF to establish and administer this system and to collect assessments and contributions to fund these benefits.

By January 1, 2013, all domestic dioceses, congregations, and institutions under the authority of the Church (collectively referred to as Episcopal employers), with limited exceptions, are required to be enrolled in a CPF lay employee pension plan with predetermined contribution and matching obligations. The exceptions are Episcopal employers that are providing lay pension benefits through an equivalent non-CPF-sponsored defined benefit pension plan and schools providing pension benefits through a TIAA-CREF defined contribution plan. (See the Lay Pensions Resource Center at the Church Pension Group website.)

Decision-making is done at the individual parish, diocese, and institution level, and the implementation process, in progress since 2009, has been built around the concept of "*Understand, Evaluate, Enroll.*" As part of this process, CPF has provided multiple education vehicles, tools, and information for employers. These include the following: webinars, on-demand tutorials, interactive Lay Pension Contribution Calculators, a Frequently Asked Questions document, a comparative table containing high-level information on such topics as vesting and employer contribution requirements,

and other information on the CPG website; the dissemination of printed materials on an ongoing basis; the participation of the LPS Implementation Team in in-person presentations and discussions at national conferences and diocesan-level meetings across the Church; and the provision of content for informative articles in national Church publications.

The LPS is being implemented on a Province-by-Province basis. During each Provincial implementation, the LPS Implementation Team works directly with each of the dioceses that need to adopt a CPF-sponsored lay pension plan, offering assistance, resources, and support, including hosting 3 to 5 webinars for diocesan administrators prior to the commencement of each Provincial roll-out, outlining the roll-out strategy, and providing diocesan administrators with informative reports at the end of the roll-out period. Full compliance with Resolution A138 is required by January 1, 2013.

In this economic climate, a number of concerns have arisen regarding the implementation of the LPS. CPF takes all of these concerns seriously, and continues to address them via participation in national, Provincial, and diocesan conferences and meetings, one-on-one conversations and outreach, and additional education materials and tools (e.g., we have prepared a version of our Lay Pension Contribution Calculator designed especially for schools).

Non-Domestic Dioceses

Although non-domestic dioceses and institutions are not part of the Lay Employee Pension System as defined by Resolution A138, the resolution requested that further study be undertaken by CPF on the feasibility of inclusion of overseas Episcopal dioceses in the Lay Employee Pension System.

Over the past two years, CPF staff has gathered data and information from the bishops and the lay leadership of non-domestic dioceses, fielded surveys, made in-person visits, and tested various hypotheses, with respect to the feasibility of enacting a required lay pension system in those areas of the Episcopal Church. While the majority of those interviewed and surveyed believes that a required lay employee pension plan is desirable, those same people also agree that the non-domestic dioceses do not have the resources necessary to implement such a plan at this time. However, the leadership of these dioceses is in the process of exploring a program of proportionate giving that could facilitate employers beginning to set aside a small percentage of pay in a savings plan for lay employees, with the contributions increasing incrementally over time. This plan would need to be coordinated with the social security systems in the various countries, but may provide a way forward for the non-domestic dioceses to begin to create pension parity for their lay employees.

Response to Resolution A177: Denominational Health Plan

The origins of the denominational health plan go back to 2005, when the board of the Episcopal Church Medical Trust (Medical Trust) and CPF executive management discussed the rising cost of healthcare and what cost-containment methods or programs could save the Church money. In 2006, the Medical Trust Board and CPF Trustees proposed Resolution A147 to the 75th General Convention. As passed, it authorized CPF to conduct a Churchwide Healthcare Feasibility Study around a required denominational healthcare benefits program and to present to the 2009 General Convention its findings and recommended solution. In 2009, CPF published the analyses and findings of the study; at the same time, the CPF Trustees proposed Resolution A177 to the 76th General Convention, which passed it and its associated canon change, thus establishing the DHP.

The overall goal of the DHP is to provide healthcare benefits to all eligible clergy and lay employees in the domestic dioceses of the Episcopal Church through the Medical Trust, while enabling cost-containment for the Church through economies of scale, cross-denominational partnering through the Church Benefits Association (an association of church pension boards and denominational benefit programs), and other strategies. Under the resolution, eligibility is defined as being scheduled to work at least 1,500 compensated hours annually. An additional goal, which evolved from Churchwide focus groups conducted during the Feasibility Study in 2007 and which was validated in 2008, is the provision that employers provide parity of access to and funding for healthcare benefits for clergy and eligible lay employees. Full compliance with Resolution A177 is required by January 1, 2013.

Although all domestic dioceses, congregations, and missions are required to participate in the DHP, each diocese decides whether its schools, daycare 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 healthcare 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, or Tricare.

As with the LPS, the DHP implementation strategy is built around the concept of “*Understand, Evaluate, Enroll.*” The strategy includes the provision of multiple education vehicles and tools, such as the following: webinars, on-demand tutorials, a Frequently Asked Questions document, and other information on the CPG website; the dissemination of printed materials on an ongoing basis; participation of Medical Trust staff in in-person presentations and discussions at national conferences and diocesan-level meetings across the Church; and the provision of content for informative articles in national Church publications.

Medical Trust Regional Relationship Specialists, who reside in the areas of the country they serve, work with each diocese to custom tailor an implementation plan to specific needs. As of October 31, 2011, 92 domestic dioceses and 45 institutions (primarily schools and retirement homes) have enrolled in Medical Trust plans for their active clergy and eligible lay employees.

Although not yet fully implemented, the DHP has already driven cumulative savings of over 8%, or \$34.5 million, to the Church from 2010 through 2012. For the past three years, Medical Trust average increases have been between 5.5% and 5.8%, which compares very favorably with the national industry trend of 8% to 12% over that same time period. Because we were able to negotiate with our vendors in anticipation of the formal start of the DHP implementation process, we were also able to recognize additional early savings of \$2 million in 2009. These savings have been passed directly to the Church through lower annual rate increases for participating dioceses for 2009 through 2012. While the full amount of savings to the Church will be realized only when the DHP is fully implemented, this is evidence that leveraging the Church’s size, and using that size to negotiate with our product partners, can yield material cost-containment for the Church. We fully expect cost-containment to continue as we move toward full implementation of the DHP in coming years, and will continue to work to maintain annual premium increases at levels lower than national trends.

As required by Resolution A177, a DHP Advisory Group was created in 2009 with the purpose of being an additional channel of feedback from leaders in each province. Their input has already provided useful feedback and has been integrated into the DHP strategy and process.

Wellness initiatives are being implemented as part of all Medical Trust plans, including, as of January 2010, the elimination of copayments for annual in-network routine physicals and eye examinations.

We continue to monitor both federal and state healthcare reform legislation, responding to changing requirements and adapting health plans in ways that seek to minimize disruption to participating groups and members.

We are aware that most dioceses, congregations, and Church institutions are experiencing financial stress as a result of current economic conditions, and that pursuing ministry and mission initiatives while implementing the DHP and LPS can be challenging. The Medical Trust, through its Regional Relationship Managers, continues to meet with provincial and diocesan leadership to address concerns and answer questions, as well as to help with implementation, and to assist dioceses and parishes by providing speakers for meetings, one-on-one conversations and outreach, and additional education materials and tools.

Non-Domestic Dioceses

Although non-domestic dioceses and institutions are not part of the DHP as defined by Resolution A177 (“...establish The Denominational Health Plan for all domestic dioceses, parishes, missions, and other ecclesiastical organizations or bodies subject to the authority of this church...”), 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 fact, the financial and administrative impacts of providing employee healthcare benefits in the non-domestic dioceses has continued to be a critical area of research and analysis for CPF since 2007. The majority of the non-domestic dioceses have some form of governmental social security/healthcare program. However, these individual healthcare systems range from problematic to excellent in terms of access and affordability. Access to some of the best healthcare available in these countries is done through private health insurance or through direct payment by the patient. Economic constraints prevent most non-domestic dioceses from offering private health insurance programs even when clearly necessary.

In response to these constraints, the CPF Trustees established the Fund for Medical Assistance (FMA), a five-year pilot

program, in 2010. Diocesan bishops in the non-domestic dioceses may request this assistance from the FMA on behalf of their active clergy and lay employees scheduled to work at least 1,500 hours per year. The FMA is available to cover emergency, chronic, and catastrophic healthcare situations.

Serving Our Participants Every Day Pension and Retirement Savings Plans

The Church Pension Fund administers the following retirement plans for eligible clergy and lay employees of the Episcopal Church:

The Church Pension Fund Clergy Pension Plan (Clergy Pension Plan) is a defined benefit plan in which all eligible Episcopal clergy participate via assessments paid by their employers. It currently provides pension and related benefits for a total of 18,282 active and retired clergy, eligible surviving spouses or other named beneficiaries, and dependent children. Clergy 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 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 Supplement to Medicare.

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 1,445 active participants and 2,309 retirees. The Plan provides a defined monthly pension benefit to retirees based on years of service and final average compensation, and a surviving spouse benefit to qualifying participants. Eligible participants in the Lay DB Plan are also entitled to a death benefit in the event they die prior to retirement.

The Episcopal Church Lay Employees' Defined Contribution Retirement Plan (Lay DC Plan) provides individual retirement savings accounts to 6,346 active participants, with employers and employees making regular contributions, and also administers pensions to 2,740 retired participants. Under the Lay DC Plan, participants may contribute the maximum determined by the IRS annually. A wide range of investment options is available, providing a full range of asset opportunities.

The Episcopal Church Retirement Savings Plan (RSVP) is a defined contribution retirement savings plan through which clergy, and lay employees whose employers provide them with pension benefits through a defined benefit plan, can make their own tax-deferred contributions toward their financial futures. Participants have their own accounts and direct the way their money is invested. The investment options in the RSVP Plan are the same as those in the Lay DC Plan.

Investment Options in the Defined Contribution Plans

While the selection and monitoring of managers for each investment option is the responsibility of the CPF's Investment Department, the plan design and selection of investment options is the responsibility of both the Policy, Education, Research, and Church Relations and Pension Services departments. Investment option changes are reviewed by both the Investment Committee and the Retirement Programs Committee of the CPF Board in order to make sure they continue to help participants meet their financial goals and investment objectives, and to take advantage of opportunities in the financial markets. Effective April 1, 2010, four new investment options were added: Fidelity's Spartan 500 Index Fund – Investor Class; Fidelity Contrafund; Dodge & Cox Stock Fund; and Dodge & Cox Income Fund. The BlackRock Total Return Portfolio II investment option was discontinued because the Dodge & Cox Income Fund serves the same investment purpose at a lower investor cost. Effective July 1, 2011, the Fidelity Dividend Equity Fund was discontinued, and all existing balances were transferred to the Fidelity Dividend Growth Fund, a large blend domestic equity fund which is an already-existing investment option in both the Lay DC and RSVP Plans. At the same time, in order to provide more diversification in the bond fund category, the U.S. TIPS American Century Inflation Adjusted Bond Fund was added as a second bond fund option in both plans. Since 2002, CPF has worked with Fidelity Investments as the third party administrator for our defined contribution plans.

Benefit Changes for Clergy and Lay Employees

Our responsibility is to provide retirement, health, and related benefits to the eligible clergy and lay employees of our Church. Despite continuing economic volatility, the Board of Trustees has been blessed with sufficient resources to have allowed us to improve and enhance benefits during this triennium.

Changes to Plan Rules Governing Benefits for Legally-Married, Same-Gender Spouses of Participants in the Clergy Pension Plan and Lay DB Plan

Effective July 1, 2011, the CPF Trustees amended the rules governing retirement benefits for spouses of eligible participants in these two pension plans and in the Clergy Post-Retirement Medical Assistance Plan (Medicare Supplement Benefit) in order to provide parity of benefits for legally-married same gender spouses. (Because of the nature of defined contribution pension plans, no rule changes were needed to the Lay DC Plan or RSVP Plan in order to allow a participant to leave his or her account balance to a same-gender spouse.) For more information, please visit the Church Pension Group website.

Medicare Supplement Plans

The Church Pension Fund has long provided a subsidy to eligible clergy and their eligible spouses toward the cost of the Medical Trust's Medicare Supplement Plan (the Medicare Supplement Benefit). The Medical Trust modernized the post-65 retiree Medicare supplement plans in 2003, and introduced the Comprehensive and Premium Plans, which were later supplemented by the Plus Plan. Today, retirees can choose from these three plans to meet their healthcare needs and financial resources. This program continues to provide benefits supplemental to Medicare's coverage for hospital stays, physician visits, lab work, annual physicals, and prescription drugs. The plans have been continually improved over time, including the addition of hearing and travel benefits; additional benefits were added to the Comprehensive Plan.

In 2010, the Medicare Supplement Benefit vendor was changed to United Healthcare, and enhancements were added: Medicare Decision Support (a 24/7 nurse line), Health Advisors (a program very much like the Health Advocate program provided under the previous vendor), and Health Allies (a program providing access to discounts on non-covered healthcare expenses). Although costs for the Plus and Premium Plans increased by \$10 and \$25 a month, respectively, in 2010, there was no change in the cost for the Comprehensive Plan. 2010 enhancements to the Premium plan included doubling of the hearing aid benefit, and the institution of a zero copay for physical, occupational, and speech therapies with no caps (unlike Medicare, which does have caps for these therapies). For 2012, the cost of each of the three plans increased by \$15, but the CPF subsidy increased by the same amount, thus covering the cost increase for all eligible retirees.

Healthcare Benefits for Active Clergy and Lay Employees

Effective January 1, 2011, in line with federal healthcare reform legislation, annual and lifetime benefit maximums for Medical Trust participants were eliminated, and children of participants now remain eligible for coverage to age 30 and are no longer required to live at home, be full-time students, be unmarried, or have no dependents of their own in order to be covered.

Credited Service During Unpaid Leave Under the Family and Medical Leave Act

Effective January 1, 2009, CPF amended the Clergy Pension Plan to permit a participant to earn Credited Service during an unpaid leave under the Family and Medical Leave Act (FMLA) by personally paying assessments on the Hypothetical Minimum Compensation or his/her Total Compensation prior to such leave.

Clergy Short Term Disability

Effective September 1, 2009, CPF amended The Church Pension Fund Clergy Short-Term Disability Plan to provide that in the event that a cleric is disabled due to childbirth, the 30-day waiting period is eliminated, and the short term disability subsidy is automatically provided for a full 12-week period. (Previously, with the 30-day waiting period and a typical 6-week disability period for childbirth, the subsidy was paid for approximately two weeks.)

Benefit Increases for Non-Domestic Dioceses

At the September 2008 meeting of the CPF Board, \$7 million was allocated for benefit increases in the non-domestic dioceses of the Episcopal Church. In response to requests for suggestions from leadership in those dioceses, it was determined that there were two primary needs, the greatest being an increase in the supplemental retiree medical payment made to beneficiaries of the International Clergy Pension Plan; and the other a need for an increase in the minimum pensions. The supplemental retiree medical payment serves the same function as the post-65 Medicare Supplement Benefit provided to eligible clergy in the domestic dioceses, providing support for medical costs in retirement for those who have earned ten or more years of Credited Service (CS) in the Clergy Pension Plan.

Prior to the increase in the medical supplement, beneficiaries in the non-domestic dioceses received \$3 per month for every year of CS up to 20. A cleric who retired with 20 years of CS would receive \$60 per month for him or herself, and \$60 for an eligible spouse. Clergy who retired with less than ten years of CS received no medical assistance. After studying the trend in medical costs for those in the non-domestic dioceses, the decision was made to increase the medical assistance to retired clergy and their eligible spouses to \$4 per month for every year of CS up to 20, or \$80 per person, per month.

Regarding the minimum pension benefit, in 2005 it had been determined that the lowest pension a cleric in the non-domestic dioceses could receive was \$2,400. Beginning in 2009, this policy was adjusted so that the minimum pension benefit for a cleric in non-domestic dioceses will equal \$120 per year of Credited Service, with a minimum of \$2,400 and a maximum of \$4,800. Making this change recognizes the varying lengths of service of clergy who are retiring.

Clergy Maternity Benefit for Non-Domestic Dioceses

Effective September 1, 2009, CPF provided a maternity benefit to eligible clergy in the non-domestic dioceses. This benefit provides that in the event that an eligible cleric gives birth, a short term disability subsidy is provided for a 12-week period.

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

In addition to retirement benefits, the Church Pension Group provides individuals and institutions with other benefits and programs, as authorized by General Convention, through our affiliate companies, described below.

Since 1929, **The Church Insurance Companies** have provided the broadest property and casualty insurance available to Episcopal churches and institutions. This group of companies consists of the Church Insurance Agency Corporation (CIAC), the Church Insurance Company of Vermont (CIC-VT), the Church Insurance Company of New York (CIC-NY), 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 over 3,000 client locations each year and publish a popular risk management e-newsletter, *The Good Steward*. Two captive insurance companies – CIC-VT and CIC-NY – 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 CIC-VT 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 claims. While Episcopal churches and other institutions are able to purchase their property and casualty insurance from any insurer they choose, 86% of them choose to buy it from the Church Insurance Companies.

Since 1922, **Church Life Insurance Corporation** (Church Life) has provided essential life insurance protection and retirement savings products to the clergy and lay employees of the Episcopal Church and their families. Church Life provides life insurance protection to all eligible active and retired Episcopal clergy through the group life plan sponsored by the Church Pension Fund. 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 a group annuity funding the Stable Value Option available in both The Episcopal Church Lay Employees' Defined Contribution Plan (Lay DC Plan) and The Episcopal Church Retirement Savings Plan (RSVP). In 2010, Church Life assisted in the launch of a product partnership with Protective Life, making Protective Life's full portfolio of innovative life insurance products available through Church Life agents at affordable rates. Protective Life is one of the nation's leading insurance companies, rated A+ superior for over 20 years by A.M. Best. For members seeking retirement savings and income products on an individual basis, Church Life offers an array of deferred and immediate annuities, and Roth and traditional IRA products.

Church Publishing Incorporated (CPI) was founded in 1918 and is headquartered in New York, with offices in Harrisburg, PA and Denver, CO. CPI is an official publisher of worship materials and resources for the Episcopal Church, as well as a multifaceted publisher and supplier to the broader ecumenical marketplace. Book publishing imprints include *Church Publishing*, *Morehouse Publishing*, and *Seabury Books*. Additional CPI divisions include *Morehouse Church Supplies*, a provider of church supplies, lectionary inserts, bulletins, vestments, and more, which is located in Harrisburg; and *Morehouse Education Resources*, located in Denver, which produces 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, as well as e-publishing resources and services. During this triennium, CPI has sharpened its focus on its core mission, and arranged for distribution of its products through Cokesbury.

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 Episcopal Church and their eligible dependents. The Medical Trust works with world-class healthcare partners: Aetna, CIGNA, Empire BlueCross Blue Shield, Kaiser Permanente, and United Healthcare. We provide in-network access to 98% of covered Episcopal employees nationwide. We offer 20 different plan designs that include preferred provider, managed care, and consumer-directed plans. These plans all include mental health, vision, an employee assistance program, and health advocacy benefits, at no additional charge. Dental care plans are also available. Wellness initiatives are being implemented as part of all Medical Trust health plans. Effective January 1, 2010, the Medical Trust eliminated copayments (\$0 copays) for annual in-network routine physicals and eye examinations, and dental plans now include three free in-network dental cleanings and related oral examinations per year. Our wellness initiatives also include targeted education and communications, and an annual Health Benefits Partnership Conference for administrators. The 92 dioceses and 44 institutions that are currently served by the Medical Trust (an increase of 14 dioceses and 21 institutions since 2008) are comprised of 11,858 active employee households (medical coverage), 6,924 retiree households (Medicare supplement coverage), and 11,389 active and retiree households with dental coverage. The Medical Trust's Regional Relationship Specialists, Client Engagement call center, web self-service tool, 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 healthcare benefits are effectively managed. In 2009, Resolution A177 of the 75th General Convention established the Denominational Health Plan with healthcare benefits provided by the Medical Trust.

CREDO Institute, Inc. (CREDO), established in 2001, is a not-for-profit corporation headquartered in Memphis, Tennessee. The CREDO mission is to provide opportunities for people to examine significant areas of their lives – spiritual, vocational, financial, and health – and to discern prayerfully the direction of their vocation as they respond to God's call in a lifelong process of practice and transformation. Through conference experiences and an array of wellness resources, CREDO offers clergy and lay employees who are enrolled in a Church Pension Fund retirement plan opportunities for exploration, discernment, and transformation in their own lives. The foundational eight-day conference includes an eight-member faculty team, and 30 participants who are randomly selected from the CHP database. Following several pilot conferences designed specifically for lay employees, conferences for this population have been held from 2004 through 2012. CREDO has focused on six different conference types: CREDO I, CREDO II, lay employees, bishops, retired clergy, and Spanish-speaking clergy. CREDO is developing new conference types covering shorter durations and more in-depth topics. From the first pilot conference in 1997 through June 2012, more than 5,000 priests and deacons, 150 bishops, and 500 lay employees have participated in 265 conferences. CREDO Institute, Inc. also serves as a collaborative alliance providing resources for Episcopal leadership and wellness programs, and served as the lead agency for *Strength for the Journey* initiatives in the four reorganizing dioceses of Fort Worth, Pittsburgh, San Joaquin, and Quincy, as well as the Diocese of Haiti. CREDO served as lead agency for the churchwide *Fresh Start* program and the administrative resource for the College for Bishops. In addition, CREDO Institute, Inc. is engaged in significant research initiatives in the areas of identity, the emotional health of clergy, clergy families, bishops/spouses, and ordained women.

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

**The Church Pension Fund and Affiliated Companies
Services and Clients**

The Church Pension Fund

Clergy Pension Plan	18,282	} 36,251
Lay DB Plan	3,754	
Lay DC Plan	9,086	
RSVP Plan	5,129	

Church Publishing Incorporated

Church Publishing, Morehouse Publishing, Scabury Books,
Morehouse Church Supplies, Morehouse Education Resources

Books in print	755
Church supplies	476
Faith Formation Resources	266
eProducts	35
Institutional customers	32,664
Individual customers	60,530

Church Life Insurance Corporation

Group insurance policies	22,670
Individual insurance policies	1,904
Annuities	4,434
Disability insureds	4,016

The Church Insurance Companies

Percentage of Episcopal churches that purchase
their property and casualty insurance from
CIC-VT or CIC-NY 86%

The Episcopal Church Medical Trust

Clergy		} 31,812
Not-yet-retired	3,972	
Retired and surviving spouses	5,401	
Lay employees		
Not-yet-retired	8,229	}
Retired and surviving spouses	1,556	
Family members		}
Not-yet-retired	10,432	
Retired	2,222	

As of October 31, 2011

Redesigned CPG Website

In July 2011, we launched the new Church Pension Group website, featuring dedicated sections for administrators, clergy, and lay employees, a new, easy-to-use design, and checklists, tools, and helpful links. The redesign was informed by research including extensive one-on-one interviews and user testing with active and retired clergy and lay

employees, and with administrators at the diocesan and parish levels. Each section contains specially tailored content, forms, and features, and the administrators section also includes special resources pages concerning the Lay Employee Pension System and the Denominational Health Plan, as well as the forms, benefit updates, publications, and links that administrators depend upon.

Episcopal Payroll Services (EPS)

For ten years, EPS has been offering participating Church employers payroll processing, tax filing, and compliance support through the cost-effective services of a payroll processor. CPG serves as the facilitator of this voluntary program available to Church employers. As of April 2011, EPS transitioned to Automatic Data Processing, Inc. (ADP), a world leader in payroll processing, which results in cost savings for participating employers, a higher level of service, and fully integrated web-based processing options. EPS continues to provide quality assurance, customer support, and training.

Comprehensive Wellness Strategy

The Medical Trust is in a unique position to positively impact the health of Episcopal Church employees because of the ever-growing number of clergy and lay employees to whom we provide benefits. Working together, the Medical Trust, the Church Pension Group's Pastoral Care and Education department, and staff of CREDO Institute, Inc. are currently engaged in a Strategic Wellness Project to address the physical, emotional, financial, vocational, and spiritual aspects of wellness, thus providing a holistic approach to the health of clergy and lay employees. By implementing a comprehensive wellness strategy, we hope to decrease health risks by encouraging and supporting preventive screenings, providing education and clinical support to manage existing illnesses and chronic medical conditions, promoting financial health, and addressing spiritual and vocational wellness issues. The overall goal is to create a multi-faceted, holistic approach to wellness that will be coordinated not only with our internal programs but with ongoing efforts that we know are occurring across the Church today.

Serving Our Participants in Times of Special Need

In November 2009, CREDO Institute, Inc. held a special conference for clergy from the four reorganizing Episcopal Church dioceses of Fort Worth, Pittsburgh, Quincy, and San Joaquin. Called *Strength for the Journey*, the eight-day conference focused on spiritual renewal and wellness. Two additional eight-day conferences were held in 2010 for lay leaders and lay employees from the four dioceses, and four overnight conferences designed for wider participation were held as well, one in each of the four dioceses.

In January 2010, CPF established the Fund for Medical Assistance (FMA), a five-year pilot program for the non-domestic dioceses that provides funding for emergency, chronic, and catastrophic medical expenses. It also covers reoccurring costs such as payments for prescription drugs. Diocesan bishops in the non-domestic dioceses may request this assistance on behalf of their individual active clergy and lay employees scheduled to work 1,500 or more hours per year.

In the wake of the earthquake that devastated Haiti in 2010, CREDO Institute, Inc., working with Bishop Duracin, CREDO faculty, and mental health professionals, held a series of four conferences offering respite and coping skills for Haitian clergy and their families and for lay leaders. As we did for affected dioceses at the time of Hurricane Katrina, CPF waived the obligation for churches in the Diocese of Haiti to pay pension assessments through 2010. At the end of that year, we renewed the waiver for the Diocese of Haiti through the end of 2011, at which time the waiver will be reassessed. CPF Trustees and CPG staff personally supported the Diocese of Haiti with nearly \$45,000 in donations to Episcopal Relief and Development; CPF provided matching funds from its Unrestricted Gifts and Legacies Fund, which is comprised of gifts that generous individuals have made to CPF over many years.

CPF Responds to Other Resolutions of the 76th General Convention

In addition to Resolutions A138 and A177, discussed earlier in this report, the Church Pension Fund was asked to respond to a number of other important resolutions of the 76th General Convention:

Response to Resolution A113: Strengthening Small Congregations

Among other things, Resolution A113 resolved that the Standing Commission for Small Congregations continue strategic discussions with the Church Pension Fund regarding compensation and benefit issues for participating ordained and non-ordained persons serving small congregations. In response to a dialogue begun at the 76th General Convention, the CPF Trustees have been examining the way in which Credited Service is calculated for those participating in the

Clergy Pension Plan in an attempt to ensure that service is allocated in a fair and equitable way for all plan participants, whether serving in a full-time or part-time capacity.

Response to Resolution A131: Covenant Committee Gathering

This resolution asked the General Convention to endorse an event hosted by the Standing Commission on World Mission for all Covenant Committees and the Bi-Lateral Committee to be held early in 2011, and also asked the Church Pension Fund, among other agencies of the Episcopal Church, to attend in order to provide services and information to the Covenant Committee partners and to assist the Committees in redeveloping their covenants and financial plans. While that gathering did not take place, representatives of CPF's International Relations section have been attending all meetings of Covenant Partners for whom we administer pensions, and continually work to provide accurate administration of the pensions, training for administrators, and assistance as requested with financial plans.

Response to Resolution A169: Annual Data Gathering About Episcopal Elections; Clergy

The Office for Transition Ministry was directed to consult with the Church Pension Fund, dioceses, and "other appropriate agencies" to gather data annually about clergy compensation by gender, and the numbers of all male and female clergy, and to broadly disseminate their resulting report on an annual basis. The Research and Recorder of Ordinations office of the Church Pension Fund has provided all requested data for this project.

Response to Resolution B004: Hymnal Feasibility Study

This resolution authorized Church Publishing Incorporated (CPI) to work with the Standing Commission on Liturgy and Music (SCLM) to conduct a feasibility study on the need for revision of *The Hymnal 1982*. In response, CPI requested that the Church Pension Fund's Research and Recorder of Ordinations Office, a distinct and separate entity from CPI, conduct this study in order to ensure the objectivity of the empirical data and the impartiality of the statistical conclusions reported to the SCLM. Working in collaboration with the SCLM, the Research and Recorder of Ordinations Office created and fielded a comprehensive survey, developed in consultation with clergy, church musicians, and seminary faculty, to ascertain whether a revision to *The Hymnal 1982* is wanted or needed by the Episcopal Church. The survey was disseminated to parishioners, clergy, church musicians, bishops, and seminarians. Over 12,650 individuals representing 3,060 parishes responded, including 2,572 active clergy and 1,132 active musicians. Survey results were then tabulated and analyzed by the Research and Recorder of Ordinations Office, and the findings were reviewed with the SCLM in October 2011 in preparation for the issuing of SCLM's report and recommendation to the 77th General Convention.

Response to Resolution C038: Pension of Spouses of Deceased Clergy

This resolution commended the Church Pension Fund for its work over the last three triennia in all areas of benefits policy, including but not limited to surviving spouses whose benefits are below the average for all survivors' benefits, and asked us to continue our study and analysis of pension equity, with particular focus on raising the benefits of those below the average for surviving beneficiaries. In fact, CPF has continued to study the state of surviving spouses during this triennium, and our research has shown that 1) the benefits policies of the Clergy Pension Plan are more generous with respect to surviving spouses than most other secular and church pension plans, and 2) the special increases of previous triennia that targeted those beneficiaries and surviving spouses whose benefits were below the average have resulted in significantly increased pensions for surviving spouses widowed in the 1970s, in some cases by as much as 400%. In addition, the 2009 increase in the life insurance benefit for active and retired participants in the Clergy Pension Plan was instituted in order to care for surviving spouses. It continues to be our practice to review the status of the pensions of our beneficiaries on a regular basis.

Response to Resolution D053: Strengthening Lay Employee CREDO as a Church Pension Plan Benefit

This resolution encouraged the Church Pension Fund to explore ways to expand its support for Lay Employee CREDO. To date, the lay conferences that have taken place have been funded by CPF's Unrestricted Gifts and Legacies Fund, which cannot continue to support this initiative indefinitely. CPF continues to explore ways to support Lay Employee CREDO.

In the event of a conflict between 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.