



**140th Annual Convention
of the
Episcopal Diocese of Newark**

Reports Filed by Title

Includes the Reports from:

Diocesan Council



Standing Committee



**Trustees of the Episcopal Fund
and Diocesan Properties**

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Reports received as of January 19, 2014

A COMMITMENT TO SERVE/VENTURE IN MISSION
(actsvim@dionewark.org)

ACTS/VIM is charged with financially supporting programs and projects that encourage both congregational development and community outreach. We honor this charge by granting, on an annual basis, monies to programs of our Diocese.

In 2013, ACTS/VIM gave 23 grants which totaled \$ 138,000 to congregations, social service organizations and Diocesan programs. The grants awarded, listed below, show the variety of ministries that are taking place in our diocese. It is rewarding to be part of the good work being done by the congregations of the Diocese.

In 2013, the Board continued to make the grant process as clear as possible to follow. We have streamlined the application and have provided support to grant applicants, especially for those applying for the first time. Aubrey Thompson and Reverend Margaret Otterburn have participated in workshops at convention so that potential applicants may come and learn the process and guidelines to insure success in their endeavor.

In 2013, ACTS/VIM began funding on an annual basis. We continue to look for ways to provide support and accountability to all organizations seeking grants, especially programs working with children and youth, feeding the hungry and sheltering our sisters and brothers.

It is a privilege to serve on this Board and to be able to help organizations within the Diocese live into our baptismal covenant. We thank you.

Board members: Ms. Linda Aprile-Soldwedel, Chair, Ms. Sheila Barcus, Ms. Pat Ferrin, Ms. Dee Field, The Reverend Kathryn King, Mr. Sidney King, The Reverend Margaret Otterburn, Ms. Cathie Studwell, Mr. Aubrey Thompson, Ms. Janice Walker, Ms. Carola Walton, The Reverend Michelle White and Mr. John A. King.

ACTS/VIM BOARD RECOMMENDATIONS – 2013 SPRING CYCLE GRANTS

Montvale, St. Paul's	Computer Outreach	\$1,350.00
Newark, Newark School of Theology	Newark School of Theology	\$9,000.00
Chester, Messiah	Senior Resource Center	\$9,000.00
Little Falls, St. Agnes'	Ecumenical Vacation Bible School	\$400.00
Washington, St. Peter's	Performing Arts Initiative	\$3,000.00
Hoboken, All Saints'	Jubilee Center Children's Program	\$6,000.00
Union City, St. John's	Puerta Abierta After School Program	\$10,300.00
Bayonne, Trinity Parish	Hand in Hand Music Program	\$2,700.00
West Orange, Holy Trinity	Food Pantry	\$6,000.00
Newark, North Porth	North Porch Centers	\$9,000.00
Newark, Deacons' Ministry	Tinning Center for Diaconal Ministries	\$3,735.00
Jersey City, Incarnation	Community Table Program	\$10,300.00
Newark, St. Andrew's	Vacation Bible School - summer camp - turning point.	\$3,825.00
Millburn, St. Stephen's	PATCH - Summer Drumming Project	\$3,600.00
Madison, Grace - Drew University	Drew University Chaplaincy Program	\$3,600.00
Hasbrouck Hgts - St. John the Divine	Care on the Corner	\$9,000.00
Bergenfield, All Saint's	Korean Culture School	\$6,000.00
Hope, St. Luke's	Haven of Hope for Kids	\$9,000.00
Hackensack, Christ Church	Christ Church CDC Volunteer Program	\$6,000.00
Clifton, St. Peter's	Peter's Haven Food Pantry	\$10,300.00
Newark, Prison Ministry	PATCH Coordinator Stipend	\$4,000.00
Englewood, St. Paul's	St. Paul's Choir School	\$3,600.00
Teaneck, Christ Church	After Schoool Program	\$8,290.00

ALLELUIA FUND

The Alleluia Fund supports outreach and social justice efforts seeking to make an impact in the communities of the Diocese.

Funding is focused on four specific areas:

Food for the Hungry

Shelter for the Homeless

Education for youth and adults, serving underprivileged or at risk individuals

International programs supported by communities of faith in our diocese, or their members

In November 2013, we initially awarded 35 grants which totaled \$103,000 to organizations that made a commitment that focused on one of the areas listed above. The Alleluia Fund continued to collect generous donations through the end of December, and the total funds that ultimately will be disbursed will be \$153,875, equal to the amount budgeted for domestic and international outreach for 2013.

In 2012, the Acts/Vim Board was given the privilege and responsibility of the funding portion of the Alleluia Fund. In 2013, The Acts/Vim Board along with members of the Alleluia Funding Board, administered the grant application process for this annual funding cycle. The application was reviewed and changes were made to streamline the process. Board members were available to advise applicants, if needed. Applications were received in September, site visits were scheduled, reports written and a full day of presentations took place in November.

It is quite an experience to witness the work being done by these organizations. Truly, it is a privilege to serve on this Board and be given the opportunity to be part of the work that is being accomplished.

Board members: Ms. Linda Aprile-Soldwedel, Chair, Ms. Sheila Barcus, Ms. Pat Ferrin, Ms. Dee Field, The Reverend Kathryn King, Mr. Sidney King, The Reverend Margaret Otterburn, Ms. Cathie Studwell, Mr. Aubrey Thompson, Ms. Janice Walker, Ms. Carola Walton, The Reverend Michelle White, Mr. Tom Bisdale, Ms. Mary Sunden, Mr. Michael Otterburn and Mr. John A. King.

ALLELUIA RECOMMENDATIONS – 2013 FALL CYCLE GRANTS (funds totals awarded in November)

Montclair Protestant Foundation	MSU Chaplaincy	2000
Communities of Faith for Housing	The Hoboken Shelter	5500
Phillip's Academy	Horizons Newark	2000
Newark School of Theology	NST Scholarship Program	1000
Chester, Church of the Messiah	Senior Resource Center	2000
Family Promise of Sussex County	Family Promise	3000
Newark, Apostles' House	Food Pantry	5500
Millburn, St. Stephen's Church	Drumming Program for PATCH	1500
Pompton Lakes, Christ Church	Shepherd's Haven Adult Day Center	2000
Belvidere, St. Mary's Church	Afghan School Project	1000
North Porch Women's & Infants Center	diapers and food supplements	5500
Arts Unbound Inc.	General Operating Support	500
Interfaith Food Pantry of the Oranges	Interfaith Food Pantry of the Oranges	2500
Boonton, St. John's Church	Cedar Hill CDC - Formation of Dance Academy	500
Fair Lawn, Church of the Atonement	Missio:Engage!	1500
NEWARK ACTS	The Moses Experience	5000
Greater Life Inc.	Kidstitute Entrepreneurial Training	1000
Teaneck, Christ Church	Christ Church Food Pantry	2000
Paterson, St. Paul's CDC	St. Paul's CDC Men's Shelter	5500
Global AIDS Interfaith Alliance	Rural Malawian Health & Education	8000
Newark, Grace Church	Food Pantry Support	2000
Bergenfield, All Saints' Episcopal Korean Church	NJ Hunmin Korean Culture School	1000
Hasbrouck Heights, St. John the Divine Church	Care on the Corner	1500
Madison, Grace Church	Drew University Chaplaincy	2000
Hoboken, All Saints' Church	All Saints Community Service & Development Corp	2000
Union City, St. John's Church	La Puerta Abierta Center	2000
Family Promise of Bergen County	Family Promise	5500
Garden State Episcopal CDC	Hudson CASA Recovery Support	3500
Hope, St. Luke's Church	Haven of Hope for Kids	2500
Hackensack, Christ Church	Christ Church CDC	5500
Homeless Solutions, Inc.	Morris County Homeless	4500
East Orange, Christ Church	Expansion of Current Food Ministries	1500
Clifton, St. Peter's Church	St. Peter's Haven	5500
Teaneck, St. Mark's Church	Math Adventures & Word Play	1000
Orange, Church of the Epiphany	Epiphany Food Pantry	2500

In addition, \$3000 was directed to be donated to ERD for Phillipine Typhoon Relief to match the necessary International funding requirements

ANNUAL REPORT FOR 2013

BISHOP ANAND RESOURCE CENTER

The Bishop Anand Resource Center, located on the first floor of Episcopal House, is a multi-media library for use by the clergy and laity of the Diocese of Newark. The center is committed to having up-to-date resources on the issues affecting our lives and the life of the church today. All materials may be borrowed free of charge. The Resource Center is accessible Monday through Friday between 8:30am-4:30pm and at other times as needed.

The Bishop Anand Resource Center continues to support over 85% of the congregations in the diocese. This is an increase of over 70% since 1998. The Resource Center continues to be an important and viable ministry of the Diocese as it lives into the mission statement:

*The Bishop Anand Resource Center **equips** in the following ways:*

- Is a valuable resource to all congregations, committees and commissions of the Diocese.
- Partners with congregations, committees, commissions and the people of the Diocese to help them move forward in their journey of faith.
- Provides resources and support so that congregations, committees and commissions can do the work they need to do.
- Continues to show value in spite of reduced financial resources.
- Maximizes discount opportunities to be split between congregations/diocesan entities/people and the resource center.

*The Bishop Anand Resource Center also **engages the world** by serving as a contact to those outside the Diocese seeking information and resource guidance. The director networks with peers around the country to continually find new ways to serve the congregations and people in the Diocese of Newark.*

*The Bishop Anand Resource Center also **empowers people** by providing guidance and resources to individuals as they move along on their spiritual journey.*

Additionally:

- The Resource Center has become a vital support partner to the Mission Strategy Team as well as for Clergy Conference.
- The Resource Center continues to be a place where the laity and clergy of the Diocese come for help and advice in addition to resources.
- The Resource Center has available for loan, multiple copies of Safeguarding God's Children for congregations to use for Children Abuse Awareness training for employees and volunteers as well as Preventing Sexual Harassment and Sexual Exploitation in Communities of Faith.
- The Resource Center has helped a growing number of congregations, commissions and congregational development initiatives obtain resources at a reduced cost by ordering in bulk and then being reimbursed, this includes calendars, bible study materials, and a variety of curricula.
- The director of the Resource Center continues to serve as a consulting resource, available to meet on and off-site with vestries and other congregational committees looking for guidance in meeting the needs of their adult, youth and children in programs such as Bible Study, Sunday school, confirmation, etc.
- The director communicates and networks with other Christian educators from around the country to share resources.
- The director is a staff representative and resource for Christian Formation, Liturgy and Music Commission, Namaste and Diocesan Council.

Respectfully submitted.

Kitty Kawecki
Director of Resources and Training, Bishop Anand Resource Center

The Commission on Ministry – Convention Report on 2013

The function of the Commission on Ministry is to assist individuals in the discernment of ministry. For some, this might be ordained ministry as a deacon or priest. For others this might mean a deeper commitment to lay ministry. We advise the bishop on the progress of those desiring to pursue ordination and those who have been admitted to the ordination process. The commission is divided into three committees: Committee on the Laity (COL); Committee on the Diaconate (COD); and Committee on the Priesthood (COP).

This year Bishop Beckwith approved the Committee on the Priesthood's suggestion to shift our diocesan ordination schedule. Traditionally, transitional deacons have been ordained in June, following completion of seminary. Then, they have been ordained to the priesthood in the following December. We have now shifted the ordination schedule approximately six months earlier. Under the new scheme, candidates will be ordained to the diaconate in late fall / early winter and then ordained to the priesthood in the following spring. This schedule change (though not without its challenges) provides several advantages: in many cases candidates will have the opportunity to serve as deacon in their field education parishes and in seminary; our ordinands are able to compete more effectively for increasingly rare church employment; and we will no longer have several ordinations during the busy and severe weather-prone month of December.

This year we said farewell to two faithful and hardworking members of the Committee on the Priesthood who both moved out of the diocese: Dr. Joanna Dewey and The Rev. Hal Hurley. Very special thanks for the extraordinarily dedicated service of the following COP members whose terms, unfortunately, are all ending: The Rev. Anne Bolles-Beaven (Education Chair), The Rev. Melissa Hall (Conference Chair), and Mr. David Sullivan (Documents Chair). Individuals appointed to full terms as well as those filling unexpired terms will be announced by the Bishop during the 2014 Diocesan Convention.

Transitions during 2013:

Admitted as Postulants:

Mr. Richard Hogue (All Saints' Church, Hoboken)

Mr. Young Suk Yoon (All Saints' Episcopal Korean Church, Bergenfield)

Ordained to the Diaconate:

The Rev. Allison Brundige

The Rev. Miguel Hernandez

Ordained to the Priesthood:

The Rev. Tim Carr

The Rev. Ellen Kohn-Perry

The Rev. Ron Young

Respectfully submitted,
The Rev. Thomas Murphy
Chair, Commission on Ministry

COMMUNICATIONS REPORT

Supporting Congregations' Communications Efforts

In 2013 the Communications office continued to focus on supporting church's communications efforts, expanding efforts started in 2012.

Five churches launched new sites through the **Church Website Project** (dioceseofnewark.org/church-website-project) in 2013: St. Matthew's, Paramus; St. Agnes', Little Falls; St. Dunstan's, Succasunna; St. Mary's, Sparta; and Trinity, Allendale. With the two sites launched in 2012, the total of launched sites is currently seven, and six more churches have sites in development.

One new resource for church communicators offered in 2013 was the **June Communications Workshop** with two of the foremost communications experts in the Episcopal Church, Jim Naughton and Rebecca Wilson of Canticle Communications. A repeat of this workshop is planned for 2014.

Another new resource for church communicators started at the beginning is the **new blog of 2014, *Geeks for God: Evangelism in the Electronics Era***.

The Communications Office continues to provide **free consulting services to churches** on issues around websites, e-newsletters and social media, as well as presenting **Vestry University workshops** on websites and social media.

Many thanks to diocesan staff member Randy Johnson and Technology Committee members Jan Paxton, John Rollins, Steven Boston, Christian Paolino for their invaluable assistance.

Diocesan Media

The diocesan **website** (dioceseofnewark.org) underwent a full review and interface upgrade during the summer of 2013. A major project planned for 2014, in partnership with the Hispanic/Latino Ministry, is the addition of a new section on the website, *En Español*, with resources for Spanish-speaking visitors.

The VOICE Online and Leadership News e-newsletters both continued biweekly publication throughout 2013, with each gaining about 200 new subscribers.

The diocesan **Facebook page** ([facebook.com/dionewark](https://www.facebook.com/dionewark)) acquired 160 new followers and as of this writing has 890. Followers of the diocesan **Twitter feed** (twitter.com/dionewark) more than doubled, to 930.

Meanwhile, membership in the **Newark list** (news@dionewark.org) continues its gradual decline as subscribers migrate to the more modern options. There are also 78 additional group-specific listservs, used by various diocesan groups, committees and staff.

Diocesan Communications Efforts

The Communications Office also continued to provide **support for Bishop Mark Beckwith's communications efforts**, including his blog, newspaper op-eds on social justice issues and two appearances on MSNBC's *Morning Joe*.

In 2013 extensive communications support was given to the Justice Board on issues including prevention of gun violence and awareness of human trafficking.

TECHNOLOGY REPORT

In 2013 **the three-year project to upgrade all Episcopal house computers was completed**; 2014 will be a "year of grace" in which no major hardware updates are planned.

This was our third year working with On-Site Technology to support and maintain our computer infrastructure and manage data backups, and we continue to be well-served by them.

Nina Nicholson

Director of Communications & Technology

DIOCESAN COUNCIL REPORT CONVENTION 2014
Equipping Congregations, Empowering People, and Engaging the World
...with the hope and justice of Jesus.

The Diocesan Council continued its work in a variety of ministry areas with energy and enthusiasm. The Council takes seriously its canonical responsibilities for long-range planning, determining program priorities and reviewing and evaluating the programs approved by the Convention. Much of its work is grounded in that intentionality and the mission statement of the diocese.

The Diocesan Council met in the months of January, February, March, April, May, June, September, October & November and December in 2013. In addition to the meetings held at St. Agnes' Church in Little Falls (to which the Council is grateful for its continuing hospitality) the Council met at St. John's, Passaic; The Seaman's Church Institute, Port Newark; and St. James' Church, Upper Montclair. In September the Council gathered for an overnight retreat designed as a fully incorporated worship experience, with Lessons for as a Bible Study on Friday Night, followed 'an Exchange of the Peace' in which we welcomed visitors to meet with the Council: The Hispanic Ministries Commission, Anthony Briggs From Cross Roads, and Laura Russell from the Justice Board. The guests all presented topics which the Action Teams Engaging, Empowering & Equipping (respectively) met at length with them, discussed and planned the road ahead. The retreat ended with the celebration of the Eucharist. Council Teams also reviewed and established goals for the upcoming year reflecting the discussions with the various partners in ministry.

Diocesan Council has a tradition of hosting meetings in various locations within the diocese. The Council has realigned it's meeting itinerary to meet at our 'winter home' of St. Agnes' in Little Falls – the familiar central locale and proximity to main highways makes it ideal for the dark winter months travels. Other months will take us to three church locations around the diocese, including one intentional trip to a geographical 'extreme' (in any direction) to demonstrate a willingness to be 'all in this together'. Other meetings will be held at our Ministry centers, whether it's Senior Housing Center, Seaman's Institute or another such location. Though we have enjoyed our retreats at Sacred Heart center in Newton, our intention is to in the future move the Council Retreat to Cross Roads, which has a beautiful, functional facility – *the Christ Center*.

Membership on Council this year met with a lot of transitions, as new members joined Council, and other people left to accept new calls or other various life transitions. Meeting attendance was steady, but there is a definite need to re-establish a routine for filling vacancies quickly and efficiently, working with Districts to communicate departures and vacancies and bringing new talent on to the Council. Invariably some of this issue was due to the transition of the Secretary's office, and as we move forward with a more well established communication process and familiarity of personnel, this issue should quickly dissipate.

Each member participated in one of the three action teams of Council. Each team had two co-conveners who were also members of the Steering Committee, which oversees the work of Council. The action teams were assisted by the members of the diocesan leadership team. During the year, the action teams established goals that were periodically reviewed. In 2011 the teams were aligned with the three major funding sources: Equipping Congregations – Ward J. Herbert Fund Board; Empowering People – Marge Christie Congregational Vitality Fund Board ; and, Engaging the World –

ACTS/VIM Board; and in 2013 the teams continued to review and recommend the funding for the larger council approval.

The Steering Committee (comprised of the co-conveners of the three action teams) in consultation with the Bishop's staff prepared the agendas for Council meetings. The Steering Committee members were: The Rev. Barrie Bates and Mr. Alan Bowen for Equipping; Ms. Martha Reiner and The Rev. Timothy Burger for Empowering; and The Rev. Manoj Zacharia and Mr. Thomas Bisdale for Engaging. The Rev. Ginny Dinsmore had been co-chair of Empowering, but resigned the post when she took the Diocesan Position of Coordinator of Mission Strategy. For various unrelated reasons this fall, all three remaining clergy co-chairs have since stepped down, but the remaining leadership is quickly identifying new leaders to take on these positions quickly after Convention in time for our February meeting.

The Empowering action team has been working to strengthen relationships with Cross Roads Camp, having taken a field trip to see the camp in action in July. A number of topics were discussed including how to raise the profile of this valuable asset of Christian Formation within our own Diocese. They are also working closely with MSC on Spiritual Autobiographies.

The Engaging action team worked on a number of initiatives this year, most notably the Wealth Disparity study which they are presenting to this 140th Convention. Also collaborated with the Justice Board to investigate ways to raise awareness of Human Trafficking in advance of the 2014 Super Bowl, to be played within our own diocese.

The Equipping action team spent a good deal of time working with Jersey City Area Ministry. The efforts resulted in a consensus building effort to implement new guidelines for drawing on JCAM endowment funds, which all three Jersey City congregations agreed to. The culmination of these efforts was a unique event, sponsored by the Equipping team which for the first time in recent memory involved members of the three governing bodies – Council, Standing Committee, and the Trustees, along with various members of the Episcopal House Staff, including Bishop Beckwith, Canon Jacobs, the CFO, The Director of Administration, Director of Communication and the Coordinator for Mission Strategy, on a bus tour to visit and hear from all three congregations, the GSEDC and some of the sites of Episcopal significance in Jersey City. In all, 28 people joined in listening, sharing the collective knowledge, and enjoying each other's fellowship, and the hospitality of three unique congregations who are envisioning and collaborating together on a future of mission and ministry in Jersey City.

The Finance and Budget Committee of Diocesan Council met during the year and recommended a balanced budget for 2014. The committee hosted a budget review forum in October 2013. And in response to feedback during budget hearings at Convention, the Finance and Budget Committee presented a revised process that enabled individuals and organizations to request funding. Council accomplishments and actions during the year included but were not limited to:

- Adopted the diocesan budget for recommendation to the 140th Annual Diocesan Convention
- Reviewed and recommended seven medical health plans for 2014. The plans were the same as the year before, with an average increase of 4.5%
- Adopted policies on Expense Report Submissions
- Endorsed requirements for Health and Pension reporting as compliance issues for funding of grants.
- Ratified grant recommendations from the ACTS/VIM Board, the Alleluia Fund

Committee, Marge Christie Congregational Growth and Vitality Fund and the Ward J. Herbert Fund Board, and loans from the Episcopal Capital Loan Fund (ECLF).

- Ratified the scholarships and grants awarded by the Oasis Commission.
- Elected trustees to the boards of Rutherford Senior Manor, Nutley Senior Manor and Hillsdale House and Episcopal Community Development Corporation, Cross Roads Camp & Retreat Center.
- Ratified revisions to By Laws for Episcopal Community Development Corporation, Cross Roads Camp & Retreat Center, and Nutley Senior Manor.

Minutes from the monthly meetings are posted at

<http://www.dioceseofnewark.org/council> Diocesan Council members were:

Elected by Districts

Mr. Thomas Bisdale, Grace, Westwood; Mr. Alan Bowen, St. Peter's, Morristown; The Rev. Timothy Burger, All Saints', Glen Rock; Mr. T. Donald Cairns, St. Clement's, Hawthorne; The Rev. Kevin PJ Coffey, Church of the Atonement, Fair Lawn; The Rev. Sheelagh Clarke, St. Stephen's, Millburn; The Rev. Deborah Drake, St. Agnes', Little Falls; Ms. Edith Gallimore, Trinity & St. Philip's Cathedral, Newark; The Rev. Chuck Hatfield, St. Peter's, Mountain Lakes; Ms. Naomi Horsky, St. Gabriel's, Milton/Oak Ridge; Ms. Lorraine Jones, Epiphany, Orange; Mr. George Kooney, Trinity Church, Cliffside Park The Rev. Thomas J. Mathews, Jr., St. Luke's, Phillipsburg; Ms. Barbara Piccirillo, St. Dunstan's, Succasunna; Ms. Martha Reiner, Grace, Nutley; The Rev. Robert Rhodes, Grace Church, Westwood; The Rev. William Thiele, St. John's, Passaic; The Rev. Diana Wilcox, St. Luke's Church, Montclair.

Bishop's Appointments

The Rev. Barrie Bates, Grace Van Vorst, Jersey City; The Rev. Dr. Allison Moore, Good Shepherd, Fort Lee; The Rev. Manoj Zacharia, St. Paul's & Resurrection, Wood-Ridge

Officers

The Rt. Rev. Mark M. Beckwith, *President*; Mr. Paul Shackford, *Treasurer*; Mr. Michael Francaviglia, *Secretary*, Mr. John A. King, *Incoming Secretary*

Diocesan Leadership Team

Ms. Kaileen Alston; The Rev. Ginny Dinsmore; The Rev. Canon Greg Jacobs; Ms. Kitty Kaweck; Ms. Kay Lark; Ms. Nina Nicholson

Chancellor

Diane Sammons, Esq., *Chancellor*

Respectfully Submitted by Mr. John A. King (Secretary)

with multiple excerpts from the Rev. Ginny Dinsmore's report from 2013.

THE ACTIVITIES OF THE DIOCESAN INVESTMENT TRUST IN 2013
REPORT TO THE 140th CONVENTION, JANUARY 2014

The Diocesan Investment Trust (DIT) oversees the investments of the Diocese of Newark, the investments of those congregations that choose to place their investments with the DIT, and certain clergy housing equity accounts. The DIT has approximately \$50 million under management as of December 31, 2013. The funds are placed with TIAA-CREF Trust Co.

The strategy of the DIT is to invest in a highly diversified portfolio of some 16 equity and fixed income mutual funds that have very low embedded costs. Some of these funds are index funds. The DIT does not invest in individual equities or bonds which would be likely to involve more portfolio risk and higher costs. The DIT adopts a passive investment approach, although changes in portfolio allocations and individual mutual funds are made from time to time. For example, within the past two years the DIT decided to reduce the allocation of assets in real estate investment mutual funds and in micro-cap company mutual funds, and to increase the allocation in mid-cap company mutual funds.

Diocesan investments are currently allocated 74% to equities and 26% to fixed income (the "Growth" portfolio). This fund has increased 19.8% in the year 2013, equal to the benchmark of 19.8%, and 13.8% a year on average since inception in 2008. The all equity portfolio increased 27.1% in 2013 (equal to its benchmark), while the all fixed income portfolio decreased 0.1% (compared with a benchmark decrease of 0.7%) in 2013.

The investments of individual congregations and clergy are invested among the available portfolios according to the wishes of the account owners.

The DIT has continued to make itself available to talk with individual congregations about the options and advantages of investing under the DIT umbrella with TIAA-CREF, and several conversations were held in 2013. In addition, a DIT member presented information about the DIT at the Vestry University session in October, 2013. These and other approaches are continuing to be successful – over 30 churches currently have investment accounts with the DIT. Key investment information is available on the Diocesan website.

The back office operations are handled by TIAA-CREF Trust Co. TIAA-CREF adopted new procedures for handling individual monthly account reporting in 2013 which has reduced the amount of time required to distribute account balance information to investors.

Two resolutions were presented at the 139th Convention calling on the DIT to study the impact of investing in banks and fossil fuel companies. The DIT and diocesan Chief Financial Officer spent considerable time during 2013 researching and investigating these issues, and met with the Trustees of the Diocese to get its input. Two reports were written and were submitted for inclusion in the reports made available to the 140th Convention.

The members of the DIT in 2013 were:

Officers:

President: The Rt. Rev. Mark Beckwith, *Ex-Officio*

Vice President: C. Mark Dadd

Secretary: Paul R. Shackford, diocesan Chief Financial Officer

Trustees:

The Rev. Lauren Ackland

Mr. Frank Failla

Ms. Sandra Johnson

Mr. Howard Mackey

Mr. Don Nagle

Submitted,

Mark Dadd

Vice President, Diocesan Investment Trust

January 15, 2014

REPORT TO THE 140TH CONVENTION

REPORT ON THE IMPLICATIONS OF DIVESTING INVESTMENTS IN FOSSIL FUEL COMPANIES AS REQUIRED BY 2013 NEWARK DIOCESAN CONVENTION RESOLUTION 2013-04

Overview

This report is the joint response of the Trustees of the Diocesan Investment Trust (DIT), the Trustees of the Diocese, and the diocesan Chief Financial Officer to Resolution 2013-04 (the “Resolution”), adopted by the 139th Diocesan Convention, to analyze the impact of requiring the divestment from endowment and investment funds within five years from:

(a) Direct ownership and ownership of any commingled funds that include public equities and corporate bonds of the world’s leading 200 fossil fuel companies as identified by the Carbon Tracker Initiative; and

(b) Reinvesting the divested amount in companies or commingled funds whose primary focus is renewable energy development.

The full Resolution adopted is attached as Annex A.

The Resolution required the report to be presented to the 140th Convention.

This report addresses the impact of the Resolution on DIT portfolio costs and risks, the governance issues for the DIT and Trustees of the Diocese, how other organizations are responding to similar proposals, and the effectiveness of divestment as an approach to change the behavior of fossil fuel companies.

Congregations investing their own endowments with the DIT (about 30) and the holders of clergy housing equity accounts (about 22) would be similarly impacted.

Executive Summary

Fossil fuel use and global warming pose significant social and policy challenges. The issue for us as stewards of the earth’s resources is how best to respond to those challenges.

General strategy

A substantial debate has emerged recently about whether to pursue a path of divestment of fossil fuel stocks or to use the power of the stockholder to influence corporate behavior. We believe that engaging on corporate issues with the power of proxies is likely to be more effective than

divesting, which essentially is a policy of opting out. This view is gaining substantial support—The Episcopal Church is of that opinion according to its Treasurer, as is Church Pension Group with \$12 billion in assets, as well as the Harvard University Endowment and Swarthmore, to name just a few organizations.

More fundamentally, what drives corporate behavior most directly are changes in consumer buying decisions. These require changes in government policies and effective consumer prices. Participation in movements to change government policy seems to be a more effective route.

The impact of divestiture on Diocesan investments

1. There is no likely scenario that we can think of that divesting all direct or comingled investments in the named 200 fossil fuel companies would reduce costs, raise returns or reduce risk. The issue is how great the *adverse* impacts would be. The DIT, Trustees of the Diocese, and the diocesan Chief Financial Officer therefore strongly recommend against the adoption of any such divestiture Resolution.
 - a. It is not possible to estimate precisely the likely increase in costs because there are no examples of such appropriate funds presently. However, we anticipate additional first year transfer costs could approximate \$125,000 for the DIT. We also know that transferring from the current broadly available funds to new customized and specialized *funds* that fees would go up, and could amount to *\$410,000 annually*, representing a significant reduction in that amount for Diocesan outreach and other ministry programs. If the DIT was forced to move to a portfolio of *individual stocks and bonds*, costs could increase by an additional *\$750,000 annually* over our current costs. Therefore, total costs in the first year alone could increase in an amount ranging from \$535,000 to \$875,000.
 - b. Higher costs lead to either (a) lower values of investments or, more likely, (b) the decision to reduce the annual amounts available to use for programs each year. An increase of an additional 1% or 2% in costs *would reduce the \$2.0 million currently used for outreach and ministry support by \$500,000 or \$1.0 million, respectively*. This would substantially and negatively affect the amount of funds available for diocesan and congregational programs and ministries.
 - c. *We would expect portfolio returns to be lower*. The U.S. energy sector has outperformed the US general market by 5.8% annually 2000-2013. Energy companies have significantly outperformed the general market since 1950.
 - d. Any requirement to use the divested proceeds to purchase stocks or comingled funds in renewable energy companies would produce a heavy concentration in somewhat risky investments and is not recommended. The evidence from 2000-2013 indicates

renewable energy companies have underperformed the overall U.S. market by 12.7% a year.

- e. Portfolio risks would also likely be higher, reflecting the lower diversification in the portfolio with fossil fuel companies removed.
2. There would be considerable practical difficulties. We would need to find a manager who would be prepared to separately account for our 180 subaccounts, which would be likely to add further to portfolio costs and risks. There currently are no known funds that are broad based and exclude the named 200 fossil fuel companies and are of significant size.
3. If adopted, congregations would be less likely to invest their endowments with the DIT. The DIT has already lost a \$1 million investment from a congregation that was averse even to the potential of being required to exclude investment in fossil fuel companies.
4. Trustees of the DIT and Trustees of the Diocese might well feel that such major constraints in investment options that increase portfolio costs and risks raise significant issues of fiduciary duty in law in the management of Diocesan investments which they might not be prepared to accept.

Detailed Findings

1. The potential portfolio cost and risk impacts and the practicality of adopting the divestment and reinvestment resolution

Much of the public discussion about divestment to date has been about the merits of a more responsible energy policy that reduces fossil fuel use and global warming. It has not been about the costs to endowments of adopting the new policy. So far, the debate appears to have been framed around emotion rather than analysis.

The essential analytical problem is that there is no history or road map of how to implement such a large radical change in investment policy, and so no hard estimates of what it will cost or the risks involved. The following discusses and illustrates the possible impacts. *However, it is worth pointing out that there is no scenario that we can think of that would reduce the costs of managing the endowment or enhance investment performance.*

Possible cost impacts:

The investments currently managed by TIAA-CREF for the DIT, including direct investor accounts by congregations, amount to some \$50 million and are in 13 funds. The average fund internal costs are equivalent to 0.38% of the endowment value annually. These funds are passively managed or are index funds with low turnover to keep costs low.

The likely cost increases:

- a. Transferring to a new set of investments is likely to add to costs in the year of transfer. Costs to convert comingled accounts to separate accounts that conform to the Resolution are unknown but are likely significant. Costs could be incurred if some managers are unwilling or unable to provide investment management services with this restriction. In such a case a change in managers would require Request for Proposal processes, manager selection efforts and contract negotiations. Transfer costs also include any repurchase and sale fees on any new or existing funds. The State of Vermont has assumed that, for its state pension fund, the cost would be 0.25%—equivalent to \$125,000 for the DIT’s managed portfolio.
- b. The DIT’s current investments are in 13 broadly available low cost funds. We understand that nearly all of those funds contain one or more of the named 200 companies. It is inevitable that new fossil free customized portfolios would have higher recurring fees, particularly for the less common small cap, foreign and emerging market sectors. There are no funds of significant size currently, so we do not know what the extra fees would be. As an illustrative estimate, if we arbitrarily assumed that the extra costs are equal to the current difference between the average internal (embedded) costs of the current DIT passively managed portfolio of funds (0.38%) and the average of all US mutual funds, including actively and passively managed funds (1.2%), then the cost increase would be 0.82% annually, equivalent to \$410,000 a year over the entire DIT portfolio.
- c. If the DIT was forced to move to a strategy of investing in a portfolio of individual stocks and bonds (a “separately managed account”) because an adequate number and type of fossil free funds were not available, then the costs would also be higher than currently, although the amount would depend upon how any new investment strategy was implemented and negotiated. There is a huge variation in the management costs/fees for separately managed stock accounts, mostly depending upon the size of each account and whether the companies invested in are large or small, domestic or foreign, and easily traded or not (per a Vanguard July 2005 research study). The Board of the DITs think the annual cost would likely be greater, perhaps an additional 1.5% annually, equivalent to an additional \$750,000 annually over current costs.

In summary, total additional costs to the DIT in the first year could amount to the sum of (a) and (b) above, or the sum of (a) and (c) above—some \$535,000 to \$875,000, respectively.

The impact of higher costs on endowment dollar draws

Each year a portion of endowment fund is used, and the DIT (as well as most endowment funds) determines a “draw rate” to determine the amount to use. This draw rate and the resulting dollar draw is intended to be an amount that, over the long term, protects the long-term value of the fund and does not deplete it.

The impact on dollar draws will depend upon how the Diocese reacts to higher management costs: (a) it could keep the current annual percentage draw rate unchanged at 4% and accept the faster depletion of the endowment, or (b) more likely, it would lower the draw rate to reflect the higher costs, at least in part, as it seeks to maintain the real value of the endowment.

- (a) The current annual draw rate is 4% of the 12 quarter moving average of the past endowment values. The costs of TIAA-CREF endowment management are directly borne by the endowment. The dollar draw would be calculated by applying the percentage draw rate to the endowment value that would be diminished each year by the higher endowment management costs. Consequently if we continued with the 4% draw rate, the higher costs would not have a dramatic impact on dollar draw amounts in the first few years. Rather, the impacts start relatively small, but grow progressively and inexorably over time as the endowment value is depleted by the higher costs.

A simple example illustrates the potential reduction in annual dollar draws over time assuming a draw rate of 4% on \$50 million (some \$2.0 million annually currently) that results from the more rapid depletion of endowment values:

Year	Base case: No cost change (\$)	1% additional annual costs (\$)	1.5% additional annual costs (\$)	2% additional annual costs (\$)
First year	No change	\$ (20,000)	\$ (30,000)	\$ (40,000)
Year 10	No change	\$(191,236)	\$(280,539)	\$(365,854)
Year 20	No change	\$(364,186)	\$(521,727)	\$(664,784)

Note: Annual draw at 4% on the endowment value of \$50 million would be \$2.0 million.

- (b) However, it is most likely that many Trustees of the Diocese and the DIT would not be prepared to accept maintaining a draw rate that resulted in a conscious and inexorable depletion in the real value of the endowment from much higher costs. They would likely feel substantial pressure to reduce the current 4% annual draw rate to a lower figure. *If costs were 1% higher a year, then a 3% draw rate would reduce the dollar draw by \$500,000 a year. If the costs were 2% higher a year, then the annual 2% draw rate would reduce the dollar draw by \$1 million a year.*

This would result in a substantial reduction in some of the key programs of the Diocese. The Ward J. Herbert Fund, for example, with an endowment balance of \$5.4 million, would see its \$216,000 current annual distribution reduced to \$162,000 at a 3% rate or to \$108,000 at a 2% rate. Similarly the ACTS/VIM Fund, with a \$4.4 million endowment and which has a current annual distribution of \$176,000, would see its annual distribution reduced to \$132,000 at a 3% rate or to \$88,000 at a 2% rate.

Not all of the funds rely on distributions of 4% per year since some are not restricted to a percentage limitation or do not permit annual withdrawals (e.g., the lay pension plan and clergy housing equity accounts). However, as a way of showing the impact of having to

reduce the percentage rate due to higher fees, annual distributions of \$2.0 million (if all \$50 million were subject to the annual 4% rate) would be reduced to \$1,500,000 at a 3% rate or \$1,000,000 at a 2% rate.

Portfolio performance:

Ideally, it would be useful to compare directly past performance of a fossil fuel market index, a renewable energy companies index, and the general market index. Unfortunately, a fossil fuel company market index is not available and could not be created without considerable expense, so for these purposes we have used an energy index. Fossil fuel companies currently comprise some 70% of the energy sector S&P 500 according to TIAA-CREF. All these indexes show returns before any costs or expenses.

Total Returns 12/31/2000 – 8/15/2013		
Index	Cumulative Return (%)	Annualized Return (%)
S&P 500 Energy Index (US)	226.4	9.8
Wilderhill Clean Energy Index (US)	-68.3	-8.7
S&P 500 Index (US)	62.9	4.0

Source: Data provided by TIAA-CREF.

These data indicate that energy companies, and therefore likely fossil fuel companies, have substantially outperformed the overall market since 2000 (by some 5.8% a year according to the data shown above), and have even more substantially outperformed the renewable energy sector (by 18.5% a year). TIAA-CREF informs us that it believes this index is representative of the renewable energy sector. Clearly, the concern must be that divestment from fossil fuel companies and investment in renewable energy companies could severely hurt portfolio performance.

These performance data should be interpreted with care for many reasons. In particular, it should be noted that the total energy sector has been used as a proxy for fossil fuel companies, and the data reflect only the U.S. market and not the global market (many of the 200 fossil fuel companies are foreign companies). Moreover, energy prices tend to move in long term cycles so any particular shorter term period might provide different relative results. However, since 1950, the U.S. energy sector has been a consistent outperformer of the general market.

These relative performance numbers suggest that relative performance changes have the potential to reduce the overall portfolio performance over time even more substantially than potential cost increases.

Risks:

Investing in these restricted pooled funds, even if available, would be expected to involve additional investment risk from reduced diversification; these 200 fossil fuel companies

represent 7.5% of the S&P 500 index and are also heavily represented in funds of foreign as well as small and mid-sized US companies.

Practicality:

The availability of a single equity and a single fixed income fund that is fossil fuel free is not sufficient to enable the continuance of the current DIT investment strategy. Rather, a number of such funds are required that have the styles and characteristics of the funds currently held. The DIT has 13 funds across a broad spectrum intended to provide maximum performance at the lowest risk (e.g., small cap, international and emerging market companies). Most of these funds contain one or more fossil fuel companies. It is most unlikely that 13 new fossil free funds would be available to match the current DIT portfolio of funds without contracting with management companies to construct a customized portfolio especially for us.

Moreover, our current manager TIAA-CREF requires a minimum three-year performance record and subjects new funds to rigorous screens before they recommend them to their investors, like the DIT.

The DIT requires that the fund manager, currently TIAA-CREF, provide sub-account accounting and information for some 180 subaccounts. There are very few organizations that would be prepared to do so without a substantial additional fee, and there is no guarantee that one could be found with the DIT's current investment strategy.

The principles of socially responsible investing (SRI) could change over time. Thus the acceptable SRI funds might have to adjust to include many more prohibited companies or sectors—implicated financial institutions, gun manufacturers, etc. It is virtually impossible to imagine that specific pooled funds would be available to cover a wide range of potentially changing prohibitions. This would require the DIT to move to investing in a portfolio of individual stocks and bonds, with the resulting higher costs that would likely be involved than if it were able to move to funds of fossil fuel companies, if such funds were available.

2. Reinvestments in renewable energy companies

The requirement to use the divested proceeds to purchase stocks/bonds or comingled funds in renewable energy companies represents a directive which would produce a heavy concentration in somewhat risky investments given that many of these companies are likely to be using emerging and not fully understood or developed technologies and that the economics of these technologies are not fully known. The recent bankruptcy of Solyndra is an example of the uncertainties involved. Moreover, as noted earlier, the Wilderhill Clean Energy Index performance suggests that renewable energy companies have *underperformed* energy companies and the overall U.S. market by a substantial margin since 2000 (5.8% and 18.5% a year, respectively). In addition, the Resolution does not indicate when such renewable energy investments could be liquidated.

3. Governance issues

Trustees of the DIT and the Trustees of the Diocese might well feel that such major constraints in investment options that increase investment risk, diversification risk, and investment costs raise significant issues of fiduciary duty in law in the management of the Diocesan investments which they would not be prepared to accept.

4. How are other endowments dealing with similar proposals?

There has been a growing movement over the past year, particularly on U.S. college campuses in the Northeast, calling for the divestment of fossil fuel companies in college endowments. There clearly is interest in this movement. However, the debate is ongoing and it is not yet clear how it will play out.

We are not aware of any systematic data on how other organizations are dealing with proposals to divest the 200 fossil fuel companies. Anecdotally, it appears that a few organizations are adopting such policies as a matter of principle because they believe it is the socially responsible thing to do. It is also clear that a large number of endowment trustees are pushing back very strongly, particularly where a fundamental change in investment management approach will be required and costs are likely to be higher and net returns lower.

The publication "University Business" reported in May 2013 that only five colleges have formally agreed to divest the 200 companies from their investments. These are College of the Atlantic (Maine), Sterling College (VT), Unity College (Maine), Hampshire College (Mass) and Green Mountain College (VT).

The New York Times reported on July 4, 2013 that the United Church of Christ had become the first American religious body to vote to divest its pension funds and investments from fossil fuel companies because of climate change concerns. It voted to divest in stages over the next five years but it left open the possibility of keeping some investments if the fossil fuel companies meet certain best in class standards. The Resolution calls on the institution to create an investment fund that does not contain fossil fuel companies within 18 months and to develop a plan to divest completely by 2018. It is not clear at this stage whether the fund would need to be developed in house or by an outside fund company, but in either case we can assume that substantial additional costs would be involved.

We understand that Harvard University also has decided not to divest since it would give up its power as a shareholder.

The Episcopal Church (TEC) has responded to our inquiry regarding divestiture from fossil fuel companies. Its current thinking is that divesting from fossil fuel companies does not necessarily change public policy, and it is public and taxation policy that should be changed to encourage greener thinking and activities. The Executive Council of TEC has included modest funding for

a study of the impact of TEC's investments in energy stocks on environmental justice with the goal of initiating a more active corporate engagement process related to its assets in energy companies. The Executive Council does not intend to divest but rather use its holdings as a way to have a voice in the discussion.

The Church Pension Group, which manages approximately \$12 billion in assets on behalf of Episcopal clergy and lay employees, has decided at this time not to address the issue of divesting of fossil fuel companies. It advised us that it prefers to use its efforts to promote actions rather than divest of companies.

5. The effectiveness of divesting fossil fuel companies as an approach to changing corporate behavior

The motivation of the proponents of divestment appears to be to make a statement about their concerns of the adverse impact of the use of fossil fuels on the environment. They hope their actions will help stimulate and shape future public debate on corporate actions and on government environmental and energy policy. They also hope that divestment will negatively impact corporate share prices and profits, forcing corporations to change.

Divestment campaigns in recent years have targeted a wide range of issues, including foreign sweatshop clothing manufacturers, banks, and manufacturers of landmines, guns, and tobacco. The most well-known divestment campaign occurred in the 1970s and 1980s in response to apartheid in South Africa.

The popular view is that divestment from the shares of South African companies was a success—that the targeted companies' stock prices were lowered and that they and the government were forced to comply with public pressure to change their apartheid policies. However, this popular view has been challenged. In a 1999 study, Ivo Welch and C. Paul Wazzan examined the impact of divestment from banks and corporations in South Africa and found that these campaigns had no impact on public stock market valuations. Indeed, they concluded that the success of the campaign to change South Africa's apartheid policies was more likely the result of the trade and other embargoes that had the cumulative impact of isolating South Africa.

Indeed, the case for using divestment to achieve social or political results is not clear cut:

1. The most direct way of changing the amount or type of fossil fuel production is by changing consumer demand. This is encapsulated in economics by *Says Law* which can be summarized by the phrase "the purpose of production is consumption." Programs that exhort changes in corporate actions are unlikely to be successful if corporations are producing what consumers want, unless governments limit by law what consumers can buy.

2. It is not clear that divestment actually hurts companies. Selling shares only transfers ownership to other parties that care less about the issue than the seller does. In the global financial marketplace, there are plenty of willing investors.
3. Divestiture leaves organizations voiceless in proxy actions and other ways. Many activists believe that shareholder advocacy is more effective than divestment.
4. There is no comparable model in society that indicates that opting out by divestment is the best way to solve a problem. Rather the opposite seems to be true – stay in and engage to change things.
5. In sum, the concerns of the fossil divestment campaign is a cause rooted in legitimate concerns and founded with good intentions, but the proposal is arguably not an effective instrument to force change.

Conclusions and Recommendations

1. The DIT, Trustees of the Diocese, and the diocesan Chief Financial Officer strongly recommend against the adoption of any resolution that requires the Diocese and effectively its direct investors to divest all direct or comingled fund investments in the named 200 fossil fuel companies. There is no likely scenario that we can think of that would reduce costs, raise returns or reduce risk. *The issue is how great the adverse impacts would be.*
2. It is not possible to estimate precisely the likely increase in costs because there are no examples of such funds presently. However, we expect them to be higher. The first year transfer could be 0.25% (\$125,000 for the DIT) using the State of Vermont's assumed costs. We also know that transferring from the current broadly available funds to new customized and specialized funds that fees would go up. For illustration, if we take the difference of the 0.38% embedded fees on the DIT/TIAA-CREF portfolio and the average fees for all US mutual funds of 1.2%, then the 0.82% fee increase would amount to \$410,000 annually, and represent a reduction in that amount for Diocesan programs. If the DIT was forced to move to a portfolio of individual stocks/bonds, the DIT board members believe the cost increases could be significantly higher (an estimate is an additional \$750,000 over our current costs). *Therefore, total costs could increase in an amount ranging from \$535,000 to \$875,000.*
3. We would expect portfolio returns to be lower. The U.S. energy sector, 70% of which is fossil free companies, outperformed the US general market by 5.8% annually 2000-2013. Though future relative returns could certainly be different, it is noteworthy that energy companies have significantly outperformed the general market since 1950.

4. Any requirement to use the divested proceeds to purchase stocks or comingled funds in renewable energy companies would produce a heavy concentration in somewhat risky investments and is not recommended. The evidence from 2000-2013 indicates renewable energy companies have underperformed the overall U.S. market by 12.7% a year, using the Wilderhill Clean Energy Index.
5. Portfolio risks would also likely be higher. This reflects the lower diversification in the portfolio with fossil fuel companies removed, particularly given that the energy sector has a lower correlation with the rest of the stock markets than most sectors.
6. There would be considerable practical difficulties of making the change, such as finding a manager who would be prepared to separately account for our 180 subaccounts, which would be likely to add further to portfolio costs and risks. There currently are no known funds that are broad based and exclude the named 200 fossil fuel companies. We would need 13 such funds in our main areas of investment if we are not to be forced to change our investment style.
7. If adopted, Congregations would be less likely to invest their endowments with the DIT. The DIT has already lost a \$1 million investment from a congregation that was averse even to the potential of being required to exclude investment in fossil fuel companies.
8. Trustees of the DIT and the Trustees of the Diocese might well feel that such major constraints in investment options that increase portfolio costs and risks raise significant issues of fiduciary duty in law in the management of Diocesan investments which they might not be prepared to accept.
9. There is little evidence that divestment is an effective instrument to force change in corporate behavior. Many believe that shareholder advocacy is a more effective strategy. The Episcopal Church's Executive Committee believes that divestment does not necessarily change public policy and that policy change is required to encourage greener thinking and activities. Instead it is working towards a goal of initiating a more active corporate engagement process.
10. Church Pension Group, which manages \$12 billion of assets for the benefit of Episcopal clergy and lay individuals, does not screen its holdings to remove fossil fuel investments.
11. It is noted that the principles behind the socially responsible investing movement are diverse and changing. If we start down the road of divesting certain companies or industries from our endowment, the pressure will grow for changes or additions – e.g., changes in the list of the 200 fossil free companies or for adding other sectors or industries, and quickly make the management of our endowment a costly nightmare.

Submitted,
The Diocesan Investment Trust
The Trustees of the Diocese
The Diocesan Chief Financial Officer
January 2014

Resolution 2013-04 – Adopted by the 139th Annual Convention

RESPONDING TO SUPER STORM SANDY AND CLIMATE CHANGE

RESOLVED, That this 139th Convention of the Episcopal Diocese of Newark:

- Urge all congregations, and agencies affiliated with the diocese to reduce their annual energy use and greenhouse gas emissions by at least 10% by December 31, 2013, reporting the results of their efforts to the 140th Convention;
- Urge all members of our congregations in the diocese to reduce their annual energy use and greenhouse gas emissions by at least 10% and to plant at least one tree by December 31, 2013;
- Call upon GreenFaith to plan a Plant-A-Tree Program and report to the diocese its findings for diocesan-wide participation;
- Direct the leadership of all diocesan endowments and investment accounts to analyze the impact of implementing a plan to divest within 5 years from direct ownership and ownership of any commingled funds that include public equities and corporate bonds of the world's leading 200 fossil fuel companies as identified by the Carbon Tracker Initiative and reinvesting the divested amount in companies or commingled funds whose primary focus is renewable energy development and to report its findings to the 140th Convention;
- Call on the 78th General Convention of the Episcopal Church to direct the Corporate Social Responsibility Committee of the Executive Council to complete a similar analysis by June 30, 2016 and to present its recommendations to the Executive Council by December 31, 2016;
- Direct the Secretary of Convention to send a copy of the resolution to the Corporate Social Responsibility Committee of Executive Council with the request for immediate action of a similar analysis in preparation for the 78th General Convention; and, be it further

RESOLVED, That this 139th Diocesan Convention encourage Diocesan Council to work with the non-profit interfaith environmental organization GreenFaith, to implement all aspects of this resolution and to report on its implementation to the 140th Diocesan Convention.

REPORT TO THE 140TH CONVENTION

REPORT ON THE IMPLICATIONS OF DIVESTING ALL MONIES FROM BANKS IMPLICATED IN THE FINANCIAL CRISIS OR ENGAGED IN PREDATORY LENDING PRACTICES AS REQUIRED BY 2013 NEWARK DIOCESAN CONVENTION RESOLUTION 2013-05

Overview

This report is the joint response of the Trustees of the Diocesan Investment Trust (DIT), the Trustees of the Diocese, and the diocesan Chief Financial Officer to the request of the 139th Diocesan Convention, embodied in Resolution 2013-05 (the “Resolution”), to study the implications of divesting all Diocesan monies from banks and financial institutions implicated in the foreclosure and financial crisis or which engaged in predatory lending practices.

The precise scope of the Resolution is not entirely clear, but for the purposes of this report it is assumed that it requires divestment of all monies deposited in these implicated financial institutions as well as avoiding banking relationships of any kind with these institutions including clearing services.

It is further assumed in this report that divestment in the shares and fixed income instruments from the endowment, whether owned directly or in pooled funds, is NOT required, although the wording is not entirely clear about this. If it becomes clear that divestment from the endowment were to be required, Annex C summarizes the principal arguments against such divestiture.

The full Resolution is attached as Annex A.

This report addresses the practicality of implementing the Resolution, the implication of adoption on diocesan finance and DIT practices, how other organizations are dealing with similar proposals, and implications of the approach for changing bank behavior.

There is no question that banks and other financial institutions acted appallingly over the last several years. It may well be that we are called to do more about the situation. This report only deals with the specific actions described in the Resolution.

Executive Summary

1. There is general acceptance of the view that many banks and financial institutions acted appallingly before the financial crisis and were likely a contributory cause to it. Many large banks have been forced to pay huge fines for their behavior, and have been subject to additional supervision. Investigations are continuing and new fines are

still being proposed. Essentially all of the sub-prime lenders have gone out of business or been absorbed by larger firms.

2. As to the specific Resolution proposed, the failure to specify which financial institutions are implicated or to provide a method of identifying them is a fatal flaw in the Resolution.
3. The failure to state explicitly whether the Resolution covers only maintaining bank accounts (main banking relationships) or also covers the use of implicated banks for processing, clearing and other secondary banking services creates huge confusion. As a practical matter, in an integrated global financial system, it is virtually impossible not to use the services of these main banks for secondary services, or even to know if these banks are being used in any particular circumstance.
4. There would be considerable practical difficulties. We would need to find a fund manager who would be prepared to separately account for our 180 subaccounts, which would be likely to add further to portfolio costs and risks. There currently are no known funds that are broad based and exclude banks and are of significant size.
5. It is recommended that the Convention not force the Diocese or congregations to close all accounts and cease all banking relationships including processing and clearing relationships with the implicated banks. It is unlikely that this is even doable in a world of highly integrated financial markets.
6. It is assumed that the wording of the Resolution does not imply the divestment of all shares and financial instruments (bonds) of implicated banks and financial institutions in endowments. If it does, then Annex C summarizes the implications and other considerations of this. *We would strongly recommend against such an interpretation.*
7. It is unreasonable to force or even encourage congregations to follow the Resolution given its lack of clarity on key points. To do so would subject them to huge uncertainty and angst whatever they think about the underlying objectives of the Resolution.

Detailed Findings

1. The practicality of implementing such a boycott resolution

Boycotts can be useful to bring popular attention to new or emerging issues. However, in this case the horse has already left the barn—the issues are well known and governmental regulators and the public have already punished the offenders. We believe that no compelling case exists

for a boycott of implicated financial institutions at this time as an approach to changing future bank behavior.

In addition, there are insurmountable impediments to implementing the Resolution in the precise form proposed.

The Resolution does not provide a full list of the financial institutions implicated in the financial crisis or engaged in predatory lending practices, or indicate a method for identifying them. It does not define what constitutes being “implicated in the financial crisis” or what “predatory lending practices” are included.

Indeed, the largest 12 banks in the U.S., which account for about 70% of banking assets, and indeed many other banks and financial institutions were likely involved in some way or to some degree in this crisis and/or engaged in one or more of the many practices that are considered predatory (see Annex B). While some institutions, particularly large banks, have a greater degree of involvement, the use of secondary markets by banks engaged in mortgage lending was extensive. Theoretically, almost any financial institution could be implicated in the foreclosure and financial crisis in this way. Indeed, we understand that there is empirical evidence that small- and medium-sized banks are no less likely to foreclose on delinquent borrowers. AIG and GE Capital are non-bank financial institutions which were very heavily involved in the financial crisis. Therefore it is a matter of degree, and not whether certain institutions were implicated or not.

Therefore, attempting to make lists of those that were implicated and those that were not is not practical.

2. The implications of adoption on Diocesan banking practices

There are two areas where this proposed Resolution could potentially impact the Diocese of Newark: (1) the general financial operations of the Diocese, and (2) the activities of the DIT.

The Diocese currently has its main banking relationship with PNC Bank, a relatively large regional bank. We have this relationship because PNC can provide us a good service at low cost. It is not one of the largest national banks that were most commonly named as being at the forefront of the difficulties of the financial crisis, but it is likely not without some blame.

In respect of the Diocese’s general financial operations, however, it is not known if PNC bank has correspondent or other dealings with any of the large national banks most commonly named as being implicated in the financial crisis. Since there are transactions that continually occur between banks (from wire transfers to other activities) it is difficult to believe that *any* bank can completely avoid interacting with any of the largest national banks.

With respect to the banking activities of the DIT, assets of the DIT currently are invested in mutual funds with the TIAA-CREF Trust Company. TIAA-CREF utilizes the services of one or

more the largest national banks to transact business for non-DIT accounts; in addition, it utilizes the services of at least one of the largest national banks to process the purchases and sales of funds in which the DIT invests. The DIT does not hold cash, so the DIT's direct involvement with the largest national banks is limited to the use by TIAA-CREF to process transactions for the DIT.

Since TIAA-CREF uses implicated banks to process transactions, the DIT would most likely have to terminate its relationship with TIAA-CREF. As a practical matter, however, the DIT may not be able to enter into a relationship with another fund manager that (a) does not use any of the named financial institutions to process its financial transactions and (b) which could provide necessary and cost-effective services to the DIT. When the DIT undertook a search for a fund manager several years ago to handle its portfolio, it found that there were very few organizations that were able to provide the services the DIT required. *To add a restriction as to which banks the fund manager could use simply to process the DIT transactions may make it impossible for the DIT to manage the portfolio in an efficient and cost-effective way.*

3. How are other organizations dealing with similar resolutions?

We have no current systematic data on how many such banking resolutions to stop placing their funds with or dealing with implicated banks are being proposed at present or how other organizations are reacting to proposals. Anecdotally, we believe such resolutions are not common at present.

The Convention of the Episcopal Diocese of Massachusetts (DOM) passed in January 2013 a similar resolution that encourages the DOM and its congregations to divest from implicated banking institutions, and not just study the problem. It also gave examples of implicated financial institutions—The Bank of America, Citibank, Wells Fargo and JPMorgan Chase. The implementation of this resolution is still being worked through, though it is noteworthy that the DOM appears to be interpreting divestment very narrowly to apply only to banking services for the four large banks mentioned as examples, and not to the other implicated banks which are clearly covered by the resolution. They have also assumed that the resolution does not cover divestment of shares in implicated banks from the endowment.

The DOM has pointed out to us that the resolution only “encourages” action along the lines discussed, so it has plenty of room to interpret the resolution at it feels fit. We are somewhat uncomfortable with this interpretation. It seems preferable to pass a resolution that all believe is appropriate and workable and then to implement it as closely as possible, or to either change the resolution or not to pass it in the first place.

As noted above, however, implementing this Resolution, even if restricted to the four largest banking institutions as the DOM has decided to do, would still create significant issues for the Diocese and the DIT. Congregations would be similarly impacted and face similar confusion and angst about implementing the Resolution.

The Treasurer of the Episcopal Church has told us that he believes the divesting from banks that were implicated in the financial crisis would cripple its ability to do global business. In addition, Church Pension Group, which invests \$12 billion on behalf of Episcopal clergy and lay individuals, does not believe that divesting would be a reasonable action to take.

4. The effectiveness of account divestment as an approach to changing the behavior of banks

A principal argument for taking part in boycotts and/or divestment used by proponents of such measures is that by doing so an organization can help increase public awareness about an emerging social issue, which it is hoped has the potential to influence corporate actions and government policies. It is essentially a forward looking strategy.

However, the banking and financial crisis is well past and already widely known about, and the market and governments have already forced dramatic changes in banking practices. Given all that has happened over the past several years, it is very unlikely that any reduction in our deposits in these banks, even if part of a campaign of several similarly minded organizations, would materially affect them.

Indeed, banks and financial institutions have already been severely punished for the industry's undoubted misdeeds. Many have lost more than 50% of shareholder equity value, in many cases have had to pay hefty government or regulatory fines and other penalties for their actions, have had to pay legal damages as a result of civil lawsuits, and have had to submit to considerable additional government supervision and regulation – e.g., compliance with the Basle III capital adequacy rules and by Dodd-Frank accounting rules. Some were forced out of business (e.g., Bear Stearns and Lehman Bros.). Most sub-prime lenders are now out of business.

There also is plenty of blame to go around for the financial crisis. Certainly, the subprime mortgage lenders including some banks lent to borrowers who were not equipped to service these loans when the economy deteriorated and house prices declined, and some large banks sold highly complex mortgage backed derivatives to investors without clear explanation of the potentially high risks involved. However, government agencies allowed these practices of excess to continue, and then failed to adequately respond to the crisis as it developed.

Conclusions and Recommendations

1. The failure to specify which financial institutions are implicated or to provide a method of identifying them is a fatal flaw in the Resolution.
2. The failure to state explicitly whether the Resolution covers only maintaining bank accounts (main banking relationships) or also covers the use of implicated banks for

processing, clearing and other secondary banking services creates huge confusion. As a practical matter, in an integrated global financial system, it is virtually impossible not to use the services of these main banks for secondary services, or even to know if these banks are being used in any particular circumstance.

3. It is recommended that the Convention not force the Diocese or Congregations to close all accounts and cease all banking relationships including processing and clearing relationships with the implicated banks. It is unlikely that this is even doable in a world of highly integrated financial markets.
4. We believe that no compelling case exists for a boycott of implicated financial institutions at this time as an approach to changing bank behavior. This horse has already left the barn.
5. It is assumed that the wording of the resolution does not imply the divestment of all shares and financial instruments (bonds) of implicated banks and financial institutions in endowments. If it does, then Annex C summarizes the implications and other considerations of this. *We would strongly recommend against such an interpretation.*
6. It is unreasonable to force or even encourage Congregations to follow the Resolution given its lack of clarity on key points. To do so would subject them to huge uncertainty and angst whatever they think about the underlying objectives of the Resolution.

Submitted,
The Diocesan Investment Trust
The Trustees of the Diocese
The Diocesan Chief Financial Officer
January 2014

Resolution 2013-05 - Adopted as amended

A CALL FOR ECONOMIC RECONCILIATION THROUGH SOCIALLY RESPONSIBLE BANKING

RESOLVED, That this 139th Convention of the Episcopal Diocese of Newark encourage congregations throughout the Episcopal Diocese of Newark to engage in thoughtful conversations on our relationships to economic inequality and economic class more broadly, seeking to recognize economic inequality at individual, local and systemic levels. In addition to these conversations; and, be it further

RESOLVED, That this 139th Convention of the Episcopal Diocese of Newark encourage the Episcopal Diocese of Newark, as an act of Christian witness, to ~~divest~~ **study the implications of divesting** all moneys from banks and financial institutions implicated in the foreclosure and financial crisis ~~or engaging in predatory lending practices (including, but not limited to: Bank of America, Wells Fargo, Citibank and JP Morgan Chase)~~ and/or in illegal or predatory lending practices; ~~particularly those targeting minority communities;~~ **reporting to the 140th Convention their progress;** and, be it further

RESOLVED, That this 139th Convention of the Episcopal Diocese of Newark encourage all diocesan parishes, missions, the Diocesan Investment Trust and other institutions, to an act of Christian witness ~~by~~ **to study** divesting all moneys from banks and financial institutions who have engaged in these lending practices; and, be it further

RESOLVED, That this 139th Convention of the Episcopal Diocese of Newark also encourage individuals in these congregations and organizations, as an act of Christian witness, to ~~engage in~~ **study** this divestment practice; and, be it further

RESOLVED, That this 139th Convention of the Episcopal Diocese of Newark encourage moving from a framework of scarcity and competition to one of abundance and collaboration by inviting the Episcopal Diocese of Newark, its congregations and individuals ~~to move~~ **to consider**

moving their moneys to local financial institutions (e.g. banks or credit unions) that engage in just economic practices.

Predatory Lending Practices

There is no single simple or generally agreed definition of a predatory lending practice. Rather, it is generally considered to encompass a wide range of questionable activities. These practices may include:

- Loan "flipping" – frequent refinancing that results in little or no economic benefit to the borrower and are undertaken with the primary or sole objective of generating additional loan fees, prepayment penalties, and fees from the financing of credit-related products;
- Refinancing's of special subsidized mortgages that result in the loss of beneficial loan terms;
- "Packing" of excessive and sometimes "hidden" fees in the amount financed;
- Using loan terms or structures – such as negative amortization – to make it more difficult or impossible for borrowers to reduce or repay their indebtedness;
- Using balloon payments to conceal the true burden of the financing and to force borrowers into costly refinancing transactions or foreclosures;
- Targeting inappropriate or excessively expensive credit products to older borrowers, to persons who are not financially sophisticated or who may be otherwise vulnerable to abusive practices, and to persons who could qualify for mainstream credit products and terms;
- Inadequate disclosure of the true costs, risks and, where necessary, appropriateness to the borrower of loan transactions;
- The offering of single premium credit life insurance; and
- The use of pay day loans.

Note: Various sources including
http://www.mortgagenewsdaily.com/mortgage_fraud/predatory_lending.asp

**Summary: The Implications of Divesting Implicated Bank's Shares from the DIT's
Endowment (Assuming a List of the Implicated Banks Could Be Determined)**

Cost and practicality issues: The impact of divestiture on Diocesan investments

1. There is no likely scenario that we can think of that divesting all direct or comingled investments in banks would reduce costs, raise returns or reduce risk. The issue is how great the *adverse* impacts would be. The DIT, Trustees of the Diocese, and the diocesan Chief Financial Officer therefore strongly recommend against the adoption of any such divestiture Resolution.
 - a. It is not possible to estimate precisely the likely increase in costs because there are no examples of such appropriate bank-free funds presently. However, we anticipate additional first year transfer costs could approximate \$125,000 for the DIT. We also know that transferring from the current broadly available funds to new customized and specialized *funds* that fees would go up, and could amount to \$410,000 annually, representing a significant reduction in that amount for Diocesan outreach and other ministry programs. If the DIT was forced to move to a portfolio of *individual stocks and bonds*, costs could increase by an additional \$750,000 over our current costs. *Therefore, total costs could increase in an amount ranging from \$535,000 to \$875,000.*
 - b. Higher costs lead to either (a) lower values of investments or, more likely, (b) the decision to reduce the annual amounts available to use for programs each year. *An increase of an additional 1% or 2% in costs would reduce the \$2.0 million currently used for outreach and ministry support by \$500,000 or \$1.0 million, respectively. This would substantially and negatively affect the amount of funds available for diocesan and congregational programs and ministries.*
 - c. *Portfolio risks would also likely be higher, reflecting the lower diversification in the portfolio with bank companies removed.*
2. There would be considerable practical difficulties. We would need to find a manager who would be prepared to separately account for our 180 subaccounts, which would be likely to add further to portfolio costs and risks. There currently are no known funds that are broad based, are bank-free, and are of significant size.
3. If adopted, congregations would be less likely to invest their endowments with the DIT. The DIT has already lost a \$1 million investment from a congregation that was averse even to the potential of being required to exclude banking companies.

4. Trustees of the DIT and Trustees of the Diocese might well feel that such major constraints in investment options that increase portfolio costs and risks raise significant issues of fiduciary duty in law in the management of Diocesan investments which they might not be prepared to accept.

The general case for divestment to achieve political or social ends

1. Divestment campaigns in recent years have targeted a wide range of issues, including foreign sweatshop clothing manufacturers, banks, and manufacturers of landmines, gun manufacturers, and tobacco. The most well-known divestment campaign occurred in the 1970s and 1980s in response to apartheid in South Africa.
2. The popular view is that divestment from the shares of South African companies was a success, that the targeted company's stock prices were lowered and that they and the government were forced to comply with public pressure to change their apartheid policies. However, this popular view has been challenged. In a 1999 study, Ivo Welch and C. Paul Wazzan examined the impact of divestment from banks and corporations in South Africa and found that these campaigns had no impact on public market valuations. The success of the campaign to change South Africa's apartheid policies is more likely the result of the totality of the investment, trade and other embargoes that had the cumulative impact of isolating South Africa.
3. Indeed, the case for using divestment to achieve social or political results is not clear cut:
 - a. The most direct way of changing the amount or type of bank fuel production is by changing consumer demand. This is encapsulated in economics by Says Law which can be summarized by the phrase "the purpose of production is consumption". Programs that exhort changes in corporate actions are unlikely to be successful if corporations are producing what consumers want, unless governments limit by law what consumers can buy.
 - b. It is not clear that divestment actually hurts companies. Selling shares only transfers ownership to other parties that care less about the issue than you do. In the global financial workplace, there are plenty of willing investors.
 - c. Divestiture leaves organizations voiceless in proxy actions and other ways.
 - d. There is no comparable model in society that indicates that opting out by divestment is the best way to solve a problem. Rather the opposite seems to be true – stay in and engage to change things.

- e. In sum, the concerns of the bank divestment campaign is a cause rooted in legitimate concerns and founded with good intentions, but it is arguably not an effective instrument to force change.

Diocesan Ecumenical & Interreligious Officer (DEIO)
Ecumenical & Interreligious Commission (EIC)
2013 Annual Report

Our Mission is to represent the Bishop of Newark, and our Diocese in ecumenical and interreligious dialogue and relationships. Both the DEIO and EIC are appointed by the Bishop, who is always understood to be the Ecumenical Officer of a Diocese.

Of course, much ecumenical and interfaith ministry is done locally by you - the dedicated clergy and lay leaders of our diocese. You are the ones who determine “on the ground” how best to share in dialogue, ministry and action with faithful people of various traditions and religions. It is our work to discern, under the direction of the Bishop, those more formal dialogues, programs and relationships in which we are called to represent the Episcopal Church, the Anglican tradition and the Christian faith.

This year has been one of transition. The Rev'd Andrew Butler, who served as DEIO for eighteen months, left our diocese in the spring of 2013. Bishop Beckwith re-appointed Lynne Weber as DEIO in the fall. Lynne served in this position previously from 1998-2010.

During 2013, the DEIOs and EIC participated in the following activities:

- Hosted ecumenical representatives at **Diocesan Convention** in January 2013
- Resumed a long-standing participation in the **North Jersey Christian-Muslim Project**
- Maintained ecumenical relationships through participation in the **North Jersey Ecumenical Officers**
- Participated in a conference in November observing the 50th anniversary of the Second Vatican Council at **Seton Hall University** at the invitation of the Archdiocese of Newark
- Attended in April the annual meeting of the Episcopal Diocesan Ecumenical Officers and the **National Workshop on Christian Unity** in Columbus, OH
- **Met as a commission** once in December 2013 to plan for 2014
- **Assisted the Bishop** as requested

In 2014 we hope to continue to build on this foundation by:

- resuming the **ARC-Newark Dialogue** with the Ecumenical Commission of the Roman Catholic Archdiocese of Newark by holding a conversation about our new leaders, Justin and Francis.
- hosting one **North Jersey Christian-Muslim Project** in an Episcopal setting.
- developing our relationship with the **United Methodist Church** with whom we are in a long-term Eucharistic sharing agreement, and with the **ELCA** with whom we are in full communion.
- recruiting **additional lay members** for the Bishop's appointment to the Commission.

Respectfully submitted,

The Rev'd Lynne Bleich Weber, DEIO

Commission as of Dec. 2013: The Rev'd Michael Allen, the Rev'd Maylin Biggadike, Br. Robert Hagler, the Rev'd Rose Hassan, Ms. Angie Rispoli, the Rev'd Dean Weber, the Rev'd Diana Wilcox

EDUCATION FOR every Christian's MINISTRY (E/M):
Education, support, and training for living into your vocation.

The Education for (Every Member) Ministry program strives to prepare all the Baptized for informed, compassionate, & justice-creating Ministry in the Diocese of Newark. During past year eight (8) seminar groups gathered together with 12 Mentors and Co-Mentors. Over 50 participants from all over our Diocese have met on a weekly basis to study scripture, church history and traditions, to engage in theological reflection, and to explore the significance of these teachings in our individual and collective lives.

In the early Church, Baptism was a conscious choice made by adults who lived the Faith in a significant way. But when Christianity became the official religion of the Roman empire, the Church gained thousands of new members but lost the tradition of an equal and committed fellowship in favor of highly educated clergy serving members who were spectators at the liturgy and in ministry. The Dream of the Reformation was to make every Baptized person a minister again. Today, we often abjure our parishioners to read the Bible and discern God at work in the world about us, but do we help them make it through the wilderness of Leviticus? How many parishes have the time and/or resources to prepare their laity to attempt meditation or to encourage learned discussion about the presence of God in daily life?

EfM provides the support, community, and tools for Christians like you and me to more fully appreciate and understand the Biblical Epic of Salvation, to discern the living God in fellowship and conversation, and to discover who God made us to be and why we're in the world in this time and place. Open to Christian adults at all levels of learning and faith development, EfM provides a safe, welcoming atmosphere to encourage learning and discussion about religious questions both timeless and modern.

In the Diocese of Newark, EfM supports and supplements the work of our many faithful congregations. It's a blessing for priests to look out and see people understanding the lectionary readings and their sermons in a deep and profound way. It's encouraging for deacons to find members of their congregations equipped and eager to bring Christ to the poor and oppressed. Vestries will be delighted to have members who can think theologically about the changes and pressures that are affecting us all. Church School teachers gain knowledge and confidence to better inform the children and youth who represent our future. Currently, we have over 300 EfM trained ministers (both lay & ordained) serving throughout our Diocese. The Diocese enjoys this benefit in large part because we budgeted a modest \$1500.00 to EfM this past year, which covered all of the following: 1) prepare & maintain the training of 12 mentors; 2) support the work of a Coordinators, and 3) provide scholarships and reduced tuitions for over 50 current students.

Our support of EfM has enabled us to join cutting edge Dioceses like Northern Michigan and Alaska, dioceses which have chosen to explore new models and methods of ministry in a changing world. In this new world the demography of those who call themselves Christians may change, yet they represent a possibly more active and hopefully better prepared cadre of disciples, disciples sorely needed to transform a world of greed, arrogance, & fear to the Reign of Justice, Mercy, and Fidelity.

For more information, please contact:

The Rev'd Mark Waldon, Diocesan EfM Coordinator– teach.efm@me.com

or go to our new Diocesan Website for information, locations, and meeting times.

<http://efm.dioceseofnewark.org/>

The Rev'd Mark Waldon 1-15-14

BISHOP'S ADVISORY COMMITTEE ON HUMAN RESOURCES AND BENEFITS

- **Clergy Compensation:** The Committee recommended and Diocesan Convention 2013 agreed that the minimum salary level for full-time clergy in our diocese be increased by approximately 4% effective January 1, 2014. Research shows that clergy working full time in the Diocese of Newark are, on average, paid less than their fellow clergy in like-sized congregations in all of the neighboring dioceses. Thus, the Committee recommends a similar 4% increase effective January 1, 2015. Resources for understanding clergy compensation are available on the diocesan web site, under "Human Resources." These resources now include several Excel spreadsheets, which you may download and adapt to your particular situation.
- **Pension Benefits for Lay Employees:** Beginning January 1, 2013, canons of the Episcopal Church and the Diocese of Newark mandate pension benefits for all lay employees who are scheduled to work 1,000 hours or more per year (approximately 20 hours per week). Organizations not in compliance need to phase-in their pension provision; they must submit a plan for achieving compliance for approval by the Bishop's office.
- **Health Insurance for Clergy and Lay Employees:** As of January 1, 2013, canons of the Episcopal Church mandate parity of health-insurance benefit provisions for clergy and lay employees scheduled to work 1,500 hours per year or more (approximately 30 hours per week). Congregations and other organizations in our diocese should adopt a formal policy with regard to health-insurance benefits. Model policies are available on the diocesan web site. We continue to explore options for cost containment, but are restricted by a diocesan canon that requires fully employer-paid health insurance for clergy, on the "Human Resources" page under "Benefits & Enrollment." We commend the High Deductible Health Plan offered through the Episcopal Church Medical Trust as a means of investing participants with concern for costs.

In 2013, the Committee began work on a major project:

- **Wellness Initiative:** In cooperation with the Episcopal Church Medical Trust, we plan to launch this initiative in 2014. In our diocese, less than half of the health-plan participants age 18-64 took advantage of their free preventive visit with their primary doctor in 2012. Many of us eat a poor diet, and our exercise regimens are often lacking. Most of our churches do not have an automated external defibrillator—something that could be life-saving in an emergency. Some of our clergy have been subjected to bullying or verbal abuse. These are among the concerns we hope to address as part of this initiative, which will be launched in 2014. The Committee welcomes your suggestions and ideas.

This year past was one of significant transition for us. We welcomed several new members, and we still hope to recruit a lay member serving on the staff of a congregation. We also said *adieu* to four friends: we thank Charlotte Chappel and the Rev. David Cabush for their faithful service, and we struggle along without Michael Francaviglia and Linda Curtiss, both of whom we dearly miss. We are indebted to John King, Leslie Thomas, and all the diocesan staff for their hard work, counsel, and expertise.

Respectfully submitted,
Barrie Bates, *chair*

Committee membership: The Rev. Lauren Ackland, Grace Church, Madison; Mr. Hook Bailey, Christ Church, Short Hills; the Rev. Dr. J. Barrington Bates, *Chair*, St. John's, Montclair; Ms. Patty Bradley, *Co-Chair*, Holy Trinity, Hillsdale; the Rev. Matthew Corkern, Calvary Church, Summit; Mr. John A. King, *ex officio*; the Rev. Anne E. Koehler, retired; the Rev. Thomas R. Laws, retired; the Rev. Gregory Lisby, Christ Church, Ridgewood; Ms. Lindsay McHugh, St. George's, Maplewood; Mr. John Niles, Grace Church, Nutley; the Rev. Paul V. Olsson, St. Paul's, Morris Plains; Dr. Matthew Price, St. Stephen's, Milburn; Ms. Leslie Thomas, *ex officio*.

JUSTICE BOARD - Addressing Violence in our Communities

The 139th Annual Convention of the Episcopal Diocese of Newark recognized that violence in all of its forms, including the pandemic of gun violence was incongruous with the Christian values of peace, nonviolence and God's commandment to love our neighbors as ourselves. In addition the Convention directed the Justice Board to support activities and provide resources to congregations to overcome violence and learn about the causes of violence. The report that follows reviews this work. Visit the Justice Board website for up to date resources and to learn how to get involved with these ongoing activities: <http://www.dioceseofnewark.org/justice-board>

Events

The Way of the Cross – Washington D.C.

On March 25 about 60 members of the Diocese of Newark joined others, approximately 400 in all, in praying the Stations of the Cross in Washington, DC. The group processed along Pennsylvania Avenue from the White House to the U. S. Capitol praying and challenging the epidemic of gun violence that claims so many thousands of American lives each year. Many of the bishops that attended are part of Episcopalians Against Gun Violence, an ad hoc group of bishops, clergy and lay Episcopalians who are working, collectively and individually, to curb gun violence. The group has Facebook presence and is on Twitter.

New Jersey Together Against Gun Violence Assembly

On April 14 more than 200 members of Christian, Jewish, Muslim and Sikh congregations from around northern New Jersey, joined together at Christ Church in East Orange to support a national effort to negotiate a multi-party covenant to reduce gun violence in America. The assembly included Congressman Donald Payne, Jr., of New Jersey's 10th District, and the mayors of East Orange, Montclair and Mahwah and was sponsored by New Jersey Together, an affiliate of the nation's first and largest citizens' organizing network, the Industrial Areas Foundation (IAF). The presentations included powerful personal witness by victims of gun violence.

Campaigns

“Do Not Stand Idly By”

This campaign of New Jersey Together against Gun Violence involves churches, synagogues, mosques, temples and institutions throughout New Jersey dedicated to engaging in activities to reduce gun violence. Several strategies are being employed including ... encouraging the largest gun retailers to adopt responsible practices, discouraging public and private investment out of irresponsible weapons manufacturers and retailers and reducing tax payer funded gun purchases (military and police) that do not adhere to safer standards.

Prayer and Other resources

Many congregations offered vigils and prayer services to commemorate the anniversary in Newtown and at other times during the year. The link between mental illness and gun violence was also explored. Liturgies, prayers and resources such as the “Myths and Facts about Gun Violence and Mental Health” that originated from the endeavors can be found on the justice board website.

Respectfully submitted - Diane Riley - Justice Board Chair

Mission Strategy Committee Report

Diocese of Newark, 140th Annual Convention

January 24, 2014

Mission Strategy Committee Purpose

The Mission Strategy Committee seeks to discover, promote and share “best practices” in the development of our congregations’ missional identity. “Missional” is about God’s people being sent, answering the call of God to engage in mission in the context, or neighborhoods, where we live, work and worship. It is about seeing what God is up to in our neighborhoods and joining with God in that work. This way of being church can be expressed in many different forms, traditions, structures and sizes.

The Committee’s Engagement with the people of the Diocese –2013 Timeline

- **January: 1st Conversation: “Intro to the Missional Church”**
 - Attended by more than 100 people from 30+ congregations
 - Convention participation: Report, workshop, resource table
- **February:** Committee Members aligned with Council Action Teams
- **March: 2nd Conversation “Going Deeper: Continuing the Missional Conversation”**
 - Attended by more than 90 people from 30 congregations
 - A Call for companions was issued and a few self-identified themselves as willing to be sent to support conversations with congregations
- **April: Coordinator for Missional Church Strategy hired**
 - The. Rev. Ginny Dinsmore was hired part-time as the Coordinator for Missional Church Strategy
- **May: Pentecost Event:** Churches brought something that represented their engagement with the neighborhood.
- **Summer:** Companions were added to the larger committee as we anticipated our engagement with The Missional Network
- **October: Vestry University:** Committee offers 3 workshops
- **November: 3rd Conversation: Committee sponsored two day workshop “Moving Back into the Neighborhood”**
 - Attended by more than 100 people total and 22 congregations over the two day workshop
 - Workshop included Dwelling in scripture, and discussion and practice of concrete exercises, as well as, take away exercises for participants to share with their congregations
 - Introduced Al Roxburgh and John McClaverty to congregations and the “Going Local” process

The Continuing Work – 2014 Timeline

- **Diocesan Convention January 24-25, 2014**
 - “Discovering Your Spiritual Fingerprint” – workshop cosponsored with Council’s Empowering Team, and Committee on Laity – Friday morning
 - “Joining God in the Neighborhood” – Friday afternoon workshop
 - The Rev. Dr. Dwight Zscheile offers workshops on missional transformation and innovative leadership
 - Resource Table in the lobby
- **Workshops: Intro to Appreciative Inquiry & Day of Discovery (February 7 & 8, 2014)**
 - Cosponsored with Empowering Team of Council and Committee of Laity
- **Reimagining of the Committee and its Work (Feb/March/April, 2014)**
 - Broadening or enlarging the Strategy through the process of identifying adaptive challenges and forming learning communities to work on those challenges
 - This will determine the role and direction of the committee in the next year
- **Going Local Process begins (March 2014) (See Appendix A that follows this report)**
 - The first cycle is a 12-15 month process for 6-10 churches whose leadership and clergy covenant with the Diocese as a whole to engage in learning communities.

Mission Strategy Committee Members:

The Rev. Ginny Dinsmore, Coordinator for Missional Church Strategy

The Rev. Deborah Drake, St. Agnes’, Little Falls

Ms. Stacey Ferraro, St. David’s, Kinnelon

Mr. Lyle Hatch, Christ Church, Ridgewood

Mr. Marc Hembree, St. Paul’s, Montvale

Mr. Peter Katzenbach, Good Shepherd, Montville

Ms. Sue Morgan, All Saints’ Church, Glen Rock

The Rev. Chris McCloud, Trinity & St. Philip’s Cathedral

Ms. Terry Perkins, Redeemer, Morristown

Ms. Kathy Seabrook, St. Peter’s, Morristown

The Rev. Erik Soldwedel, Newark ACTS & Christ Church, Harrison

Mr. Paul Shackford, CFO, St. Andrew’s, Harrington Park, *Member ex officio*

The Rev. Canon Gregory Jacobs, Canon to the Ordinary/Chief of Staff, *Member ex officio*

The Rt. Rev. Mark M. Beckwith, *Member ex officio*

We also want to thank the following for their service on the committee in 2013:

The Rev. Miguelina Howell (now in the Diocese of Connecticut) and Mr. Peter Jordan (St. Peter’s, Morristown) who served as co-chairs of the committee.

The Rev. Valerie Bailey Fischer

The Rev. Carol Gadsden, St. Mary’s, Sparta

Ms. Lorraine Jones, Epiphany, Orange, *Diocesan Council Liaison*

The Rev. Beth Rauen Sciaino, Christ Church, Ridgewood

APPENDIX A: Mission Strategy Committee

The Missional Network & the 5 Step Process “Going Local”

A Brief Introduction, Projected Outcomes, Simple Outline of Journey

Who or what is The Missional Network?

The Missional Network (TMN) is an interdenominational consulting group that helps church organizations develop missional strategies to respond to the evolving societal context. We first became aware of The Missional Network through the work of Alan Roxburgh who coauthored “Introducing the Missional Church.” In addition to attending workshops sponsored by TMN, members of the Mission Strategy Committee met with Alan in September. Alan has also met with the Diocesan Leadership Team. Alan and an associate John McLaverty were with us in November 2013 for “Moving Back into the Neighborhood.” “Moving Back into the Neighborhood” was an introduction to “Going Local: Joining God in Changing the World” which is the 5 step process we are engaging in in the Diocese. Although, they work all over North American and have a network in the UK, they have most recently worked in the Anglican Diocese of Toronto and completed two cycles of Going Local. They will work closely with the Coordinator for Missional Church Strategy, and our plan is that after the first cycle, we will be equipped to continue the transformational process on our own, and indeed start a second cycle 8-12 months into the process.

Projected Outcomes for the Learning Communities (gleaned from TMN’s proposal)

There are 3 main types of learning communities:

Congregation Learning Communities

- Experiments in neighborhood enable congregations to understand how to do the kinds of outreach and evangelism that *actually connects with people in the culture*. This begins to result in new people coming to church but, more importantly, it will set the stage for these congregations to connect with their communities in ongoing ways and discern the conversations they are being called to embrace.
- Participants learn and discover that they are the key source of discernment in terms of the missional actions of their congregations.
- Scripture comes alive for people in the congregation as *Dwelling in the Word* moves them to actions in their communities through renewed capacity to listen to the Spirit.
- Discipleship becomes a part of the life of people in the congregation rather than the “spiritual” few.
- Teams of lay leaders are trained as coaches in missional transformation.
- Diocese and congregations reflect on what they have done, what they are learning and how to design next steps.

Clergy Learning Communities

- Receive rich feedback on their current leadership for mission; and assess their capacity to lead congregations in missional transformation and develop an “Action Plan” for their leadership development.

- With a coach and peer support, clergy begin to innovate new skills and practices in their leadership context.
- Experiment in neighborhood engagement and experience a changed imagination for the location of mission in their local context.
- Reengage spiritual practices in their coached peer group, deepening their listening to God through one another.

Diocesan Learning Community

- 5 members of the Diocese are trained as coaches with skills, frameworks and ability to lead other congregations and clergy in missional transformation
- Diocesan Leadership gains further understanding of what it needs to do to assist and lead missional transformation. It gets a clear picture on the actions it needs to continue to move congregational and clergy transformation from being episodic to becoming an ongoing part of congregational life.

Simple Outline of Journey with projected timeline

Preparing the Ground (Feb 2014)

- Form the Guiding Team

Step 1: Listening & Attending (March – May 2014)

- *Dwelling in the Word*
- Listen to each other
- Listen to the Neighborhood

Step 2: Discerning (June – August 2014)

- Continue *Dwelling in the Word*
- Identify initial experiments

Step 3: Experimenting (September 2014 – February 2015)

- Continue *Dwelling in the Word*
- Experiment Teams at work

Step 4: Evaluating (March –May 2015)

- Continue *Dwelling in the Word*
- Share stories
- What have we learned?
- What will we do differently?

Step 5: Living into a New Future (June, July 2015)

- Continue *Dwelling in the Word*
- Next Steps

NEWARK ACTS

"Day by day, as they spent much time together... they broke bread at home and ate their food with glad and generous hearts." Acts 2:46

NEWARK ACTS seeks to nurture young adults to become community leaders with a heart for ministry, an understanding of the complexities of urban life, and a deep spirituality that integrates their desire to serve with a passion for justice and peace. This mission statement is the foundation and springboard we have offered to 35 young adults who have answered our call to be a NEWARK ACTS Missioner since 2010.

This current program year we welcomed back Ker and six new interns to join her in our fourth program year. Joining us in August was: Ryan Bruns, Emily Callen, Christina Ramirez, Michelle McWilliams, Terrell Calloway and Sandra Kwawu. In January Yucleidis Melendez (2012-2013 Class) returned to serve at a new ministry site as the Program Director/Intern for the Family Success Center of Hudson County in Union City. This present class of interns is dynamic, diverse and offers excitement to all they do in our diocese.

We have four interns living in the rectory at St. John's, Union City, which they have renamed Giraffe House for the multi-colored artistic giraffe sculpture that adorns the front garden. Three interns reside at St. Andrew's, Newark, rectory, which was named Ubuntu House by our inaugural class of interns and it remains that to this day. These seven young adults are visible signs of God's Grace as they *EMPOWER*, *EQUIP* and *ENGAGE* in social justice in our diocese.

NEWARK ACTS has grown since its inception five years ago. We have almost completed half of our fourth program year and we are accepting applications and have interviewed four applicants for year five. We have been asked by our companion diocese to assist in developing a similar program in Panama and have embarked on the MOSES Experience which will be a four to six month internship involving two alumni of NEWARK ACTS and/or other Episcopal Service Corps programs with two interns from Panama. Victor Batista from our companion diocese is coordinating this with and was present for our orientation in August and early September 2013.

We continue to partner with; The Seamen's Church Institute (two interns); All Saints' Episcopal Day School (one intern); All Saints' CDC (one intern); YCS (one intern); HOPES Cap (one intern) and Visiting Homemakers of Hudson County (one intern). This present year we have interns assigned in new innovative programs with our ministry partners who are leaders in developing primary services to the most vulnerable populations.

Program Year Three ended with a mission trip to Almost Heaven Habitat for Humanity, White Sulphur Springs, West Virginia where our interns completed two house foundations; assisted in the landscaping of five home lots and reorganized the inventory of the community warehouse. The excursion concluded at Holiday House in Cape May, NJ for a well deserved rest. This past November we travelled to the Warwick Conference Center, Warwick, NY and conducted a three day retreat that focused on seeing God's grace in the blank spaces through the lens of the camera. Our retreat leader was John Carr, MDIV, DMIN.

The Program Director continues to meet with each house for meals and community gatherings as well as individual meetings. Each intern has identified a worship community in the area. All the interns meet with a Spiritual Director and Mentor on a monthly basis. Each intern has been assigned a Spiritual Director who they meet with on a regular basis. Diversity continues to be a cornerstone of NEWARK ACTS and we attract people from all over the US and the world to participate in our program. Diversity of faith customs and the challenge and tension required to be a person of faith are evident and we continue to provide a safe community to address these tensions.

The legacy the "NEWARK EIGHT" (our first class of interns) continues to be strengthened which each successive year. News from year one finds Alma in her second year of seminary; Mark is newly married and continuing his ministry in Mexico; Anna returned from Singapore after two years and is now teaching in Utica, NY; Teresse graduated from Loyola Univ., IL with her MSW and is working in Brooklyn, NY. Year two interns have dispersed nationwide. Victoria remains in Denver working on her MSW; Tatiana is at Howard University seeking a degree in law; Richard (years 1 & 2) is in year one of seminary at CDSP, Berkeley, CA, and a Postulant for Holy Orders in our Diocese.

NEWARK ACTS

"Day by day, as they spent much time together... they broke bread at home and ate their food with glad and generous hearts." Acts 2:46

Jamarr is pursuing social work with YCS. Courtney is back in Iowa working in an after school program and just began an intensive Spanish language class. She wishes to return for the Moses Experience. Olivia returned to Austin and launched a new business sharing her creative side in making jewelry. This is just a small sample of what has happened after a year of service with NEWARK ACTS. The joy of hearing from alumni and sharing in their lives and experience post NEWARK ACTS continues to be another gift of GRACE.

The NEWARK ACTS Board of Directors has several new members as we had to bid farewell to some of our founding members. They, too, have moved on to new positions as their lives evolve along with our intern alumni reaching beyond our diocese. The present board is very active in the interview process and fund development that is essential to sustaining our program. Each member of the board has made a personal commitment of time, talent and treasure to insure and sustain NEWARK ACTS into the years ahead. The potential for growth is boundless and we have been challenged by Bishop Beckwith to expand the program by seeking new ministry fields in our diocese. These are places where the energy and talent of young adults will be broadened & tested as our diocese continues to be strengthened through this partnership.

NEWARK ACTS is a reminder that service is one of the most rewarding gifts of ministry and the work of our interns is a gift to all.

Respectfully submitted,
Reverend Deacon Erik Soldwedel, Program Director

Board of Directors:

Ms. Kaileen Alston, The Rev. Joan Conley, Ms. Barbara Dave, The Rev. Julian Eibin, Vice President, The Rev. Robert Griner, The Rev. Robert Hagler (OHC), Mr. Armstead Johnson, Mr. Stephen Koehler, Tres., Ms. Denise LaPene, The Rev. Marge Lindstrom, Dr. Charles Maietta, President, Ms. Marsha Mackey, Secretary, Mr. Jamarr Neyland, The Rev. Deacon Erik Soldwedel, Program Director

Interns:

Class of 2012-2013

Jania Billups, Seamen's Church Institute; Courtney Gaskins, Davis House & Lawnside/YCS; Jamarr Neyland, Eastside HS & Grace Hall/YCS; Andrew Reid; St Andrew & Holy Communion/Christ Church Harrison; Olivia Pope, St George's Maplewood; Kameron Toews, Christ Church Harrison; Erin Toews, YCS Health Services, Ker Thao, All Saints Episcopal Day School..

Class of 2011-2012

Margaret Barry, Hoboken Jubilee Center, Jania Billups, Seamen's Church Institute, Tatiana Bien-Aime, All Saints' Episcopal Day School, Ashley Cadet, Integrity House, Christopher Fenner, YCS, Courtney Gaskins, Hudson County Homemakers, Richard Hogue, All Saints' Parish and St. John's Church, Jamarr Neyland, YCS, Victoria Shao, St Paul's Bergen/YCS, Monica Steans, St Philip's Academy/Turning Point Community Services, Inc.

Class of 2010-2011

Clare Boyd, St Philip's Academy, Anna Mellace, All Saints' Episcopal Day School, Alex McCartin, Christ Hospital, Alma Gast, Hoboken Jubilee Center, Richard Raye Hogue, Jr., Hoboken Shelter, Teresse Myers, Episcopal Community Development, Alyssum Roe, North Porch/Turning Point Community Services, Inc., Mark Sharrow, SCI.

North Porch for ECW January 2014

North Porch has seen a year of expansion in many areas. The number of clients, the reason we exist, showed a major expansion in October and November especially in Newark. The number we served, over 1700 families and over 2600 infants aged 3 and under, is about 15% higher than 2012 which had been the year in which we served the highest number ever.

We also made changes in Newark. We needed to vacate our premises in Clinton Hill area of Newark because our host, ECD, closed its doors. Grace Church Newark gave us longer hours until we opened our new Newark center at the cathedral offices in 24 Rector Street, in September. That new center has welcomed a huge number of needy families in the three months it has been open there. In September we also opened another satellite center at Christ Church in Hackensack. We appreciate the support from St Andrew's Newark where we left supplies until we could move them to Rector Street.

Our staff remains constant and we are very blessed to have such a wonderful staff serving at our centers. Our Program Director Jayne Murphy Morris has been with us more over two years and is a great blessing to the Board.

Board member Dicki Lulay has been conscientiously working with parishes to create opportunities for them to support North Porch. We appreciate so much the volume of donations we have received in the past year, so needed with the increased numbers of families served. Cash donations are also a wonderful means of supporting us, as we can and do buy in bulk, stretching those donated dollars even further.

We have a table at Convention and you are welcome to visit it and find out more. Our annual Festive Tea will be held at 31 Mulberry Street on Sunday February 16, 2 – 4 pm to which you are all warmly invited.

Our Board members are:

Kathleen Carozza (treasurer,) Marge Christie, Edith Gallimore, the Rev. Ellen Kohn Perry, Cindy Esposito Lamy, Dicki Lulay, Lindsay McHugh, the Rev Paul Olsson, Mary Elizabeth Smith, Linda Wells, Ann Marie Westerfield, and the Rev Margaret Otterburn (President.)

God bless you all

Margaret+

!

Margaret+

The Seamen's Church Institute (SCI) promotes the safety, dignity and improved working environment for the men and women serving in North American and international maritime workplaces. Founded in 1834, the Institute is a voluntary, ecumenical agency affiliated with the Episcopal Church.

The Institute's core ministry to mariners traversing oceans and the nation's inland waterways provided essential pastoral care on days both ordinary and extraordinary. One extraordinary story played out this past November in the wake of Typhoon Haiyan (Yolanda). SCI chaplains in Port Newark, NJ and the Bay Area ports of California helped Filipino seafarers struggling to contact their loved ones in the wake of this devastating storm.

SCI's Center for Seafarers' Rights (CSR) found numerous ways to advocate for mariners across the globe. Expanding an existing program to help foreign seafarers understand their rights and responsibilities regarding US environmental law, CSR launched a webapp in multiple languages designed for access from any computer or mobile device. CSR Director Douglas B. Stevenson trained port welfare workers on the specifics of the Maritime Labour Convention, 2006 (MLC, 2006), which came into force in August and has already been instrumental in securing fair treatment of seafarers.

SCI's Center for Maritime Education (CME) in Houston expanded its education toolbox, debuting a new Transas simulator designed for one-on-one training and assessment. The facility also hosted a maritime forum with leaders from across the private and public sectors guiding discussion on key industry issues.

In September, SCI premiered an exciting new fundraising event, the SCI Mountain Challenge. Inviting teams of three to test their physical endurance and face uncertain conditions—just as mariners do every day—the Institute hosted more than 120 participants for a long weekend in Western Maine. Teams raised more than \$375,000 to support SCI's programs for mariners and had a great time in the process.

This year, *Christmas at Sea* asked knitters to make use of their yarn leftovers and create mini mariners' watchcaps for an awareness campaign called #WATCHthisCAP. The little caps, created by knitters and hidden in plain sight in communities across the country, inform folks who find them about mariners' contributions to our daily lives.

With 12 months of success behind us and further opportunities to serve in the coming year, SCI thanks its supporters—from donors to knitters to countless volunteers—for your ongoing partnership in our ministry. We wish you all the best for a blessed and joyful 2014.

Faithfully submitted,

The Rev. David M. Rider
President & Executive Director



Senior Ministries – Diocese of Newark 2013 Annual Report

The mission of Senior Ministries is to help the diocese and its congregations establish ministries which both celebrate the involvement of seniors in congregational life and respond to senior needs.

**Join us for the 18th Annual Evensong and Presentation of David P. Hegg II
Lifetime Achievement Awards
Evensong - June 22, 2014 Christ Church, East Orange**

Senior Ministries 2013

- Monthly meetings except in August, usually the third Wednesday of the month from 2-4 p.m. Let us know if you have a particular interest in senior matters and would like to attend a meeting.
- Honored 87 seniors from 48 parishes at the 17th Annual Evensong and Presentation of David P. Hegg II Lifetime Achievement Awards at Christ Church, East Orange. Well over 500 attended the reception and Evensong. See honoree photos with Canon to the Ordinary Greg Jacobs under News/Media at www.dioceseofnewark.org.
- Evensong plate offering of \$3,443.71 divided equally between our two diocesan senior daytime programs: Shepherd's Haven, Pompton Lakes, and Senior Resource Center, Church of the Messiah, Chester.

2013 Presentations

- Convention January 2013 workshop on *Safeguarding Seniors* presented by Marymae Henley, Senior Ministries board member. 60 convention attendees present.
- *What's Going On With Medicare* presented by Scott Bennett: October 19, 2013 at Cathedral House, Newark and November 9, 2013 at Church of the Atonement, Fair Lawn.
- Ongoing distribution of Hospitalization cards: Fill out the card listing parties to be notified in an emergency and carry it in your wallet. The 1996 HIPPA law prohibits contacting clergy, family or friends without your written consent.
- Members of the Senior Ministries board: Gail Barkley, Scott Bennett, Patsy Brooks, Dorothy Fowlkes, Marymae Henley, Lorraine Jones, Hope Lampe (chair), Diane Mayo, The Rev. Oscar Mockridge III, Patricia Moulton, Michael Otterburn (vice-chair), Martha Reiner (secretary), Tricia Smythe, and Patty Watts.

STANDING COMMITTEE, EPISCOPAL DIOCESE OF NEWARK SUMMARY OF ACTIONS FOR 2013

Among the Standing Committee's duties are the consent to the elections of Bishops, candidates for Holy Orders and review and approval of property issues under its purview.

January:

No Consents required.

Property Issues were discussed but no action taken at the time.

February:

Consent:

- Consent given to the election of William Jay Lambert as Bishop Diocesan of the Diocese of Eau Claire, WI

Property:

- A lease was approved for Trinity and St. Philip's Cathedral, Newark to continue to lease its worship space on Sunday afternoons.

March

Consent:

- Consent given to hold the election of a Bishop Suffragan for the Diocese of NY.
- Consent given for the Ordination to the Diaconate for Ellen Kohn-Perry, Tim Carr and Ron Young.

April

Consent:

- Consent given to the election of Anne Hodges-Copple to be Bishop Suffragan for the Diocese of North Carolina.

May

Consents:

- Consent given to the election of Mark Bourlakas to be Bishop Diocesan of the Diocese of Southwestern Virginia
- Consent to the election of a Bishop Coadjutor for the Diocese of Massachusetts.

Property:

- All Saints School, Hoboken – Approval given for them to submit the final contract to the bank for approval.

June

Consent:

- Consent given for the Ordination to the Diaconate for Miquel A. Hernandez.

September

Consent:

- Consent given to the Ordination to the Priesthood of Timothy Carr, Ellen Kohn-Perry and Ronald Young.
- Consent given to the following:

- The Election of William Stokes, Bishop Diocesan of the Diocese of New Jersey
- The Election of Wayne Hougland, Bishop Diocesan of the Diocese of Western Michigan
- The Election of a Bishop Suffragan for the Diocese of Maryland
- The Election of a Bishop Coadjutor for the Diocese of Mississippi.
- Reunion of the Dioceses of Quincy and Chicago

Property:

- St. Peter's, Mt. Arlington Approval given for the sale of their rectory
- All Saints School, Hoboken - Contract approved as amended to reflect the separation of the parish from the school.
- St. Clement's, Church, Hawthorne lease of the rectory was approved.
- Church of the Epiphany Orange – approval of the sale of their Tiffany windows.

October

Consent:

- Consent to the Ordination to the Diaconate of Allyson Brundige.

Property:

- St. Mary's, Belleville – Approval of the sale of the property.
- St. Stephen's, Millburn – One year lease reviewed with Paper Mill Playhouse Great partnership.

November

Property:

- St. Thomas' Church, Vernon – Approval the lease to the Footprints Montessorri School.

Unification Plan

- The Unification Plan for St. Andrew's Lincoln Park and Church of the Transfiguration, Towaco was approved unanimously with applause!

December

Property:

- Christ Church, Short Hills – Approval of the expansion of the Nursery School.

Report to the 140th Convention of the Episcopal Diocese of Newark
Statement of Proceedings of the
Trustees of the Episcopal Fund and Diocesan Properties-2013

Overview of Trustee Operations-2013

This Report is presented in accordance with the provisions of N.J.S.A 16:12-22 which mandates an annual report of Trustees' proceedings to the Convention of the Episcopal Diocese of Newark.

The Trustees met on a quarterly basis during 2013 (March, June, September, and December) to address issues and review reports from Diocesan Staff related to the assets and properties under their supervision. In addition, a number of special meetings were held to address similar issues related to the review and reorganization of various endowment funds under the care of the Trustees and to address property matters. Between regular and specially called meetings, the Trustees met frequently by phone, in person, or by e-mail, as did subcommittees of the Trustees to monitor progress on projects and to attend to matters primarily related to the maintenance and sale of real estate.

During this year the Trustees accepted the resignation of the Rev. Fairburn Powers, formerly of St. Agnes' in Little Falls, upon her retirement. The Rev. Powers resignation was accepted effective May 30, 2013 and a resolution of thanks was adopted by the Trustees for her service as a Trustee. The Trustees also accepted the resignation of the Rev. Lauren Ackland, Rector of Grace Church, Madison, and Bernard Milano of Trinity, Allendale pursuant to Canon 35. Both have been nominated for reelection for stated terms.

At the March meeting John C. Garde, Esquire of Grace Church, Madison, was reelected President; Peter Van Brunt of Church of the Messiah, Chester was reelected Vice President; and Carol Harrison-Arnold, Esquire of Incarnation, Jersey City was elected Secretary.

Endowment and Custodial Management of Funds by the Trustees

The Trustees are custodians for, and manage, funds which fall into three major categories:

I. The Endowment of the Diocese. The endowment of the Diocese (restricted funds given or left to the Diocese), the income from which by long-standing convention mandate is used "to support the episcopate of the Diocese" (e.g., operating budget, if necessary, or specific programs).

- Trustee's Restricted Accounts: Accounts held by the Trustees as custodians for other Diocesan entities. As of November 30, 2013, the restricted accounts held by the Trustees were valued at approximately \$13,198,300. From these accounts the Trustees provided funding for a variety of institutions including:
 - The Bishop's Church Emergency Fund
 - The Bishop's Discretionary Funds
 - Cross Roads Camp
 - Theological Education
 - Outreach Activities

- Maintenance and operating budget of Episcopal House
- Marge Christie Congregational Growth and Vitality Fund
- Ministry in the Oranges – to name but a few.

II. Undesignated Funds. Undesignated, unrestricted funds, the income from which can be used discretionarily by the Trustees (for example, to make repairs at Episcopal House).

- Trustees Unrestricted Accounts: The Trustees provide funding for Diocesan projects, commitments, and responsibilities from the income of unrestricted funds that as of November 30, 2013, had a combined value of approximately \$2,971,162. The Trustees provide funding for the preservation of the assets under their care as well as provide support for the Diocesan operating Budget. In the fiscal year 2013, the Trustees have provided approximately \$143,000 in support to the Diocesan operating budget through direct contributions and the payment of the salary and benefits package for the salary expense related to property management.

III. Designated Funds. Designated funds held for the benefit of the Diocese, congregations, or other ecclesiastical institutions for which the Trustees serve merely as custodians.

- The Trustees hold funds as custodians for a number of churches (Parishes and Missions) and related organizations in the Diocese. As of November 30, 2013, these funds totaled \$5,945,566. During 2013 the Trustees considered and approved a number of requests for distributions from these funds.
- The Trustees hold various funds held for ministry in Jersey City, which as of November 30, 2013, had an approximate value of \$4,352,159. Significantly on December 26, 2013, the Trustees sold the Cator Avenue property in Jersey City (the site of the originally proposed St. Augustine Church development) for \$220,000 with the proceeds deposited back into the various funds held by the Trustees for Jersey City ministry.
- The Trustees hold Lay Pension Plan and Clergy Housing Equity Accounts which, as of November 30, 2013 totaled approximately \$2,903,967.

The sum of all the above funds totaled \$29,371,154 as of November 30, 2013.

As part of the Trustees' responsibility to manage various assets for the Diocese, its member churches, and organizations, the Trustees continued a number of long term projects during the 2013 calendar year including:

- Endowment and Fund Analysis and Consolidation: The Trustees substantially completed the second phase of a multi-year review and reorganization of all fund accounts under their care as custodians. This included funds held for the use of the Trustees, the Office of the Bishop and the Council, as well as funds held by the Trustees for other organizations related to the Diocese and its member churches. Those portions of the review that relate to funds held for the use of the Trustees, various Diocesan organizations and members churches have now been completed. Management and oversight of these funds is one of the core responsibilities of the Trustees. Our review has allowed us to have a better understanding of the legal and permissible use of these various funds and to insure that allowable distributions were being made to the correct institutions of the Diocese. This multi-year effort has also allowed for the consolidation of

various disparate funds that at one point numbered in excess of 270 individual funds into a more manageable number that allows for better oversight by the Trustees and easier management by the Diocesan Finance office. The Trustees are in the final stages of documenting the results of this review for future use by the Trustees, staff, and auditors.

- Coordination with the Diocesan Investment Trust (DIT). As the largest investor in the Diocesan Investment Trust, the Trustees of the Diocese take an active role in coordination of investments with the DIT. The completion of substantial portions of the Endowment review has allowed the Diocesan Trustees and the Trustees of the DIT to further streamline the manner in which investments are managed with TIAA-CREFF as the fund manager. Further discussions and coordination between the two bodies will continue in 2014. One of the Diocesan Trustees, the Rev. Lauren Ackland, also serves as a Trustee of the DIT. In addition to the funds for which the Trustees act as custodian which total \$29,371,154 as detailed above and which are invested in TIAA-CREF, the DIT also invests funds with TIAA-CREF totaling \$20,554,450 on behalf of Diocesan Council organizations (including Ward J. Herbert, ACTS/VIM, Aged & Infirm, Episcopal Capital Loan, Rath Educational and Gertrude Butts Funds), as well as direct congregational investments. The total funds invested in TIAA-CREF and overseen by the DIT totaled \$49,925,604 as of November 30, 2013.

The Trustees also worked closely with the Trustees of the DIT to create a meaningful response to the resolutions of the 139th Annual Convention relating to responsible banking and “green” energy investment decisions.

Audits of Trustee accounts for the 2011 and 2012 fiscal years were received, reviewed, and approved as submitted by the audit firm of O’Connor Davies.

Management of Real Estate

- Categories: The Trustees hold title to the following four categories of property:
 - a. Real property of the Diocese (e.g., the Bishop’s house in South Orange and Episcopal House at 31 Mulberry Street, Newark).
 - b. Mission congregations formerly under the management of the later disbanded Department of Missions.
 - c. Real property and proceeds from the sale of the property of extinct congregations (N.J.S.A. 16:12-16).
- Property Management: During 2013, the Trustees continued to work closely with the Diocesan Property Manager to address concerns on properties under their oversight, including Mission Church and closed church properties, Episcopal House, and the Bishop’s residence. During the year 2013, the Trustees spent approximately \$800,000 on various projects related to: (a) the management and maintenance of properties under their care; (b) where applicable, property taxes, repairs and maintenance, property insurance, security and other costs; and (c) fees expended for the disposition of surplus assets. Approximately \$300,000 of this amount was financed from collection of property insurance proceeds.

Significant property management events during the 2013 calendar year included the following:

1. Repair of the Church roof at All Saint's, Orange.
2. Repair and replacement of boilers and heating systems at St. John's, Union City.
3. Contributions towards the repair of the rectory at Good Shepherd, Wantage.
4. Completion of various repairs and exterior painting at the Bishop's Residence.

The Trustees have taken an active role in addressing the costly demands by the Township of Vernon and the Sussex County Municipal Utilities Authority for the connection of the St. Thomas, Vernon property to the municipal sewer system.

The Trustees negotiated and approved the continued lease of the former St. Barnabas', Newark property to the Lighthouse Temple church.

The renovation of Episcopal House was completed in 2013 in an attempt to create a more modern and appealing office space for the headquarters of our Diocese and visitors. The Trustees expended approximately \$265,000 for these needed renovations.

The Trustees continue to pursue the sale and disposition of the property of the former Christ Church in Belleville. While the sale of this property did not close by the end of 2013, the Trustees are hopeful that a successful sale can be concluded during the first quarter of 2014.

The Trustees also continue to deal with issues associated with the former St. John's, Jersey City property and are attempting to resolve issues there in an effort to redevelop the property for productive use.

The Trustees continue to manage and maintain the former St. Mark's property in West Orange, including the cemetery located in Orange. During the year 2013 the Trustees spent \$155,000, which included proceeds from insurance claims in an effort to maintain and stabilize the property for sale purposes.

The Trustees assumed responsibility for the property of the former Christ Church in Totowa and St. John's in Union City. Consideration is being given to the future disposition of these properties. No decisions have been made at this time.

- Sale of Property: During the year 2013, surplus property consisting of the property on Cator Avenue in Jersey City was sold for the gross amount of \$220,000 with proceeds deposited into the Jersey City accounts held by the Trustees. The sale of the Cator Avenue property ends an almost ten-year effort to dispose of this property. Of significance, the property was sold to Garden State Episcopal Development Corporation in anticipation of its redevelopment for housing.

- Congregational Issues: The Trustees have been actively involved in several congregational initiatives undertaken in 2013, including the consolidation of St. Andrew's, Lincoln Park and Church of the Transfiguration, Towaco into a new consolidated congregation, the Church of the Good Shepherd. Trustees Bernie Milano and John Garde acted as consultants to this consolidation effort with a resolution approving the consolidation to be presented to the 140th Convention.

Respectfully submitted,

John C. Garde, President

December 31, 2013

Trustees of the Episcopal Properties and Diocesan Fund of the Episcopal Diocese of Newark
2013:

The Rev. Lauren Ackland – Grace Church, Madison.

The Rt. Rev. Mark Beckwith, Bishop of Newark

William Carpenter, Esq. – St. John's, Montclair

Ms. Marge Christie – Christ Church, Ridgewood

R. John Cooper, Esq. – Christ Church, Short Hills

John C. Garde, Esq. – Grace Church, Madison, President

Carol Harrison-Arnold, Esq. – Incarnation, Jersey City, Secretary

Ms. Bernice Mayes – Trinity & St. Phillip's Cathedral, Newark

The Rev. John Mennell – St. Luke's, Montclair

Mr. Bernard J. Milano, CPA – Trinity, Allendale

The Rev. Fairbairn Powers – St. Agnes, Little Falls (up to May 31, 2013)

Mr. Peter Van Brunt – Church of the Messiah, Chester, Vice President

The Rev. Dean Weber – All Saint's, Leonia

**WARD J. HERBERT FUND
REPORT TO CONVENTION 2014**

The Ward J. Herbert Fund Board (WJH) was established by Diocesan Convention in 1990 with a mandate to empower the restoration, repair, improvement, beautification, and otherwise to extend the usefulness of the churches and buildings in the diocese. The board administers three funds through which financial assistance is distributed.

Fund 1: A 50/50 grant program operated under specific criteria and funded by investment returns from the original Church Structures Capital Campaign dedicated to this purpose.

Fund 2: interest received from outstanding Episcopal Capital Loan Fund (ECLF) loans make up the Property Maintenance Fund (Fund 2). The Board makes Fund 2 monies available on a flexible loan or grant basis with a particular care for need and emergency.

ECLF: The Episcopal Capital Loan Fund makes short- and long-term loans to churches for capital projects.

Applications are accepted for three granting cycles on February 15, May 15 and September 15 and are available at www.dioceseofnewark.org/wjh.html.

During the calendar year 2013, the Ward J. Herbert Fund provided funding for the following projects at churches, parish halls and rectories within the Diocese of Newark.

Norwood, Church of the Holy Communion	CH/PH-Church & Hall boilers	10695
Hackettstown, St. James' Church	CH-gutter system repair	18750
Hasbrouck Heights, St. John the Divine	RE-Gutters for Care Center	990
Milton/Oak Ridge St. Gabriel's Church	PH -Vent repairs	446
Teaneck, Christ Church	CH-Replacement windows	15000
Orange, Church of the Epiphany	PH-Roof repairs	5850
Washington, St. Peter's Church	RE- Replace Rotting Subfloor	2500
Sparta, St. Mary's Church	PH- Boiler replacements	10771
Sussex, Church of the Good Shepherd	RE - Roof Replacement	2238
Norwood, Church of the Holy Communion	RE - Roof Replacement	3790
Cliffside Park, Trinity Church	CH- Boiler Replacement	5849
Oradell, Church of the Annunciation	CH - Fire Supression System	14002
Jersey City, Grace Church Van Vorst	PH - decking and roofing	17119
Montclair, St. John's Church	CH- Steeple Repair	16271
Sparta, St. Mary's Church	PH- Leaks in Parish Hall Roof	2923
Budd Lake, Christ Church	RE - Rectory Rehabilitation	3529
Chatham, St. Paul's Church	CH - Water Intrusion Remediation	7313
Hawthorne, St. Clement's Church	CH - Roof replacement	6716
Boonton, St. John's Church	CH- Church Entryway Roof	1609
Livingston, St. Peter's Church	CH - Steeple Facade	7520
East Orange, Christ Church	CH- Church Chimney Repairs	4552
Jersey City, Grace Church Van Vorst	CH-Sewer Backflow Issue	3565

The following is a summary of the total grants since the funds inception.

Number of requests submitted to date (1990 – 12/2013): 716

Total amount of requests: \$7,470,124

Number of requests funded: 634

Total amount of disbursed monies: \$3,741,988

ECLF Loans

During the year an Episcopal Capital Loan Fund was made to St. Paul's Chatham for \$15,000.

Emergency loans were made available to Epiphany Orange (\$2150) Balance of roof repairs; Incarnation, Jersey City (\$1,300) for Boiler Repairs; and Christ Church, Teaneck (\$6000) for Boiler repairs