

Perspective, Winter 2015

An Update from Mary Kate Wold, CEO and President



Dear Friends:

As we reflect upon 2015 and look ahead toward 2016, I am pleased to report that The Church Pension Fund (CPF) and its affiliates (collectively, the Church Pension Group or CPG) had another strong year as we continued to serve various employee benefits, property and casualty, and publishing needs around the Church. I am particularly pleased that we were able to visit with so many of you at the various listening events we hosted in different provinces and at General Convention. This has been a busy year of listening, learning, and visioning for us as we continue to ask ourselves — and many of you — the following question: How can CPG continue to fulfill its mission of service in an evolving Church?

In the current edition of our *Perspective* newsletter, we cover many of the issues we have heard around the Church that relate to CPG, including recent General Convention actions that impact CPG, our commitment to serving the needs of lay employees, and CPF's socially responsible investing program. I hope you find this newsletter informative, and, as always, if you have a topic that you would like to see discussed in a future *Perspective*, please let us know at perspective@cpg.org.

I thank you for your continued support. It remains an honor and privilege to serve you. On behalf of CPG's employees, I extend my heartfelt wishes for a blessed, safe, and enjoyable New Year.

Faithfully,

A handwritten signature in black ink that reads "Mary Kate Wold".

Mary Kate Wold
CEO and President



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Financial Update

As of September 30, 2015, CPF investment portfolio assets were \$11.4 billion,¹ in line with where they were on September 30, 2014. Included in these assets, The Episcopal Church Lay Employees' Retirement Plan (Lay DB Plan) assets totaled \$171.7 million,¹ which were slightly higher as compared to September 30, 2014.

The CPF investment portfolio remains strong despite increased market volatility due to a slowdown in the Chinese economy these past several months. In contrast, the United States and European economies remain relatively strong. In the United States, job growth has continued its upward trend and inflation remains near zero. The recent interest rate hike by the Federal Reserve should bode well for U.S. equities, while inflation should remain under control. Overall, our investment portfolio, which is highly diversified and focused on long term outcomes, is well positioned to preserve the assets we need to fulfill obligations under various benefits programs, while maintaining our ability to take advantage of new, appropriate investment opportunities as they present themselves.

¹ Unaudited

General Convention Update



We were pleased to connect with many of you at the [78th General Convention](#) this past summer. As a service provider to the Church and its people, we believe it is important for us to witness, listen, learn, and participate at this triennial gathering of the Church's governing body.

In addition to greeting attendees at our booths in the Exhibit Hall, we hosted two information sessions for Convention Deputies — one offered an overview of CPF's finances, and another shared insights we have collected from a series of listening events with clergy, administrators, bishops, and volunteers. These meetings provided an excellent opportunity to hear from key decision makers who may not interact with us regularly. We learned a great deal from the Convention Deputies who attended, and we will continue to look for ways to interact with them between General Conventions.

A lot of discussion at General Convention validated our work in the area of benefits policy. For example, General Convention [Resolution A177](#) asked us to explore revising the way benefits are determined in order to be responsive to the changing nature of church leadership. This has been an area of focus for us for the past 18 months. We are in the middle of a collaborative project to revise The Church Pension Fund Clergy Pension Plan (the Clergy Pension Plan), and we are soliciting input from bishops, administrators and clergy through a variety of focus groups and conversations. We appreciate the valuable input we have already received, and we will be collecting additional thoughts through 2016. Please stay tuned for more details in the next issue of *Perspective*.

General Convention [Resolution D047](#) asked us to revise pension plan rules to ensure clergy and lay employees with same-gender spouses are treated the same as those with opposite-gender spouses. Fortunately, we did not have to revise our rules to be responsive because we have long treated same-gender couples the same as opposite-gender couples, and in the past, we had offered two transition periods to enable same-gender married couples to make spousal benefit elections.

Recently we announced another transition period to allow additional clergy and Lay DB Plan participants to claim benefits for their same-gender spouses. We will be following up our initial correspondence with letters to all clergy and Lay DB Plan participants in order to ensure that everyone who qualifies for pension benefits is aware of their eligibility for such benefits.

I was delighted to have the opportunity to present at the House of Bishops and to share our support of non-domestic dioceses around the Church. General Convention [Resolution A181](#) asks us to study compensation and the cost of benefits for clergy and lay employees in Province IX and in other non-domestic dioceses and covenant partner churches. This has been an area of focus for us for a long time with frequent visits to, conversations with, and targeted programs for those we serve outside of the United States. We look forward to continuing our study and deepening our understanding with the support of General Convention.

Supporting Lay Employees

On a regular basis and in a variety of formats, we collect feedback from those we serve. Recent feedback suggests that we need to do a better job of highlighting the resources and support we make available to lay employees, and we will.

For more than 30 years, CPG has helped lay professionals prepare for retirement. In 1980, CPG first offered retirement benefits to lay employees through the creation of the Lay DB Plan, which was followed by The Episcopal Church Lay Employees' Defined Contribution Retirement Plan (Lay DC Plan) in 1992.

Today, more than 1,200 active lay employees participate in the Lay DB Plan, while over 8,100 active lay employees participate in the Lay DC Plan, which has seen its assets grow more than 104% since 2009. In addition, more than 1,500 retired employees currently collect pension benefits from the Lay DB Plan, totaling more than \$7 million annually.

In addition to retirement benefits, CPG offers lay employees a variety of financial and health programs and plans, including:

- Health insurance through the [Denominational Health Plan](#)
- Group, supplemental, and voluntary [life insurance coverage](#)
- Long and short term [disability insurance](#)
- Individual [financial discussions](#)

We also offer access to a number of online tools and programs, including:

- [MyCPG Accounts](#) is a consolidated view of an individual's benefits with CPG.
- [The PlanAhead for Retirement® Calculator](#) is an online retirement planning tool for lay employees who participate in either the Lay DB Plan or the Lay DC Plan.
- [Walk and Be Well](#) is a 28-day walking program with audio podcasts, inspirational messages, and spiritual reflections designed to increase physical and mental well-being.
- Fidelity Investments offers lay employees the ability to access their accounts online 24/7. Whether they want to review planning options, their account balance and statements, or change their contribution amounts or asset allocations, it's just a click away.

CPG's Education & Wellness team is also developing an online learning center that is slated to launch in 2016. We are developing this in response to feedback from many lay employees that they would rather take a course online than travel to participate in a face-to-face class. Our e-learning center will offer resources related to:

- Financial planning, including cash and debt management, saving for retirement and other goals, investing, and estate planning
- Physical and mental health and wellness topics such as nutrition, fitness, stress management, and resilience

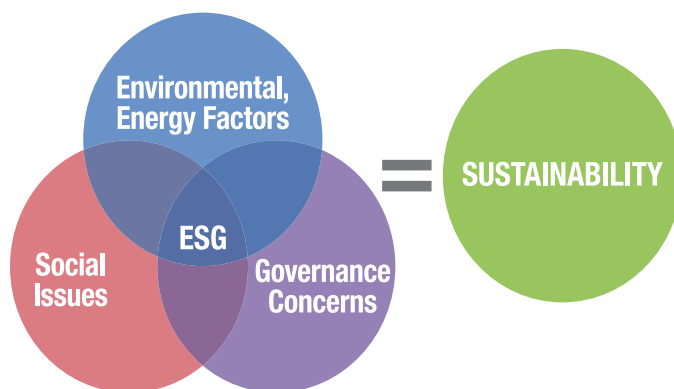
It is anticipated that additional resources and courses will be added in the future.

Finally, lay employees are encouraged to take advantage of the free financial expertise available at CPG. They can call (888) 735-7114, Monday – Friday, 8:30AM – 8:00PM ET, (excluding holidays) to speak with one of CPG's licensed specialists who have decades of collective experience helping people understand their finances. They are available to speak with lay employees to discuss their options as they plan their financial future. CPG's experts know and understand the various CPG lay employees' retirement, health, life insurance, and disability plans and can offer insight and valued perspective.


These are just a few of the ways in which CPG continues to support the valuable ministry performed by the Church's lay employees. For more information related to lay employee benefits, please visit cpg.org/active-lay-employees.

Socially Responsible Investing Update

Socially Responsible Investing (SRI) has become an increasingly popular topic in recent years and was a focus for the General Convention this past summer, leading many to call on the Church and its related bodies to act responsibly as they implement their investment strategies. However, we have seen a changing investment landscape in which many investors are moving away from traditional SRI screening strategies to those focused on more proactive environmental, social and governance (ESG) related investments.



At CPF, we view our socially responsible investment strategy as one focused on investment opportunities that promote environmental sustainability, assist underserved communities, increase diversity, and support good corporate governance. In fact, we currently have nearly \$1 billion in total socially responsible investments, which accounts for more than 8% of CPF's total assets. We also have commitments to invest more than \$200 million over the next few years. In addition, over the past 15 years, we have realized proceeds of more than \$830 million from ESG-related investments made previously.



We are continually seeking managers who provide access to investments that offer competitive risk-adjusted returns while also positively impacting peoples' lives and the environment. One example of this approach was our investment in the Essential Capital Consortium (ECC), a social enterprise fund managed by Deutsche Bank's Global Social Finance Group. Its focus is to support businesses that seek to improve individual lives, communities and/or the environment. This investment will finance approximately 20 such enterprises, including institutions focused on providing debt financing to companies in the energy, health and microfinance sectors in developing countries. Gary Hatter, head of the Global Social Finance Group at Deutsche Bank, described this investment as, "a pioneering fund that aims to finance the growth of social enterprises as vehicles to achieve measurable benefits in improving the lives of the poor, bringing together well-respected and similarly motivated investors to fill an existing capital gap." He went on to say that, "the ECC provides responsive debt capital to support the next generation of social entrepreneurs globally who are redefining a market approach to addressing fundamental humanitarian challenges." We were proud to be an anchor investor in the ECC, which helped encourage other investors to commit.

Currently, we are reviewing another ESG-related investment that will provide renewable energy financing to low-income individuals and small enterprises in the developing world. This investment will allow individuals in off-grid rural communities to access safe renewable energy.

As these examples show, our portfolio managers are proactive in seeking out ESG-related investment opportunities that promote environmental sustainability, assist underserved communities and increase diversity. In doing so, we provide much needed funding to these far-sighted companies, and frequently by being an anchor investor in these endeavors, we encourage other institutional investors to do the same.

In addition to our investment efforts, we have been active this past year in expanding our ESG network. We conducted diligence on 43 new ESG-related investments and continue to research additional socially responsible investment opportunities. Our investment team regularly participates in socially responsible conferences as part of a broader effort to foster closer ties with other denominations and investors within the impact investing space.

Understanding that ESG investing is a global issue, we also expanded our network overseas. Sharon Chiu, a Senior Associate in our Hong Kong office, is a founding member of the Hong Kong Venture Capital Association's ESG subcommittee, a position that we will benefit from as we continue to raise awareness of ESG investing internationally.

In addition to seeking ESG-related investments, we are active shareholders. We look to utilize our influence as a large institutional investor to promote productive dialogue for change and influence the behavior of companies in our investment portfolio.

For decades, CPF has partnered with Executive Council's Committee on Corporate Social Responsibility — as well as with other denominations and faith-based organizations — to identify ways we can influence these companies to conduct their business in a manner that addresses the faith and important social, ethical and environmental concerns of the Church. Each year, our representatives meet with companies in our investment portfolio to discuss our shared concerns. We also vote our proxies consistent with these values, to the extent they are aligned with our fiduciary responsibilities.

Looking ahead, we will continue to take a proactive approach in shareholder engagement to voice our concerns and vote our proxies in order to promote corporate practices supportive of the social, ethical, and environmental values of the Church.

Executive Spotlight



CPG Out in the Church: A Conversation with the Rev. Canon Anne Mallonee, Executive Vice President and Chief Ecclesiastical Officer

How have you spent your first year at CPG?

My first 12 months at CPG were certainly a whirlwind. My primary activity was to travel around the Church with CEO and President Mary Kate Wold, Church Pension Fund Trustees, and other colleagues for regional listening events and focus groups. It's been fascinating to see the Church through this new lens after almost 30 years of parish ministry.

What has surprised you the most?

It's one thing to read or hear about changes in the Church and its various ministries, but quite another to see it up close. I've met hundreds of clergy and lay ministers on the frontlines who are dealing head-on with the brokenness of our world. They bring a message of hope and love through word and action. They are in large urban cathedrals and on Native American reservations; they are in parishes with decades or centuries of history; or they are part of a new monastic community where they serve among and with their new neighbors. Then there are the critical behind-the-scenes ministries that make it all possible: the diocesan administrators and lay leaders at the local level, the committed church men and women who quietly go about their work day in and day out. The Church simply couldn't survive without them.

I count among this second group the CPG employees who know that what we accomplish today is part of something important and enormous. CPG's mission is to support the clergy and laity who serve the Church. That's huge.

How does CPG's work impact people's lives on a daily basis?

Quite simply, it frees them up to focus on their ministries. Clergy and lay employees understand that CPG cares about their financial, physical, and emotional wellness, and they appreciate the products, services, programs, and peace of mind CPG provides. I can't tell you how many people have come up to me during various events this year just to say "thank you." I know that they're not really thanking me — they're thanking everyone at CPG for their care, hard work, and dedication.

Why has CPG put such an emphasis on "listening"?

For many years, CPG has been keeping an eye on the changing demographics of the Church and its priests and lay employees, the economic challenges many parishes face, and the resulting evolution of the ministry — such as the increase in part-time and bi-vocational ministry and the decrease in curacies and other mentored "entry level" positions.

Understanding numbers and trends from the 30,000-foot level is important, but Mary Kate knew that to be truly effective, CPG had to understand these changes and challenges at the ground level. She knew that the best way to do that was to get out there and hear what's happening directly from the people who are impacted most.

Mary Kate and the CPG team — of which I'm honored to be a member — have dedicated the past two-and-a-half years to listening, learning, and synthesizing this information. The Church does not look like it did in 1917 when the first pension check was issued, and neither does CPG. In 2017 we'll celebrate a century of great service to The Episcopal Church, but even more importantly, we want to be prepared to serve the next century.

What particular insights struck you most in the course of these listening events?

I've gained an increased appreciation for the diocesan administrators who need to keep abreast of a constantly changing landscape. I knew it was a tough job, but based on my discussions with these admins, it's even tougher than I thought.

Where did you see the greatest evidence of change in the Church?

Everyone knows the Church is changing, and for me, it's nowhere more evident than in the seminaries — or, more precisely, among seminarians, because even the concept of "seminary" is evolving.

Some of the most interesting and telling conversations have been with seminarians. An important aspect of today's Episcopal Church is how many different ways theological training is taking place. In addition to the traditional residential seminary approach, there are several diocesan programs, online learning opportunities, and schools organized to prepare locally for non-stipendiary ministry. The newer models were designed to help seminarians avoid high tuition and debt, or to provide flexibility for those who want to study while holding down full-time jobs.

In short, today's seminarians do not have a formation process in common, if they ever did. Nor do they all have the same expectations coming out of these programs. Some anticipate serving parishes in increasing degrees of responsibility throughout their ministries, but many others know that they will be serving part-time, bi-vocationally, or as volunteers. What they do share is a passion and a commitment I have found inspiring. When with them, I couldn't help but remember my own days as a seminarian and the hopes I had for ministry. I have been impressed by the faith and entrepreneurial spirit of these students as they explore potential avenues I could never have imagined. Even while in seminary, they have led the way to help the Church get outside the constraints of its buildings and out into the community. No one told them they couldn't set up a table in the middle of a busy urban commons, inviting people to stop by for a prayer, so they did. We now see "Ashes to Go" and vital Laundromat ministries spreading across the Church, but these are relatively new movements. I credit creative seminarians from the last few years with sparking this life-giving phenomenon, inspired by the Holy Spirit.

How does this entrepreneurial approach to ministry affect CPG?

Just as CPG has done in the past, we continue to be attentive to many ways in which the Church is evolving. We're always asking ourselves how we can partner with the Church to ensure that as many clergy and lay people as possible can benefit from the products and wellness programs we provide given the fiduciary and other boundaries within which we must operate.

What were some other highlights of your first year?

Definitely General Convention. While I had visited a few conventions through the years, this was the first time I was there for the duration and followed legislation. In addition to being highly educational, it was wonderful for the "family reunion" aspect of General Convention and so exciting to be there to witness Bishop Michael Curry's election. I also gained an increased appreciation for CPG's relationship with and service to the Church.

With your first year now in the rearview mirror, what do you see ahead in 2016?

We are taking everything we have heard in our intentional listening process and are applying these learnings to a vision for the future. I am participating in an ongoing effort to reach out to the Church, seeking input broadly to continuously refine our thinking in regard to the benefits policy, education and wellness programs, socially responsible investing, and the many ways we support the clergy and laity who are on the Gospel front lines.

Would you like to add anything else?

I am always eager to receive suggestions that can further inform CPG's work, and I encourage both clerics and lay employees to seek me out at Church conferences or call me at (800) 223-6602 x9473 or amallonee@cpg.org. Even better, if anyone is planning an event or meeting about developments in the Church, please think of CPG — I'd love to join you.

The Rev. Canon Anne Mallonee joined CPG as Executive Vice President and Chief Ecclesiastical Officer in September 2014. She serves as chief advisor to the CEO on all church related matters, and is a member of the CPG Executive Leadership Team.