



Clergy Assurance Fund

ANNUAL REPORT
2020-2021

Serving the Episcopal Clergy of Pennsylvania since 1769
Participant Manual and Annual Report 2021

The mission of the Clergy Assurance Fund is to provide support to the families and survivors of clergy serving the Episcopal Church in the five dioceses of the Commonwealth of Pennsylvania.



President (ex officio)

The Bishop of Pennsylvania

The Right Reverend Daniel G. P. Gutierrez (2016)

Vice-President

James L. Pope (1992)

Other Members of the Corporation

In order of seniority

The Right Reverend Allen L. Bartlett, Jr. (1986)

Paul Spencer Adkins (1993)

Donald H. Roberts, Jr. (1993)

Helen R. Bosley, CFA (1998)

The Reverend Judith L.T. Beck (2002)

The Reverend Rodger C. Broadley (2002)

David P. Hegg, FSA (2002)

Nolan N. Atkinson, Jr., Esquire (2004)

Shirley Gracie (2004)

The Right Reverend Sean Walter Rowe, *The Bishop of Northwestern Pennsylvania* (2007)

Gordon B. Fowler, Jr. (2007)

Louisa C. Ridgway (2007)

Kathleen A. Stephenson, Esquire (2007)

Mary T. Campbell, CPA (2012)

The Right Reverend Edward L. Lee, Jr. (2012)

The Reverend Thomas L. McClellan (2012)

Theresa Rollins, Ph.D., CPA (2012)

The Reverend Richard C. Alton (2014)

Dana B. Hall, CFA, MDiv, MFT (2014)

SooHee Lee Lim, CFA (2015)

The Very Reverend Scott T. Quinn (2015)

The Right Reverend Audrey Cady Scanlan, *The Bishop of Central Pennsylvania* (2015)

Albert S. Dandridge, III, Esquire (2016)

Stephen B. Heimann, Esquire (2016)

Clifford W. Kozemchak (2017)

The Reverend Isaac Miller (2017)

Neville E. Strumpf, Ph.D., RN (2017)

The Right Reverend Kevin D. Nichols, *The Bishop of Bethlehem* (2018)

The Rev'd Noah Evans (2019)

Tamika Rodriguez (2019)

Paul Dayton-Welch, CPA (2020)

Michael J. Krasulski (2020)

The Rev'd Canon Hilary Greer (2021)

The Rev'd Adam Paul Kradel, PH.D. (2021)

Guy Patterson, CEBS (2021)

Dear Friends,

The cover of this year's Annual Report sums up our feelings as we write this: there IS light at the end of the tunnel and we *will* get there. But in many ways the past eighteen months have been so very hard for so many of us and those we care for that it still seems hard to accept that tomorrow will indeed be a brighter day.

Some of the statistics on the following page tell a part of the sad story: we lost fifty-one clergy in the year ended March 31st, and another sixteen have gone on to their reward as of the end of September. Death claims more than doubled in Fiscal Year 2021 over 2020. Emergency Aid requests lifted our Grants total by almost \$40,000.

But, there was also good news, mostly – remarkably – on the investment front. After dropping about \$10M between the end of January and the end of March 2020, our total assets recovered quickly and then continued to increase so that at the end of March 2021 we had not only recovered the loss but also added another \$10M ... by the end of September 2021 our fund stood at well over \$83M allowing us to move into the future with renewed hope (as well as a weather eye out for financial storm clouds!)

At the Annual Meeting in June, three new Members of the Corporation were elected:

- The Rev'd Canon Hilary Greer is the Rector of Saint Andrew's Church in Yardley, PA (Diocese of Pennsylvania.)
- The Rev'd Adam Paul Kradel, PhD, is the Rector of Saint John's Church in Carlisle, PA (Diocese of Central Pennsylvania.)
- Mr. Guy Patterson, CEBS, of the Diocese of Central Pennsylvania is a Vice-President of AGIA, a national member benefits and insurance administration firm.

The year brought sad news in the departure of Bishop Edward Lee from his terms of service on the Acting Committee. +Edward



John A. Miller
Treasurer & Executive Director

shepherded us through the 2019 Anniversary Celebration and has long been a caring and insightful presence on the benefit side of our ministry and mission, and we are thankful not only for his service in this capacity but also that he will continue as a Member of the Corporation, able to continue sharing his wisdom and wit with us.

On a personal note, if I may be indulged, this year completes my twentieth year of work with the Clergy Assurance Fund. When I stepped in as temporary assistant to Treasurer Rudy Moore on the sudden and untimely death of Linda Faiella, I had never heard of The Widows Corporation and certainly never dreamed that twenty years later I would still be involved with it. Indeed, only last year did I discover that our Founder, the Rev'd Dr. William Smith, was my sixth great-grandfather! It has been an honor and pleasure to work with the Officers and Members of the Corporation and to serve you, the Episcopal Clergy of Pennsylvania, and I look forward to continuing that work as we carry on our mission and ministry in the years to come.

Faithfully yours,

A stylized, handwritten signature of John A. Miller in black ink. The signature is fluid and cursive, with the first letter 'J' being particularly large and prominent.

John A. Miller
XVth Treasurer & Executive Director

Insurance / Financial Summary

Fiscal Year Ending 31st March 2021

Insurance:

	<u>Lives</u>	<u>Insurance In Force</u>
End of FY 2019:	1,321	\$64,689,590
End of FY 2020:	1,276	\$62,928,395

Revenue/Expense through 3/31/2021:

Revenue:	<u>FYE 2021</u>	<u>FYE 2020</u>
Investment Income		
& Realized Capital Gains:	\$2,729,715	\$1,389,652
Premium Income:	120,902	97,152
Investment Management Fees:	<u>(225,930)</u>	<u>(345,608)</u>
Net Cash Revenue:	\$2,850,617	\$1,141,196
Unrealized Gains/Losses:	<u>21,041,136</u>	<u>(8,738,667)</u>
Net Revenue:	\$23,860,753	(\$7,597,471)
Expense:		
Death Claims		
Including Spousal Deaths:	\$2,848,195	\$1,211,060
Operations:	377,421	541,181
Change in Policy Reserves:	<u>(1,157,000)</u>	<u>106,000</u>
Required Expenses:	\$2,068,616	\$1,858,241
Grants:	\$ 671,331	\$ 634,222
Premium Refunds:	<u>150,000</u>	<u>162,813</u>
Discretionary Expenses:	<u>\$ 821,331</u>	<u>\$ 797,035</u>
Total Expense:	\$2,889,947	\$2,665,276

Total Assets:	3/31/2019:	\$ 71,084,141
	3/31/2020:	\$ 61,835,232
	3/31/2021:	\$ 81,811,445
	9/30/2021:	\$ 83,376,298

Dear Friends,

I echo John's sentiment about that "light at the end of the tunnel" after what has been a challenging and sometimes exhausting year for many of us, particularly clergy in leadership and our families. It has been good to get back into the new offices of Clergy Assurance Fund in Philadelphia and to be able to report that we have \$1,140,000 of new insurance on our books for the recent fiscal year.

But the tunnels we sometimes must pass through are not only the seemingly endless ones such as the COVID pandemic: illness, loss, grief, addiction, distress are all tunnels that we as individuals may encounter on our earthly journey. While the CAF cannot provide medical assistance or counseling to help light the way through these dark periods, we can provide financial assistance to make it easier to find the help that is needed. We can sometimes be at least the flashlight toward the end of the tunnel, but only to those who are enrolled with us.

You can help see that your sister and brother clergy have access to that light by simply spreading the word about us and our programs such as Wellness Funds, Spousal Death Benefits, Emergency Aid and Supplemental Income for surviving families, and, of course, Life Insurance. I encourage you just to ask this question of your clergy colleagues: "Are you enrolled with the Clergy Assurance Fund?" Ask it also of clergy spouses and life partners ... so often we find that a clergyperson has enrolled with us, usually to have access to Wellness Fund assistance, but the spouse had no idea that life insurance (presently up to \$150,000) is also readily available at very low cost.



*The Reverend Sherry Deets
Chaplain*

At Clergy Conferences, which we are happy to be able to help sponsor, ask the question of clergy who are new to your diocese. Enrollment is as simple as completing an on-line form that comes to us automatically ... no stamp required!

In this way, we can be sure that all the clergy in Pennsylvania have access to the light at the end of life's tunnels that the Clergy Assurance Fund can help to provide.

Shalom!

*The Reverend Sherry Deets
Chaplain*

A Year of Change Ahead



Former Actuary Alan Lauer

While busy managing the day-to-day affairs of the Corporation through the year, looking ahead is always a part of our work. As John mentioned in his introductory letter to last year's Annual Report, new office space had already been contracted when the pandemic unleashed its fury upon us. Nevertheless we persisted, and are now happily and comfortably ensconced in bright new quarters (in our same building, but up one floor). The work of preparing and moving into the new offices consumed last summer.

In the fall, an ad hoc committee under the leadership of Paul Dayton-Welch began examining our legacy insurance administration system to discern how best to insure its adequacy for the coming years. It was soon realized that the system that has served us well since it was designed by our late Actuary, Alan Lauer, was not ideal in several respects.

Not least of these was that, unbeknownst to us, Alan had died in 2019 and his family had destroyed all of his personal

records... as a result there is extremely limited documentation of what was, when developed in the 1980's and '90's, a complex interweaving of about a dozen files that Alan structured out of whole cloth to serve our unique business needs. Alan taught John how to use the system, but not how to program it for any necessary changes. As a result, we have a complex but delicate system without any knowledgeable back-up.

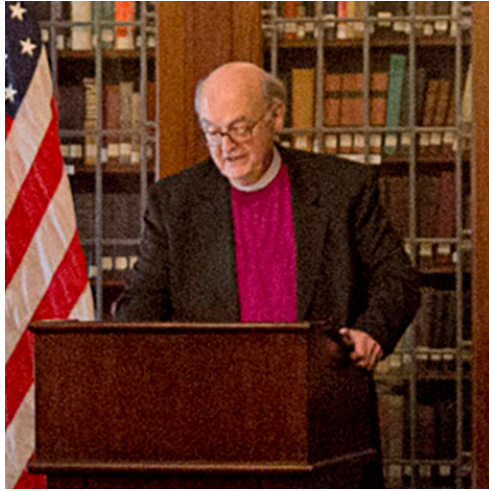
After several months of exploration of our needs and available options, the ad hoc committee recommended that the Acting Committee approve a project to re-constitute the Lauer system under the guidance of a locally-based software development firm with substantial experience with the software platform on which the Lauer system is based. Needless to say, the software has continued to develop well beyond the limits that constrained Alan in his development efforts thirty and more years ago.

What has been a fairly complicated set of procedures to carry out routine and occasional functions, requiring reference manuals and careful adherence to various protocols is expected to become an intuitive system that guides the user through each process. As one of the developers said, "After all, no one needs a users' manual to buy something on Amazon!"

We expect to report that the system is fully operational by the time of next year's Annual Report, though if all goes well, you will not see any difference except more attractive premium bills and annual statements!

Insurance Programs

Basic Security for the Future



*The Right Rev'd Edward L. Lee, Jr.
who retired from the Acting Committee in June*

The basic vehicle for enrollment with the Clergy Assurance Fund is the “Free \$1,000” policy of life insurance. This is available to every bishop, priest or deacon (transitional or vocational) of the Episcopal Church canonically resident in any of the five dioceses in Pennsylvania or to any such cleric living within Pennsylvania regardless of canonical residence.

Participation is now also open to Lutheran and Moravian clergy serving in Episcopal parishes. This insurance policy opens the door to every other benefit of participation in our programs of assistance; it is completely free of charge and requires only the most basic contact information. Once enrolled, the coverage and eligibility for assistance can never be lost, even by moving out of state or by ceasing to be actively engaged in ministry.

Beyond the basic enrollment policy, premium-based policies of life insurance can be purchased. These policies of up to \$150,000 based on the age at the time of purchase are issued on the basis of a fifteen-year premium payment period at rates that are highly subsidized by the earnings on the Corporation's investments.

Once the fifteen years of payments have been received, the policy is marked “Paid Up” and no further premiums are charged. It is our very long-standing practice to begin refunding the premiums in annual installments over the next fifteen years, though this program must be approved each year at the Annual Meeting.

Regardless of the Premium Refunds, however, the insurance never ends until the death benefit is paid out to the designated beneficiaries. In this way the policies are closer to the “whole life” model of commercial insurers even though the payment plans are more similar to the “term insurance” model.

Finally, any natural person or persons may be designated as the beneficiary of these policies of insurance, as well as religious and charitable organizations. In the event that no beneficiary has been named and no legal heirs can be identified at the time of death, proceeds of the insurance are paid to the diocese in which the cleric was resident at the time of initial enrollment.

Wellness Funds

Help for the Whole Family

During the lifetime of the enrolled clergy person, the Fund for Clergy and Clergy Family Wellness can be accessed for a variety of needs. While the most common uses of these funds are reimbursements of medical, dental and prescription drug expenses that have not been covered by medical insurance programs, they can also be requested for expenses of retreats, counseling, and other similar needs.

In order to request Wellness Fund assistance, a simple application is completed by the cleric and submitted to the diocesan bishop or designated pastoral care officer. This involvement of the bishop is primarily to enable the bishop to fulfill the obligation to see to the well-being of the local clergy.

When a Wellness Fund request is made, the bishop can see if other diocesan funds may be used to address the need and also can exercise such pastoral care as may be indicated by the situation at hand.

When the bishop has signed the application, it is submitted to the Corporation's office for payment. Payments can be made to the cleric as reimbursement for funds already disbursed or directly to service or care providers for fees yet to be billed.

And in one more effort to support the families of clergy, insured clerics are eligible for a Spousal Death Benefit of \$5,000 upon submission of a copy of the death certificate of the spouse or acknowledged life partner.



Family Grants

“... the orphans and widows in their distress...”

When the insured clergyperson dies, an early step for the surviving family to take is to contact the office of the Corporation to report the death. A copy of the death certificate is required in order to release the death benefit to the designated beneficiaries which is normally accomplished within a week of receiving the certificate.

After that, however, the surviving spouse is eligible to apply for need-based assistance for life or until re-marriage. This assistance is administered in three ways. The primary program is grants of Supplemental Income. These grants are intended to help provide a margin of income in excess of what is needed to cover fixed expenses such as housing and medical care. While the amount of this margin differs depending on the living circumstances (for example a young widow with minor children versus an older widow in a retirement community) the process begins with a simple application submitted in February for grants that are determined in March and distributed quarterly beginning in May.

Educational Assistance grants of up to \$5,000 per year can be made to the children of deceased insured clergy through the completion of their professional level education. These are also generally approved in March although requests can be submitted at other times as needed.

Finally, Emergency Aid can be provided to widowed spouses for any purpose at all. These are based on need and are highly individualized depending on the unique circumstances. It is important for all surviving spouses to remember that they may always inquire about the availability of assistance for any type of financial need that arises. These grants are made throughout the year as needed.

Summary of Programs

Enrollment

All Episcopal clergy living or canonically resident in Pennsylvania; Lutheran or Moravian clergy in Pennsylvania engaged in Episcopal ministries. \$1,000 free death benefit policy required to enroll:

**ClergyAssuranceFund.org/clergy/
enrollment**

Additional Coverage

At below-market rates:

24→40: to 150,000

41→50: 100,000

51→60: 75,000

61→72: 50,000

**ClergyAssuranceFund.org/clergy/
additional-coverage**

Wellness Fund

For all insured clergy and their families; applications to be approved by local bishop; \$5,000 maximum annual grant for medical expenses not covered by other insurance

**ClergyAssuranceFund.org/wellness-
fund-assistance**

Spousal Death Benefit

Spousal Death Benefit of \$5,000 to all insured clergy whose spouse or life partner dies

**ClergyAssuranceFund.org/spousal-
death-benefits**

Surviving Spouse benefits

Supplemental Income to bridge gap between income and expenses Emergency Aid for one-time expenses Education Assistance for children through completion of professional education

ClergyAssuranceFund.org/family



CERTIFIED PUBLIC
ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

*The Members of The Corporation for the
Relief of the Widows and Children of
Clergymen in the Communion of the
Protestant Episcopal Church in the
Commonwealth of Pennsylvania
Philadelphia, Pennsylvania*

We have audited the accompanying financial statements of The Corporation for the Relief of the Widows and Children of Clergymen in the Communion of the Protestant Episcopal Church in the Commonwealth of Pennsylvania, d/b/a Clergy Assurance Fund (a nonprofit organization), which comprise the statements of financial position as of March 31, 2021 and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Clergy Assurance Fund as of March 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 13 through 16 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

BBO, LLP.

Philadelphia, Pennsylvania
June 8, 2021

The Financial Statements that follow are abstracts from the full Audited Financial Statements. The full Audited Financial Statements are available upon request from the Treasurer.

STATEMENT OF FINANCIAL POSITION

March 31, 2021 and 2020

ASSETS	<u>2021</u>	<u>2020</u>
Cash (including money market funds of \$569,028 and \$318,143 in 2021 and 2020, respectively)	\$ 618,026	\$ 402,546
Investments	80,976,512	61,315,359
Investment income receivable	102,027	101,592
Premiums due and deferred	<u>14,880</u>	<u>15,735</u>
Total assets	<u>\$ 81,711,445</u>	<u>\$ 61,835,232</u>
 LIABILITIES		
Policy reserves for payment of future benefits	\$ 42,238,000	\$ 43,395,000
Accrued expenses	44,242	46,607
Grants payable	522,000	485,500
Premium refunds	<u>159,459</u>	<u>162,187</u>
Total liabilities	<u>42,963,701</u>	<u>44,089,294</u>
 NET ASSETS		
Without donor restrictions		
Operating	36,043,569	15,125,763
Board designated		
Endowment for spousal death benefits	2,500,000	2,500,000
Spousal death benefits funds	75,000	75,000
Grants	113,000	29,500
Yeates trust	<u>6,175</u>	<u>5,675</u>
	38,737,744	17,735,938
With donor restrictions	<u>10,000</u>	<u>10,000</u>
Total net assets	<u>38,747,744</u>	<u>17,745,938</u>
Total liabilities and net assets	<u>\$ 81,711,445</u>	<u>\$ 61,835,232</u>

See accompanying notes

STATEMENT OF ACTIVITIES

Years ended March 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
	<u>Total</u>	<u>Total</u>
REVENUE		
Premiums	\$ 120,902	\$ 97,152
Investment gain (loss)	<u>23,770,851</u>	<u>(6,694,623)</u>
Total revenue	<u>23,891,753</u>	<u>(6,597,471)</u>
 BENEFITS AND OTHER EXPENSES		
Death claims	2,848,195	1,211,060
Operating expenses	377,421	541,181
Premium refunds	150,000	155,000
Grants	<u>671,331</u>	<u>634,222</u>
Total benefits and other expenses	<u>4,046,947</u>	<u>2,541,463</u>
 CHANGE IN NET ASSETS BEFORE OTHER CHANGES	19,844,806	(9,138,934)
 OTHER CHANGES		
Actuarially required (increase) decrease in policy reserves	<u>1,157,000</u>	<u>(106,000)</u>
 CHANGE IN NET ASSETS	<u>21,001,806</u>	<u>(9,244,934)</u>
 NET ASSETS		
Beginning of year	<u>17,745,938</u>	<u>26,990,872</u>
 End of year	<u>\$ 38,747,744</u>	<u>\$ 17,745,938</u>

STATEMENT OF CASH FLOWS

Years ended March 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ 21,001,806	\$ (9,244,934)
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities</i>		
Net unrealized (gains) losses on investments	(21,041,136)	8,738,667
Net realized gains on investments	(1,990,900)	(1,114,519)
Actuarially required increase (decrease) in policy reserves	(1,157,000)	106,000
(Increase) decrease in		
Investment income receivable	(435)	8,005
Premiums due and deferred	855	6,267
Increase (decrease) in		
Accrued expenses	(2,365)	(104,662)
Grants payable	36,500	2,500
Premium refunds	(2,728)	(7,813)
Net cash used for operating activities	<u>(3,155,403)</u>	<u>(1,610,489)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	28,413,680	36,171,527
Purchases of investments	<u>(25,042,797)</u>	<u>(34,212,065)</u>
Net cash provided by investing activities	<u>3,370,883</u>	<u>1,959,462</u>
Net change in cash	215,480	348,973
CASH		
Beginning of year	<u>402,546</u>	<u>53,573</u>
End of year	<u>\$ 618,026</u>	<u>\$ 402,546</u>

THE CLERGY ASSURANCE FUND

Acting Committee

James L. Pope, Chair (*ex officio*)
Helen R. Bosley, CFA (term expires 2022)
The Reverend Rodger C. Broadley (term expires 2022)
Albert S. Dandridge, III, Esquire (term expires 2024)
The Rev'd Noah Evans (term expires 2025)
Dana B. Hall, CFA, MDiv, MFT (term expires 2023)
David P. Hegg, FSA (term expires 2023)
Clifford W. Kozemchak (term expires 2025)
SooHee Lee Lim, CFA (term expires 2024)

Investment Committee

SooHee Lee Lim, CFA, Chair
Albert S. Dandridge III, Esquire
Gordon B. Fowler, Jr.
Dana B. Hall, CFA, MDiv
Stephen B. Heimann, Esquire
James L. Pope
Louisa C. Ridgway
Donald H. Roberts, Jr.



Audit Committee

Theresa Rollins, Ph.D., CPA, Chair
Paul Spencer Adkins
Mary T. Campbell, CPA
Paul Dayton-Welch, CPA
Stephen B. Heimann, Esquire
Donald H. Roberts, Jr.
Kathleen A. Stephenson, Esquire

Nominating Committee

The Reverend Rodger C. Broadley
Gordon B. Fowler, Jr.
Shirley R. Gracie
The Reverend Thomas L. McClellan
The Very Rev'd Scott T. Quinn
Tamika Gephart
Neville Strumpf, Ph.D., R.N.

Secretary

Nolan N. Atkinson, Jr., Esquire
1819 John F. Kennedy Boulevard, Suite 424
Philadelphia PA 19103
Secretary@ClergyAssuranceFund.org

Chaplain

The Reverend Sherry A. Deets
610-213-7843 or 215-557-6960
Chaplain@ClergyAssuranceFund.org

Assistant Secretary

Kathleen A. Stephenson, Esquire
1819 John F. Kennedy Boulevard, Suite 424
Philadelphia, PA 19103

Treasurer & Executive Director

John A. Miller
Suite 424
1819 John F. Kennedy Boulevard
Philadelphia PA 19103
215 557-6960
Treasurer@ClergyAssuranceFund.org

Actuary

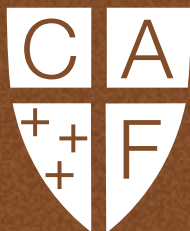
CPS Actuaries

Certified Public Accountants

BBD, LLP

Solicitor

Laura N. Solomon, Esquire



THE CLERGY ASSURANCE FUND

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