



## Dear Friends:

**General Convention is just around the corner, and I am looking forward to seeing many of you in Salt Lake City. Meanwhile, this Perspective will update you on our recent work, introduce you to the new director of our Education & Wellness department, and offer insight into our socially responsible investing program. I hope you find it informative.**

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### Financial Update

For almost 100 years, The Church Pension Fund (CPF) has been helping Episcopal Church clergy, lay employees, and their families prepare for their financial futures. Through the Great Depression, two world wars, and more recent national economic crises, we have remained focused on making prudent decisions that protect the financial strength of CPF for current and future beneficiaries of our pension program.

The CPF investment portfolio benefited from favorable financial market trends during 2014. Although uncertainties continue regarding the strength of the global economy, global inflation remained low and corporate profits were reasonably strong, especially in the United States. As of December 31, 2014, total CPF assets stood at \$11.8 billion (unaudited). Assets Available for Benefits in The Church Pension Fund Clergy Pension Plan stood at \$11.1 billion (unaudited). Assets Available for Benefits in The Episcopal Church Lay Employees' Retirement Plan (Lay DB Plan) stood at \$174.4 million (unaudited), which is an improvement over previous years. CPF remains in strong financial condition.

On occasion, I am asked what we plan to do with all of the money in the CPF portfolio. We regularly conduct a rigorous analysis of assets and liabilities (present and future) every year. That analysis tells us that at this point we are within the range we aim to be in order to uphold our mission — that is, to absorb the shock of down markets without having to make rash decisions about benefits and to plan for future entrants to the pension program, consistent with our promise to be here for generations of clergy and lay employees.

The Church Pension Fund and its affiliates (collectively, the Church Pension Group or CPG) are here to support the pension and other benefits needs of clergy, lay employees, and their families over the long term. We take the long view on everything we do, which should allow us to continue to provide this support for generations to come.

### Update on Listening Events Around the Church

As you know from previous communications, we are continuing the series of listening events we commenced over two years ago. This ongoing dialogue with individuals we serve and support allows us to explore specific issues facing the Church that intersect with CPG's mission. Through these conversations, a few themes have emerged that we plan to explore further, including at General Convention. The rise in part-time and bi-vocational clergy, the need for seminarian training on personal finances, and the opportunity to provide additional wellness resources for retired clergy were among them. We have appreciated the candor and camaraderie of the groups we have met. We look forward to hearing and learning more in Salt Lake City.

### Socially Responsible Investing

CPF works with outside investment managers to maintain a broadly diversified portfolio of securities that is invested across the globe in a variety of investment strategies. The primary objective of our investment approach is to earn a return that is sufficient to provide benefits payments to all current and future participants. Diversification has been an important strategy for us because it has allowed us to realize better and more consistent returns, notwithstanding variations in economic conditions and industries. In addition, as part of our ongoing commitment to uphold the values of the Church, we work through external managers who seek out investment opportunities that offer fully competitive investment returns while also providing important social benefits.

To provide additional insight into our socially responsible investing program, I would like to share a brief interview with Alan Snoddy, Managing Director and member of our investment department.

#### What categories of socially responsible investments do you look for?

The CPF portfolio includes economically targeted investments, environmentally responsible investments, and investments with women- and minority-owned firms. We continue to seek out managers with expertise in all three categories, but the area of environmental responsibility has become a greater focus for us over the past several years.

#### What criteria do you use to evaluate such investment opportunities?

First and most important, as a fiduciary, we look at the risk-adjusted return of any investment we make to ensure that it meets our normal standards. Then we look at the impact that our investment can have and try to put the money where it can have the greatest impact. That impact can be of two kinds: the benefit per dollar invested, and the impact we can have through leading by example, through which a relatively small investment can have a greater impact. If, for example, we invest with an environmentally responsible technology that larger institutional investors may not be aware of, our investment can help demonstrate to other investors that we believe this technology can be used in a way that is both effective and financially viable and also provides a good return. This "proof of concept" attracts more capital from other investors, increasing the positive environmental impact of the technology. In that way, smaller investments can make bigger things happen.

#### How is the Investment Department staffed to do this work?

CPF's socially responsible investing program is longstanding, and senior members of the Investment Department take an active role in identifying and evaluating investment possibilities and meeting with managers within their respective asset classes. In addition, we recently hired two investment analysts to assist with this work, looking at investments through a socially responsible lens. They seek out possible investments, coordinate and manage the process of research and discovery, bring the relevant people to the table, and, when an investment is made, track the impact of these investments. We have met with three times the number of socially responsible external investment managers each month than we did prior to these analysts joining CPG.

#### Can you provide an example of a socially responsible investment CPF has made in the past few years that has paid off both financially and socially?

Recently, we invested in Wastewater Opportunity Fund, which is focused on developing and expanding the use of anaerobic digesters, an ecological process that is widely used in Europe but not well known in the United States. Anaerobic digesters convert agricultural waste such as manure, food waste from restaurants and groceries, organic industrial waste, and post-consumer waste such as yard clippings into electricity and bio-fuel, fertilizer, livestock bedding, and clean water. Wastewater uses this process to transform organic waste, some of which would have ended up in landfills, into renewable, sustainable energy, thereby reducing the use of fossil fuels. Wastewater is expected to generate enough renewable electricity annually to power over 30,000 homes and to reduce 2 million tons of greenhouse gases — equivalent to removing over 400,000 cars from the road each year. In addition, the construction and operation of the facilities will create some 2 million hours of employment and around 130 permanent jobs. From an investment perspective, we expect Wastewater will provide a very attractive risk-adjusted return to the CPF portfolio.

#### How does CPF use shareholder activism to influence corporate behavior?

We are committed to using our power as a shareholder to influence corporate behavior in a manner that addresses the social, ethical, and environmental concerns of The Episcopal Church, without violating our fiduciary, regulatory, and other legal responsibilities. To this end, we vote proxies consistent with these values, and, with the Executive Council of The Episcopal Church's Committee on Corporate Social Responsibility, we encourage corporate managements to reduce greenhouse gas emissions, increase board diversity, prevent human trafficking, and promote other socially responsible objectives.

We have been engaging specifically with fossil fuel companies in our portfolio for many years, including efforts to ensure that these companies continue to work to protect our water, land, and air. We generally work with other denominations or other concerned investors to increase our leverage and make it clear to the companies that we are not alone in having these concerns. In many cases, we have encouraged companies to develop policies to protect the environment or to increase disclosure about their sustainability efforts and greenhouse gas emissions, which forces these companies to focus more on these issues. In other cases, we have submitted shareholder proposals and advocated that shareholders approve our proposals. Even in cases when our shareholder proposals have not received the approval of a majority of shareholders, we believe our efforts have increased the visibility of these concerns.

### CPG Awarded Gold LEED Certification

Our commitment to purchasing our new home office space in 2012, we worked with architects and engineers to ensure that we used state of the art green materials, such as low-VOC paints and carpets, and created an environment that is sustainable and cost-efficient in water and energy use and environmental quality. We also worked with our employees to put sustainable business practices in place, such as a robust recycling program and the use of electronic publishing for internal documents and statements as well as many of those we disseminate externally. Our goal is to live up to the very high standards set by Leadership in Energy & Environmental Design (LEED).

LEED is the most widely used green building rating system in the world, providing independent verification of a building's green features, thereby promoting the design, construction, operations, and maintenance of resource-efficient, cost-effective buildings. I am delighted to tell you that we recently received our Gold LEED Certification for meeting that high level of sustainability and cost-efficiency in water and energy use, building materials, and environmental quality.

### New Leadership in Education & Wellness

#### Bill Craddock Has Retired

In 1997, the CPF Board, recognizing the need to support the health and wellness of our clergy participants, established the CREDO program and named Bill Craddock, then a member of the CPF Board of Trustees, as its founding director. Since then, CREDO has grown to be a vital and beloved program. At the same time, CPG increased its support of eligible clergy and lay employees through the provision of additional financial and wellness education conferences, programs, and online resources. In 2013, we brought all of this work together in a coordinated way by forming the Education & Wellness division and asked Bill to lead it. Under his leadership and with his passion for our mission, this initiative has continued to blossom, old programs have been enhanced, and new programs added. On April 1, after more than 14 years of dedicated service to CPG and the Church, Bill retired. I am sure you will join me in wishing him well.

#### Kathy Floyd Joins CPG

Concurrent with Bill's retirement, Kathy Floyd joined CPG to take over the leadership of the Education & Wellness department. She is an education professional with over 20 years of experience in the development and implementation of financial education curriculum. Prior to joining CPG, Kathy served as Senior Advisor of the Office of Financial Education at The Consumer Protection Bureau (CFPB) in Washington, D.C. Prior to that, she was Deputy Director for Investor Education for the U.S. Securities and Exchange Commission, Executive Director of Stock Market Game for the Securities Industry and Financial Markets Association, and Director, Academics, for the Baltimore City Public School System. *"I am excited to join an organization and lead a team whose mission is to assist those who are working to spread the Gospel," says Kathy. "We know that the information we share and the educational programs we provide will help clergy and lay employees of the Church to enhance their personal financial and physical wellness as they pursue their mission of service."*

### Looking Toward General Convention

I look forward to greeting those of you who will be attending General Convention. In the exhibition hall, in addition to our main booth, we will be hosting a wellness area in which you can learn more about CPG conferences, programs, and online resources in support of financial and wellness education. Also, Church Publishing Incorporated will have an area in which you can learn more about their print and online publications and resources.

### Election of CPF Trustees

The 78th General Convention will elect 12 trustees, selecting from the slate of nominees proposed by the Joint Standing Committee on Nominations. 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 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: Rt. Rev. Robert H. Johnson, the Rt. Rev. V. Gene Robinson, and the Rt. Rev. Wayne P. Wright. Eight trustees are eligible and have agreed to stand for re-election: Martha Bedell Alexander, the Rev. Thomas James Brown, 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.

### In Conclusion

It continues to be a great honor for us to serve those who serve the Church. As always, your input is critically important, and we welcome your questions and your feedback.

Faithfully,  
Mary Kate Wold  
CEO and President