



A Message from the Chair

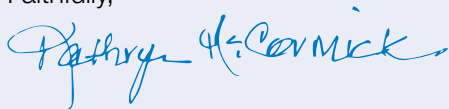
Winter 2022

Dear Friends:

The Church Pension Fund Board of Trustees (CPF Board) gathered in early December to review and discuss a number of important topics that impact the benefits, products, and services offered through the Church Pension Group. We received an update on CPG's strategic plans for 2023, and we had important conversations about the implications of recent financial market conditions and inflation for the organization and the benefit plans it sponsors. We discussed and approved a cost-of-living adjustment (COLA) for retirees and beneficiaries of The Church Pension Fund Clergy Pension Plan (Clergy Pension Plan) and related plans, and we received wonderful updates on CPF's corporate social responsibility, including its socially responsible investing program, and on the Denominational Health Plan, which CPG manages for the benefit of our Church. Finally, the CPF Board continued its work on diversity, equity, and inclusion. It was a very productive meeting.

As we prepare to celebrate the joys of Christmas to give thanks for our many blessings, I wish you and your loved ones a blessed Christmas.

Faithfully,



Canon Kathryn McCormick
Chair
The Church Pension Fund
Board of Trustees

Ensuring the Financial Strength of the CPF Portfolio

One of our primary responsibilities is to ensure that CPF has sufficient assets to meet its obligations to the participants and beneficiaries of its benefit plans for decades to come. As I reported in my last note, the CPF Board reviewed and discussed the results of CPG's annual *stress tests* at our September meetings, to gauge our level of confidence that CPF has enough assets today to meet these obligations into the future. We continued this discussion at our December meetings.

After carefully considering the financial position of the Clergy Pension Plan, we decided to grant an 8.7% COLA for retirees and beneficiaries of the Clergy Pension Plan and certain related plans because the inflation level supports it, and we believe the financial position of the Clergy Pension Plan allows for it. The COLA will be effective January 1, 2023. If we find ourselves in a sustained period of inflation and/or experience muted market returns, the Clergy Pension Plan and certain related plans may provide a benefit adjustment that is less than that provided by Social Security to help manage their long-term financial strength.

Unfortunately, our analysis of the financial strength of The Episcopal Church Lay Employees' Retirement Plan (Lay DB Plan), which is newer and much smaller than the century-old Clergy Pension Plan, did not give us sufficient confidence to grant a COLA for those retirees and beneficiaries for 2023.

This is a very hard decision every year, but it's the right decision given CPF's need to pay the pensions it has promised for many years to come and protect the long-term viability of the plan. Currently, the Lay DB Plan does not have sufficient assets to cover the cost of a COLA without compromising the long-term strength of the plan. We continue to monitor the financial strength of the Lay DB Plan and will continue to consider awarding a discretionary COLA annually.

Denominational Health Plan

We received an update on the success of the Denominational Health Plan (DHP), which remains focused on cost containment, reducing cost disparities among dioceses, creating equal access to and parity for clergy and lay employees, and offering broad access, comprehensive benefits, and meaningful choice for its members. We look forward to working with the DHP Task Force that was created

in response to a resolution approved at the last [General Convention](#), to review the structure and offerings of the DHP and develop a list of options to reduce the cost of health benefits across the Church. Controlling the rising cost of healthcare while continuing to offer good benefits remains an important discussion item for us, and we will continue to keep you updated on our progress. If you would like to learn more, you can view past [DHP annual reports](#) and an overview [video](#).

Corporate Social Responsibility Annual Review

We received our annual update on CPG’s Corporate Social Responsibility that include an organization-wide commitment to conducting its business in a manner consistent with the social, ethical, and environmental values of our Church. We reviewed CPG’s four high-impact strategies regarding [socially responsible investing](#) (SRI), which include: investing for positive impact; shareholder engagement; incorporating environmental, social, and governance (ESG) principles into CPF’s investment strategy; and thought leadership. We were pleased to learn more about CPG’s ongoing efforts to convene and connect individuals through its Insights & Ideas series of conversations on SRI, most [recently](#) with leaders of our Church and the Executive Council Committee on Corporate Social Responsibility.

Summary					
 CPG commitment to social responsibility starts at home	 Focus on Socially Responsible Investing supports Church values while maintaining fiduciary duty	 Shared commitment to source impact investments	 Collaborative shareholder engagement strategy has addressed social issues and responded to General Convention Resolutions	 ESG Incorporation raises material environmental, social, and governance issues during diligence	 Thought leadership efforts seek to advance industry best practices and increase capital flows to impact investment

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The next meeting of the CPF Board will be from March 1 to March 3, 2023.