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The Church Pension Group Annual Report

09

Statistical Highlights

Cumulative Clergy Pension Fund Operations

	Since Inception (1917)
Total assessments and original pledges received	$ 1,978,865,176
Investment income and gains (net of expenses and other deductions)	8,341,852,959
Total income	$10,320,718,135
Benefits paid for clergy and dependents	$ 3,353,579,412
Transfers to restricted and unrestricted net assets	$ 1,810,016,093

Participant Statistics

	2009	2006	2003
Active Fund Participants†			
Number			
Male	4,957	5,237	5,637
Female	2,517	2,314	2,130
Total	7,474	7,551	7,767
Participants' Average Age	53.5	53.3	53.1
Average compensation	$64,900	$60,309	$55,943
Those Receiving Benefits			
Retirees			
Normal Retirement	3,292	2,977	2,654
Early Retirement	3,120	2,941	2,754
Disability Retirement	443	392	370
Total	6,855	6,310	5,778
Average Annual Pension Benefit	$29,232	$25,460	$19,525
Average Age	74.0	73.6	73.3
Surviving Spouses			
Number	2,583	2,542	2,458
Average Benefit	$19,224	$16,463	$12,158
Average Age	78.3	77.3	77.3

† Those for whom payments are made into plan. Participant statistics as of December 31, 2008.
Source: Buck Consultants, LLC Actuarial Reports

Ordinations by Calendar Year

	2008	2005	2002
Number of Individuals Ordained*	407‡	556	508
Average Age at Ordination	47.6	47.2	47.4

* Includes both U.S. and non-U.S. ordinations under all canons.

‡ This figure may increase when additional information is received from dioceses.

Dear Friends,

In June, we disseminated our comprehensive Report to General Convention, which contains much detailed information about the activities of the Church Pension Group (CPG) during the past triennium, including our work in regard to the lay employee study and the denominational health plan. For that reason, this year's Annual Report is shorter than usual, focusing primarily on 2009 benefit enhancements, updated investment results as of March 31, 2009, and the audited financial statements. Those financial statements, and the charts on page 2, reflect our adoption of U.S. generally accepted accounting principles (GAAP) as of March 31, 2009. The reasons for and implications of this change are explained on page 6 and in the accompanying notes to the financial statements starting on page 7. This change in accounting method may be confusing. Therefore, we want to assure you that the Fund is in a solid financial position, and benefits are secure.

Benefit Enhancements for 2009

5.8% Cost-of-Living-Related Pension Increase for Retirees

Although not obligated by Plan rules, effective January 1, 2009, the Church Pension Fund (CPF) Board increased the monthly pension benefits payable under the Clergy Pension Plan to offset increases in the cost of living. Retired clergy, surviving spouses, and dependent children received a 5.8% cost-of-living-related increase, as did beneficiaries of the Episcopal Church Lay Employees' Retirement Plan.[1] This 5.8% is equal to Social Security's 2009 COLA increase.

Increase in Life Insurance Coverage for Active and Retired Clergy

Effective January 1, 2009, the life insurance benefit for all current and future eligible retirees increased from two times Highest Average Compensation with a maximum of $30,000 to four times Highest Average Compensation with a maximum of $50,000, and the life insurance benefit for eligible clergy who have not yet retired increased from two times Total Compensation with a maximum of $50,000 to four times Total Compensation with a maximum of $100,000.[2]

Funding for Pension Benefit Enhancements for Non-Domestic Dioceses of The Episcopal Church

At its February 2009 meeting, the CPF Board approved increasing the medical supplement in the non-domestic dioceses to $160 per month effective July 1, 2009 for clergy who have earned 20 years of Credited Service, and implemented a sliding scale in regard to the benefits minimum, effective July 1, 2009, so that it will equal $120 per year of Credited Service with a minimum of $2,400 and a maximum of $4,800. In addition, the short term disability benefit was extended to clergy in non-domestic dioceses who give birth.

Increased Subsidy of Post-65 Medicare Supplement Program and Plan Enhancements

The CPF Board raised the CPF subsidy of the post-65 Medicare supplement program from $250 per member per month to $265 per member per month, thereby eliminating the need for any cost increases to be passed along to members of the "Comprehensive," "Plus," and "Premium" medical plans for 2009.[3] In addition, several enhancements were added to the post-65 medical program.

Increase in Clergy Retiree "Allowed Earnings"

Many clergy continue to serve the Church through temporary or part-time employment during retirement. Retired clergy may now earn up to $32,000 in a 12-month period from church work and still receive full pension benefits.

[1] Those whose benefits began during 2009 will receive a prorated increase proportional to the number of months retired.
[2] Information on imputed income and possible minor tax consequences was recently disseminated.
[3] Although not obligated by Plan rules, we hope to continue to provide similar post-retirement assistance in the future; however, we cannot make "forever" promises.

Investment Performance

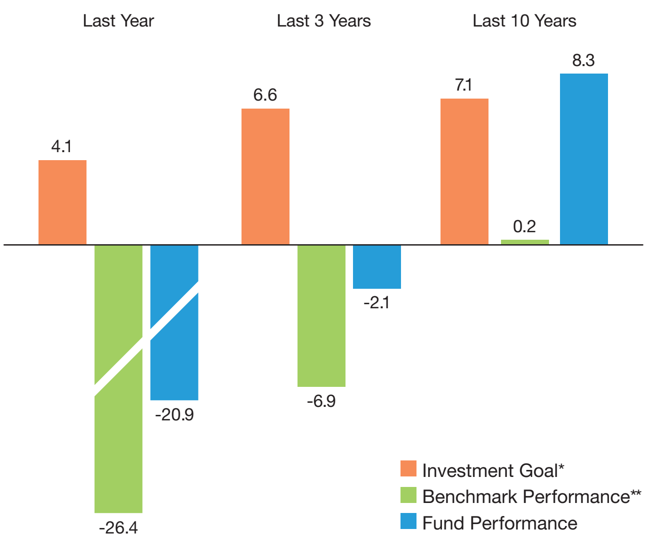
The U.S. stock market had one of its worst 12-month periods in the fiscal year ended March 31, 2009,[4] falling 38.1% as measured by the S&P 500 Index. Stocks fell in the first half of the fiscal year, as liquidity concerns in the banking sector and weakness in housing began to spread to other parts of the economy. The bankruptcy of Lehman Brothers Holdings Inc. in September precipitated a much more dramatic decline in the September-to-December 2008 period, with the S&P 500 falling 16.8% in October alone, and 21.9% for the full quarter. There was no relief until March 2009, when the S&P 500 rallied 8.8%. However, it fell 11% for the full quarter. Stock markets around the world experienced even greater declines, with the EAFE Index of developed markets declining 46.5% and the Emerging Markets Index falling 61% in fiscal 2009. Bonds provided a measure of stability, although credit spreads in investment-grade securities expanded to their widest level over Treasuries since the Great Depression. Only Treasury securities and money market instruments provided positive returns in fiscal 2009.

The Fund portfolio is not immune to this type of market environment, and declined 20.9% in fiscal 2009. The Fund's 33% allocation to bonds cushioned the decline from equities. Within equities, the Fund's broad diversification did help. Notably, the Fund's investments in Specialized Strategies, including event arbitrage, distressed debt, and absolute return strategies, declined much less than the overall stock market. The Fund's investments in private equity and private real estate also helped. The values in these investments, however, are not fully reflective of the underlying economics and may be marked down in subsequent periods.

It has been our practice, in our annual reports and other publications, to include two charts: "Investment Performance" and "Assets Available for Benefits." These charts appear below. However, because CPF adopted GAAP in the preparation of its audited financial statements for the year ended March 31, 2009 and going forward, these two exhibits are formulated somewhat differently than they have been in the past. For a fuller discussion of the change in basis of accounting, please see page 6 as well as the accompanying notes to the financial statements that begin on page 7.

Investment Performance for Periods Ending March 31, 2009

Annualized Total Return in Percent (preliminary)

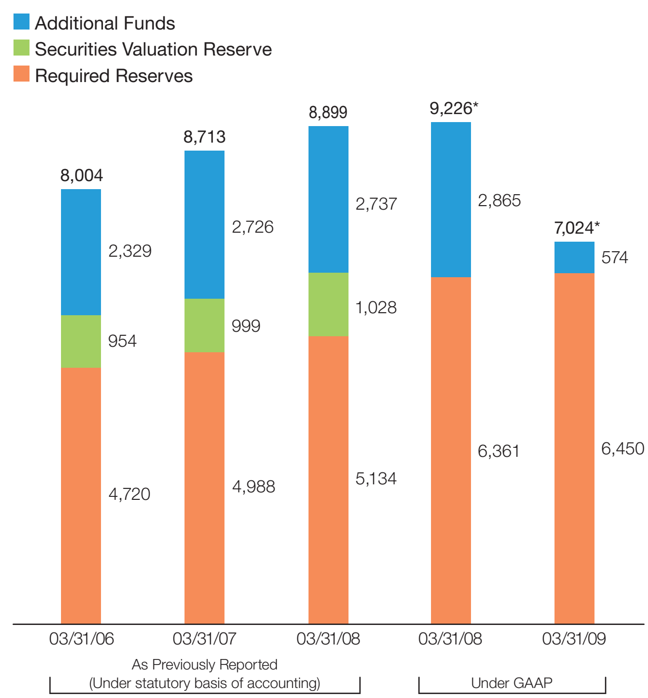


*Investment Goal is a return of 4.5% over inflation.

**From inception to 6/30/08, the benchmark consisted of 65% S&P 500 Index /35% Barclays Capital Government Credit Index (formerly known as Lehman Brothers Government/Corporate bonds). From 6/30/08 to present, the benchmark consists of 67% S&P 500 Index/33% Barclays Capital Government Credit Index.

Assets Available for Benefits

Dollars in Millions



*Total assets excluding non-benefit liabilities, assets commingled for investment purposes, legacy and gift funds, and investments in affiliated companies

[4] The Church Pension Group's fiscal year runs from April 1 through March 31.

The exhibit on the left on page 2 shows the performance of the Fund over three time periods through March 31, 2009. It compares the portfolio return with two key benchmarks: investment goal, and a market index portfolio of 67% S&P 500 stocks and 33% bonds. As you can see, the Fund's performance compared favorably with the benchmark return for the one- and three-year time periods, but fell below the investment objective. On a ten-year basis, however, Fund performance exceeded both benchmarks.

The exhibit on the right on page 2 shows that the Fund's total Assets Available for Benefits decreased to $7.0 billion as of March 31, 2009, and Additional Funds fell to $0.6 billion. Required Reserves are the dollars required for paying pension and other benefit obligations, and Additional Funds are assets available for benefits in excess of the Required Reserves.

These are clearly very challenging times, with a great deal of uncertainty with respect to the economic and investment outlook. However, despite recent declines, CPF reserves are sound and benefits are secure. We do not know what the future will bring, but we believe the investment portfolio is well-positioned for the long term. While recent economic and market events can be disturbing, they also provide the foundation for very attractive return opportunities and the Fund is in a strong position to take advantage of them.

Board Changes

The membership of the CPF Board will change significantly as a result of the trustee elections at General Convention and the retirement from the board of eight current trustees. As set out in the Church canons, General Convention deputies will elect 12 trustees in July, selecting from the slate of nominees proposed by the Joint Standing Committee on Nominations.

Four current CPF Trustees are eligible and have agreed to stand for reelection — James E. Bayne, the Rt. Rev. Robert H. Johnson, the Rt. Rev. V. Gene Robinson, and the Rt. Rev. Wayne P. Wright. The twelve trustees elected by General Convention in 2006 will continue to serve, as will CPF President and CEO, T. Dennis Sullivan.

Eight other highly esteemed trustees — the Very Rev. M. L. Agnew, Jr., Sheridan C. Biggs, David L. Brigham, the Rev. Carlson Gerdau, the Rt. Rev. Gayle E. Harris, Canon Joon D. Matsumura, Virginia A. Norman, and David R. Pitts — are retiring from the CPF Board, having faithfully served the two consecutive six-year terms allowed under General Convention rules. We celebrate the contributions of these eight individuals below and on the following pages.

Retiring CPF Trustees

The Very Rev. M. L. Agnew, Jr.
Dean (retired), St. Mark's Cathedral, Bullard, Texas
M. L. was elected to the CPF Board in July 1997. During his 12 years of service, he served as Vice Chair of the Investment Committee, as well as a member of the Social & Fiduciary Responsibility in Investments Committee, the Ecclesiastical Offices Held by Beneficiaries Committee, and the Board's Commission on Corporate Sustainability. He was also a director of both the Church Insurance Companies and Church Life Insurance Corporation. The work of the board has been enriched by his insightfulness and strength of purpose.

Sheridan C. Biggs
Partner (retired), Price Waterhouse, Quaker Street, New York
Sherry joined the CPF Board in 1997. He served on the Audit Committee throughout his tenure on the board, and chaired it for the past nine years. His leadership of the Audit Committee was invaluable at all times, but especially during the evaluation of and transition to a new external audit firm, and the adoption and implementation of GAAP by CPF. Sherry has also served on the Executive, Investment, Finance, and Social & Fiduciary Responsibility in Investments Committees, and as a director of both Church Life Insurance Corporation and the Church Insurance Companies.

David L. Brigham
Partner, Manchester Capital Management
President and CEO (retired), J.P. Morgan Investment Management Inc., Weston, Vermont

David has a long and illustrious history with the Church Pension Fund. He has been involved with the Fund since the mid-1960s, when he managed the entire Fund portfolio while at J.P. Morgan Investment Management Inc. At that time, J.P. Morgan was the Fund's only manager, and the assets were managed as a balanced account including both stocks and bonds. First elected to the Board in 1981 after he left J.P. Morgan briefly, David served until 1993, chairing the Investment Committee. He returned to the CPF Board in 1997, and ultimately served four full terms, chairing the Investment Committee from 1997 to 2009. Under his guidance, and with the excellent work of the Investment Committee and investment staff, the Fund's assets grew from $2 billion in 1991 to over $9 billion in 2008. Truly "a fiduciary's fiduciary," David also served on the Executive and Compensation Committees, and as a member and Chair of the board of the Church Insurance Companies.

The Rev. Carlson Gerdau
New York, New York

Carl joined the board in 1997, and brought with him the valuable perspective of his role as Canon to the former Presiding Bishop, The Most Rev. Frank Griswold. His work as a member of the Episcopal Church Medical Trust Advisory Board, particularly in regard to the Church-wide Healthcare Coverage Feasibility Study mandated by the 75th General Convention's Resolution A147, was especially valuable. He also served on the Social & Fiduciary Responsibility in Investments Committee, the Investment Committee, and the Audit Committee, of which he was Vice Chair, and was a director of the Church Insurance Companies.

The Rt. Rev. Gayle E. Harris, Vice Chair, Church Pension Fund
Bishop Suffragan of Massachusetts

Gayle joined the Board in 1997 and was elected its Vice Chair at the start of her second term in 2003. In that role, she was a strong leader and a voice for fairness and the common good. Her work as a member of the Retirement Programs Committee had a significant impact on the formulation of benefit enhancements during her tenure, just as her involvement in the Diversity and Workplace Values Committee was influential in the work of CPG as it formulated internal staff programs. Gayle also served on the Social & Fiduciary Responsibility in Investments, Nominating, and Compensation Committees, and was Vice Chair of the Executive Committee.

Canon Joon D. Matsumura
Comptroller (retired), Diocese of Los Angeles, Yorba Linda, California

From her first CPF Board meeting in 1997, Joon has been a strong voice for lay employee benefits, and passionate about exploring ways to give proportionately more to those with the lowest benefits. Her years of personal experience as a lay employee informed her service as Vice Chair of the Retirement Programs Committee. In addition, she was a member of the Executive, Audit, and Social & Fiduciary Responsibility in Investments Committees, and a director of the Church Insurance Companies. Joon has been a faithful and consistent presence at board meetings in spite of the distance she has had to travel in order to participate as a CPF Trustee.

Virginia A. Norman

Treasurer, Iglesia Episcopal Dominicana, Dominican Republic

Virginia has a broad perspective of the work of the CPF Board, having served four terms over a 15-year period: 1985–1988; 1994–1997; 1997–2003; and 2003–2009. During the past six years she was Vice Chair of the Social & Fiduciary Responsibility in Investments Committee, and also served on the Investment Committee. Her ministry of presence with us, despite the logistics of travel from the Dominican Republic to New York City, could always be relied upon. Her experience in the Church has made her a strong advocate for the clergy and lay employees of Province IX, and for lay employees generally.

David R. Pitts, Chair, The Church Pension Fund

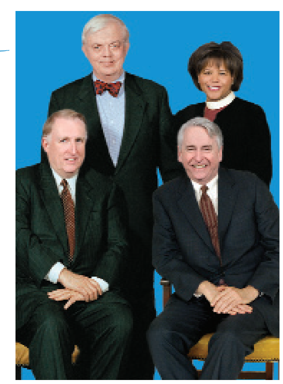
Chairman and CEO, Pitts Management Associates, Inc., Baton Rouge, Louisiana

Elected to the Board in 1997, and elected its Chair in 2003, David has been a strong leader through a period of transition, guiding the trustees through the CPG leadership succession from Alan F. Blanchard to T. Dennis Sullivan. From the first days of his service on the board, his wise counsel, calm demeanor, and sense of humor have promoted collegiality and trust. His formidable experience in the healthcare industry has been of great assistance in the work of the Episcopal Church Medical Trust Advisory Board and the Church-wide Healthcare Coverage Feasibility Study Advisory Committee, both of which he chaired. In addition, he served on the Executive, Nominating, and Diversity and Workplace Values Committees, all of which he chaired, and was a member of the Investment, Compensation, and Audit Committees. In all of these interactions, he has brought a deeply held sense of inclusiveness and fairness.

As always, we thank you for your prayers and continued support as we pursue our ministry on your behalf.

Faithfully,

David R. Pitts Chair	The Rt. Rev. Gayle E. Harris Vice Chair	The Rt. Rev. Peter James Lee Vice Chair	T. Dennis Sullivan President



Officers of the Board

(seated) David R. Pitts, T. Dennis Sullivan, (standing) The Rt. Rev. Peter James Lee, The Rt. Rev. Gayle E. Harris

The Church Pension Fund was notified in early 2008 by the New York State Insurance Department (the "Department") that the annual audited financial statements for retirement systems and pension funds which are required to be examined by the Department must now be prepared based on U.S. generally accepted accounting principles ("GAAP") instead of the statutory basis of accounting previously required by the Department.

CPF adopted this change in basis of accounting in the accompanying financial statements.

Under GAAP, the reported financial position of CPF can be more volatile from year to year because assets are reported at their fair value and actuarial liabilities at their current settlement price as of the balance sheet date. Also, the establishment of a Securities Valuation Reserve is not permitted under GAAP.

The basis of presentation of CPF's financial statements and its significant accounting principles under GAAP are discussed in more detail in the accompanying notes to the financial statements which also include the cumulative effects of adoption of GAAP.

Combined Statements of Net Assets Available for Benefits

March 31	2009	2008
Assets		
Investments, at fair value:		
Equity securities, other than affiliated companies	$1,778,526,213	$3,316,810,967
Fixed income securities	2,250,026,935	2,757,288,646
Real estate and private equity	1,586,958,582	1,646,864,956
Alternative investments	1,322,114,099	1,545,641,144
Mortgage loans	24,712,665	29,638,230
Affiliated companies, equity interest	115,810,848	115,291,492
Short-term securities	259,002,702	211,244,360
Total Investments, at fair value	7,337,152,044	9,622,779,795
Receivables and Other Assets:		
Receivable from brokers	204,871,852	144,472,289
Notes receivable	2,005,485	2,049,999
Assessments receivable, less allowance for doubtful accounts (2009–$2,488,000; 2008–$1,599,000)	3,970,249	3,584,181
Accrued investment income and other assets	79,299,186	86,884,247
Home office building and improvements, less accumulated depreciation (2009–$9,781,000; 2008–$8,742,000)	18,807,389	18,699,295
Cash and Cash Equivalents	104,964,224	123,582,972
Total Assets	7,751,070,429	10,002,052,778
Liabilities		
International Clergy Pension Plan	83,364,693	85,706,716
Payable to brokers	292,468,127	302,283,905
Accrued expenses and other liabilities	111,840,670	99,818,347
Total Liabilities	487,673,490	487,808,968
Total Net Assets	$7,263,396,939	$9,514,243,810
Components of Net Assets		
Restricted Net Assets:		
Permanently Restricted Legacy and Gift Fund	$ 13,498,706	$ 17,495,165
Temporarily Restricted Legacy and Gift Fund	13,309,934	16,384,839
Total Restricted Net Assets	26,808,640	33,880,004
Unrestricted Net Assets:		
Designated for Major Medical Supplement Fund	959,536,483	981,579,123
Designated for Life Insurance Benefit Fund	168,615,009	81,595,993
Designated for Supplemental Pension Fund	48,167,990	47,497,557
Designated for investment in affiliated companies	115,810,848	115,291,492
Available for benefits:		
Designated for assessment deficiency	658,251,922	725,886,565
Net assets available for benefits:		
The Clergy Pension Plan	5,157,122,630	7,355,655,967
The Episcopal Church Lay Employees' Retirement Plan	64,513,137	91,235,572
Staff Retirement Plan of The Church Pension Fund and Affiliates	64,570,280	81,621,537
Total net assets available for benefits	5,286,206,047	7,528,513,076
Total Unrestricted Net Assets	7,236,588,299	9,480,363,806
Total Net Assets	$7,263,396,939	$9,514,243,810

See accompanying notes to financial statements.

Combined Statements of Changes in Net Assets Available for Benefits

Years Ended March 31	2009	2008
Additions to Net Assets		
Assessments	$ 96,141,935	$ 93,115,922
Interest	148,614,972	140,813,933
Dividends and other income	64,747,978	71,665,225
Net (loss) gain on real estate and private equity investments	(386,677,616)	382,192,443
Net (loss) gain on alternative investments	(336,855,728)	43,335,924
Net realized and unrealized investment losses on equity and fixed income securities	(1,408,064,972)	(12,428,996)
Total (Deductions) Additions to Net Assets	(1,822,093,431)	718,694,451
Deductions from Net Assets		
Benefits and Expenses:		
Pensions and other benefits	261,665,126	249,996,013
Medical supplement	23,583,857	21,609,831
Life insurance	10,541,448	8,901,917
Total benefits	295,790,431	280,507,761
Investment management and custodial fees	27,625,052	30,683,609
General and administrative	52,725,485	43,649,241
Enterprise-wide projects	8,604,841	5,156,940
General Convention Resolution projects	1,505,772	1,868,389
Total Benefits and Expenses	386,251,581	361,865,940
Other Deductions (Additions)	42,501,859	(4,580,204)
(Decrease) Increase in Total Net Assets	(2,250,846,871)	361,408,715
Decrease (Increase) in Restricted and Unrestricted Net Assets		
Decrease (increase) in Restricted Net Assets	7,071,364	(3,112,359)
Decrease (increase) in Major Medical Supplemental Fund	22,042,640	(38,329,086)
Increase in Life Insurance Benefit Fund	(87,019,016)	(2,554,962)
Increase in Supplemental Pension Fund	(670,433)	(2,927,151)
Increase in investment in affiliated companies	(519,356)	(15,739,061)
Decrease (increase) in assessment deficiency	67,634,643	(4,328,358)
(Decrease) Increase in Net Assets Available for Benefits	(2,242,307,029)	294,417,738
Net Assets Available for Benefits at Beginning of Year	7,528,513,076	7,234,095,338
Net Assets Available for Benefits at End of Year	$5,286,206,047	$ 7,528,513,076

See accompanying notes to financial statements.

Notes to Financial Statements

1. Organization

The Church Pension Fund (the "Fund") is a corporation chartered in 1914 by the Legislature of the State of New York. Its incorporators and their successors are broadly authorized, as Trustees of the Fund, to establish and administer the clergy pension system of The Episcopal Church, including pensions, insurance, annuities, accident, health and other programs. The Fund was established by the General Convention of The Episcopal Church; the Fund and its affiliates are official agencies of The Episcopal Church for these purposes and operate under the Canons of The Episcopal Church. Since 1914, the Fund has elected to be examined by the New York State Insurance Department.

The Fund began its operations on March 1, 1917. Subsequently, affiliates of the Fund were formed as its activities expanded. Major affiliates and their years of formation include: Church Publishing Incorporated, 1918; Church Life Insurance Corporation, 1922; The Church Insurance Company, 1929; The Church Insurance Agency Corporation, 1930; The Episcopal Church Clergy and Employees' Benefit Trust, 1978; The Church Insurance Company of Vermont, 1999; CREDO Institute, Inc., 2001; and The Church Insurance Company of New York, 2007. All operations of the Fund and its affiliates, informally known as the Church Pension Group, are governed by the Fund's Board of Trustees or by subsidiary Boards, which include Fund Trustees. Except for the President, all Fund Trustees serve without compensation and are elected by the General Convention from a slate of nominees. In general, Fund Trustees serve for a maximum of two consecutive six year terms.

2. Description of the Plans

The Fund is the plan sponsor and the administrator of the Fund's Clergy Pension Plan (the "Clergy Plan"), The Episcopal Church Lay Employees' Retirement Plan (the "Lay Plan") and The Staff Retirement Plan of The Church Pension Fund and Affiliates (the "Staff Plan") (collectively referred to as the "Qualified Plans"). The following is a brief description of the Clergy Plan, the Lay Plan and the Staff Plan for general information purposes only. Participants in these plans should refer to the plan documents of their respective plan for more complete information. In the event of a conflict between this brief description and the terms of the plan documents, the terms of the plan documents shall govern.

The Clergy Plan is a defined benefit pension plan providing retirement, death and disability benefits to eligible clergy of The Episcopal Church. The Lay Plan is a defined benefit plan providing retirement, death and disability benefits to eligible lay employees of participating employers of The Episcopal Church. The Staff Plan is a defined benefit plan providing retirement and death benefits to eligible employees of the Fund and certain affiliates. The respective assets of these defined benefit plans are pooled for the benefit of all participants. As church plans, the Qualified Plans are exempt from Titles I and IV of the Employee Retirement Income Security Act of 1974 and, therefore, are not subject to Pension Benefit Guaranty Corporation requirements. These plans have long been recognized as exempt from federal income taxes. The Fund and certain of its affiliates are also exempt from certain federal, state and local income taxes. The Qualified Plans may be terminated by the Fund at any time. Upon termination of these plans, the Fund has the authority to distribute the plan assets in accordance with the terms of the respective plan documents.

The Fund maintains a master trust with an undivided ownership interest in the portion of the Fund's assets allocable to (1) the Clergy Plan benefits for retired participants and their dependents, (2) the Lay Plan benefits for retired participants and their dependents, and (3) the Staff Plan benefits for retired participants and their dependants. The master trust agreement names the Fund as trustee and the Northern Trust Company as custodian. The portion of the master trust (1) attributable to the Clergy Plan is funded, as necessary, to at least equal to the actuarial liability of the Clergy Plan benefits for retired participants and their dependents on an annual basis, and (2) attributable to the Lay Plan and the Staff Plan is funded at the discretion of the Fund. As of March 31, 2009 and 2008, master trust assets, which are included in the combined statements of net assets available for benefits, relating to the plan benefits described above, amounted to $3.1 billion and $3.0 billion, respectively.

3. Basis of Presentation and Summary of Significant Accounting Principles

Basis of Presentation

The accompanying financial statements have been prepared on a combined basis for the Fund and the Qualified Plans in accordance with U.S. generally accepted accounting principles ("GAAP"). All inter-plan balances have been eliminated in these combined financial statements.

The Fund was notified in early 2008 by the New York State Insurance Department that the annual audited financial statements for retirement systems and pension funds which are required to be examined by the New York State Insurance Department must now be prepared on a GAAP basis of accounting instead of the statutory basis of accounting previously required by the New York State Insurance Department. The Fund adopted this change in basis of accounting effective April 1, 2008. The cumulative effect of the adoption of this change in basis of accounting was to decrease the net assets available for benefits by $585.3 million. The adoption of this change in basis of accounting did not have a significant effect on the funding position of the Fund and the Qualified Plans.

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the financial statements and accompanying notes. The fair value of investments and accumulated plan benefits represent the most significant estimates and assumptions. Actual results could differ significantly from these estimates and assumptions.

Summary of Significant Accounting Principles

The following are the significant accounting policies followed by the Fund and the Qualified Plans:

i) Investments — Investments are stated at fair value. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the financial statements.

Effective April 1, 2008, the Fund and the Qualified Plans adopted Statement of Financial Accounting Standard No. 157, Fair Value Measurements ("SFAS No. 157"). SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS No. 157 applies whenever other accounting pronouncements require or permit assets or liabilities to be measured at fair value. The Statement does not expand the use of fair value to any new circumstances. The adoption of SFAS No. 157 did not have a significant effect on the financial position of the Fund and the Qualified Plans.

Fair values of financial instruments are determined using valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Fair values are generally measured using quoted prices in active markets for identical assets or other inputs, such as quoted prices for similar assets that are observable, either directly or indirectly. In those instances where observable inputs are not available, fair values are measured using unobservable inputs for the asset. Unobservable inputs reflect management's own assumptions about the assumptions that market participants would use in pricing the asset or liability and are developed based on the best information available in the circumstances. Fair value estimates derived from unobservable inputs are significantly affected by the assumptions used, including the discount rates and the estimated amounts and timing of future cash flows. The derived fair value estimates cannot be substantiated by comparison to independent markets and are not necessarily indicative of the amounts that would be realized in a current market exchange.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as follows:

Level 1 — Unadjusted quoted prices in active markets for identical assets.

Level 2 — Other inputs that are observable for the asset, either directly or indirectly.

Level 3 — Inputs that are unobservable.

Investments in real estate and private equity limited partnerships are carried at fair value. The fair value of these investments is based upon the Fund's share of the fair value of the partnership while giving consideration, from a market participant's perspective, to the features that are unique to the Fund's partnership agreements. Because of the inherent uncertainty of the valuations of these investments, the estimated fair values may differ, perhaps materially, from the values that would have been used had a ready market for the investments existed.

The fair value of mortgage loans is determined by the discounted cash flow method, taking into account prepayment risk.

The carrying value of affiliated companies is determined using the equity method of accounting which approximates fair value.

Investments with original maturities of one year or less are classified as short-term securities and are carried at cost, which approximates market value.

All investment transactions are recorded on a trade date basis. Realized capital gains and losses on the sales of investments are computed on the first-in, first-out basis. Unrealized capital gains and losses are recorded in the period in which they occurred. Interest income is recorded on an accrual basis. Dividend income is recorded on the ex-dividend date.

ii) Home Office Building and Improvements — The investment in the organization's home office building and improvements is carried at cost less accumulated depreciation. The home office building and improvements are depreciated on a straight-line basis over their estimated useful lives which range from 10 years to 40 years.

iii) Cash and Cash Equivalents — Cash and cash equivalents represent short-term highly liquid investments with original maturities of three months or less and are carried at cost, which approximates fair value.

iv) Basis of Accounting — These financial statements are prepared based on the accrual basis of accounting.

v) Net Assets — Net assets are classified as unrestricted, temporarily restricted and permanently restricted. Unrestricted net assets are net assets that are not subject to donor-imposed restrictions. All gifts, grants and bequests are considered unrestricted unless specifically restricted by the donor. Temporarily restricted net assets are net assets that are subject to donor-imposed restrictions either for use during a specified time period or for a particular purpose. When a donor-imposed restriction is fulfilled or when a time restriction ends, temporarily restricted net assets are reclassified to unrestricted net assets. Permanently restricted net assets are net assets that are subject to permanent donor-imposed restrictions.

4. Investments

Equity Securities

Equity securities include direct investments in the common stocks of a wide range of unaffiliated companies which include domestic and foreign corporations and holdings in large as well as midsize and small companies.

The net depreciation in fair value during the year and the fair value at the year end of investments in common stocks are summarized as follows:

March 31 (in thousands)	2009	2008
Net depreciation in fair value during year	$(1,150,336)	$ (75,553)
Fair value end of year	$ 1,778,526	$3,316,811

Fixed Income Securities

The net (depreciation) appreciation in fair value during the year and the fair value at the year end of investments in fixed income securities are summarized as follows:

March 31, 2009 (in thousands)	Net (Depreciation) Appreciation in Fair Value During Year	Fair Value End of Year
U.S. Treasury and obligations of U.S. government corporations and agencies	$ (1,821)	$1,019,834
Corporate	(182,958)	942,346
Loan-backed	(34,866)	99,906
Foreign governments	(33,381)	111,667
Asset-backed	(4,703)	76,274
Totals	$ (257,729)	$2,250,027

March 31, 2008 (in thousands)		
U.S. Treasury and obligations of U.S. government corporations and agencies	$ 88,929	$1,363,261
Corporate	(29,940)	1,036,949
Loan-backed	(10,057)	155,934
Foreign governments	15,723	130,712
Asset-backed	(1,531)	70,433
Totals	$ 63,124	$2,757,289

Derivative Financial Investments

Futures contracts are used primarily to maintain the Fund's asset allocation within ranges determined by the Investment Committee. Such futures contracts trade on recognized exchanges and margin requirements are met by pledging cash and cash equivalents. The contractual amount of the open futures contracts aggregated approximately $81 million and $236 million at March 31, 2009 and 2008, respectively.

The contractual amounts of these instruments are indications of the open transactions and do not represent the level of market or credit risk to the portfolio. Since some of the futures held are adjusting market risk elsewhere in the portfolio, the measurement of the risks associated with these instruments is meaningful only when all related and offsetting transactions are considered. Market risks to the portfolio are caused primarily by changes in U.S. interest rates or in the value of U.S. equity markets.

With respect to credit risk, futures contracts require daily cash settlement, thus limiting the cash receipt or payment to the change in fair value of the underlying instrument. Accordingly, the amount of credit risk represents a one-day receivable. Settlements, which resulted in gains of $9 million and $54 million for the years ended March 31, 2009 and 2008, respectively, are recorded in the accompanying financial statements as a component of realized investment gains and losses.

Real Estate and Private Equity Investments

Certain financial information for fiscal 2009 and 2008 and the fair values of investments in real estate and private equity limited partnerships are summarized as follows:

2009 (in thousands)	Fair Value Beginning of Year	Contributions	Operating Results & Net Capital Gains (Losses)	Distributions	Fair Value End of Year
Real estate	$ 816,936	$233,200	$(166,406)	$ (65,700)	$ 818,030
Private equity	829,929	226,222	(223,952)	(63,270)	768,929
Totals	$1,646,865	$459,422	$(390,358)	$(128,970)	$1,586,959

2008 (in thousands)					
Real estate	$ 415,437	$296,888	$ 190,031	$ (85,420)	$ 816,936
Private equity	625,482	352,652	196,012	(344,217)	829,929
Totals	$1,040,919	$649,540	$ 386,043	$(429,637)	$1,646,865

The net (loss) gain on investments in real estate and private equity limited partnerships for the fiscal years ended March 31, 2009 and 2008 include realized and unrealized gains and losses, operating results, investment management fees and other expenses and are summarized in the following table:

March 31 (in thousands)	2009	2008
Net realized capital gains	$ 45,310	$ 31,488
Net unrealized capital (losses) gains	(435,644)	353,869
Operating results	(24)	686
Operating results and net capital (losses) gains	(390,358)	386,043
Direct fees and other expenses (income)	3,680	(3,851)
Net (losses) gains on real estate and private equity investments	$ (386,678)	$ 382,192

At March 31, 2009, the Fund had open investment commitments to limited partnerships of $1.8 billion which are expected to be funded during future years. In this regard, from April 1, 2009 through April 30, 2009, the Fund invested an additional $35 million and made additional commitments of $10 million in limited partnerships. Although there is a secondary market in limited partnerships, most of these investments are illiquid and there may be penalties should the Fund not fulfill its funding and holding period commitments.

Alternative Investments

Alternative investments include marketable alternatives such as investments in hedge funds and absolute return strategies.

The net appreciation (depreciation) in fair value during the year and the fair value at the year end of these alternative investments are summarized as follows:

March 31 (in thousands)	2009	2008
Cost	$1,139,812	$1,008,009
Unrealized:		
Appreciation	317,889	549,507
Depreciation	(135,587)	(11,875)
Fair Value	$1,322,114	$1,545,641

Affiliated Companies

Investments in affiliated companies represent an important use of the Fund's assets. The wholly owned affiliated companies carry out significant activities that the Trustees, upon the advice and request of The Episcopal Church, have concluded further the Fund's mission.

The financial results of The Church Insurance Company and Church Life Insurance Corporation are prepared on a statutory basis of accounting prescribed by the New York State Insurance Department which is not materially different from the fair value of these entities which is required under GAAP. The other affiliates are reported on a GAAP basis of accounting. The primary activities and financial status of each of the major affiliates are described in the sections below for calendar years 2008 and 2007.

The Church Insurance Companies[1]

Today, more than 75% of Episcopal Church institutions rely on the Church Insurance Companies for their commercial package coverage. The Church Insurance Agency Corporation (the "Agency") provides insurance products and risk-management services to Episcopal institutions. The Agency accesses a broad range of products tailored for the special needs of Episcopal institutions through its sister companies or through its product partners. The Church Insurance Companies have provided property and liability coverage for church institutions since 1929. The Church Insurance Company of Vermont and The Church Insurance Company of New York are single-parent captive insurance companies incorporated in 1999 and 2007, respectively, to allow church institutions to benefit from the coverage flexibility and potential cost advantages of this risk-financing approach. T. Dennis Sullivan is the President and D. Roderick Webster is Senior Vice President and General Manager of The Church Insurance Companies.

In 2008, The Church Insurance Companies' combined operations had a net income of $1.3 million.

Financial Summary

December 31 (in thousands)	2008	2007
Assets	$ 198,827	$ 182,682
Liabilities	134,883	118,629
Capital and surplus	63,944	64,053
Written premiums	38,223	38,970
Net income	1,268	8,368

[1] "The Church Insurance Companies" means, collectively, The Church Insurance Agency Corporation, The Church Insurance Company, The Church Insurance Company of New York and The Church Insurance Company of Vermont.

Church Life Insurance Corporation

Since 1922, Church Life Insurance Corporation ("Church Life") has provided life insurance protection and retirement savings plans to clergy and lay workers who serve The Episcopal Church and to their families. The products Church Life offers include individual and group annuities, IRAs and life insurance coverage. T. Dennis Sullivan is the President and James E. Thomas is Senior Vice President and General Manager of Church Life.

At the end of 2008, Church Life maintained $1,040.7 million of in-force insurance for its clergy and lay beneficiaries; assets totaled $205.9 million; and the net loss for the year was $3.1 million primarily due to $6.2 million of investment losses.

Financial Summary

December 31 (in thousands)	2008	2007
Assets	$ 205,902	$ 201,279
Liabilities	174,426	163,823
Capital and surplus	31,476	37,456
Insurance in force	1,040,690	975,975
Earned premiums	25,359	27,147
Net (loss) income	(3,118)	2,397

Church Publishing Incorporated

Since 1918, Church Publishing Incorporated ("Church Publishing") has produced the official worship materials of The Episcopal Church. In addition to basic and gift editions of prayer books and hymnals, Church Publishing now has an extensive title list in the fields of liturgy, theology, curriculum, church history, homiletics and Anglican spirituality. Church Publishing also offers a growing list of Episcopal related recorded music products, vestments, church resources, liturgical and musical software and online services. T. Dennis Sullivan is the President and Davis Perkins is Senior Vice President and Publisher of Church Publishing.

In 2008, total revenues were $8.2 million and Church Publishing had a net loss of $4.9 million.

Financial Summary

December 31 (in thousands)	2008	2007
Assets	$ 25,628	$ 16,565
Liabilities	9,094	7,098
Capital	16,534	9,467
Revenue	8,186	8,366
Net loss	(4,932)	(3,093)
Capital contribution received from the Fund	12,000	3,000

CREDO Institute, Inc.

Since 2001, CREDO Institute, Inc. ("CREDO") has provided opportunities for Episcopal clergy to examine significant areas of their lives and to discern prayerfully the future direction of their vocations as they respond to God's call in a lifelong process of practice and transformation. CREDO accomplishes this by organizing conferences led by prominent clergy and lay individuals from around the country that provide clergy and lay participants the opportunity to reflect on spiritual, vocational, health and financial aspects of their lives. CREDO receives substantially all of its funding from the Fund. William S. Craddock, Jr., is Senior Vice President and the Managing Director of CREDO.

Financial Summary

December 31 (in thousands)	2008	2007
Assets	$ 18,545	$ 23,008
Liabilities	765	763
Net assets	17,780	22,245
Support and revenue from third parties	1,731	3,556
Support and revenue from the Fund	5,187	4,162
Change in net assets	(4,465)	(1,516)

The Episcopal Church Clergy and Employees' Benefit Trust ("The Benefit Trust")

The Benefit Trust, now in its thirty-first year, funds the health plan options that are offered by The Episcopal Church Medical Trust. The Episcopal Church Medical Trust provides active and retired clergy and employees of The Episcopal Church and their dependents with a broad array of health plan options and serves as the plan sponsor and administrator of such plans. The Episcopal Church Medical Trust offers a wide variety of managed care plans, self-funded preferred provider and indemnity plans and mental health and dental care plans. For retired participants, The Episcopal Church Medical Trust offers Medicare supplement plans, as well as Medicare HMOs in selected regions of the country.

The Benefit Trust is not a subsidiary of the Fund. Accordingly, its assets, liabilities and financial results are not included in the Statement of Net Assets Available for Benefits. T. Dennis Sullivan is the President and Paul A. Calio is Senior Vice President and General Manager of The Episcopal Church Medical Trust.

Financial Summary

December 31 (in thousands)	2008	2007
Assets	$ 28,745	$ 20,791
Liabilities	17,876	16,692
Accumulated surplus	10,869	4,099
Revenues	126,324	115,579
Benefits provided	119,115	111,803
Net income	6,770	3,810

5. Fair Value Measurements

The following table provides information as of March 31, 2009 about the financial assets measured at fair value.

March 31, 2009 (in thousands)	Level 1	Level 2	Level 3	Total
Equity securities	$1,351,516	$ 426,897	$ 113	$1,778,526
Fixed income securities	3,409	2,061,440	185,178	2,250,027
Real estate and private equity	–	–	1,586,959	1,586,959
Alternative investments	–	–	1,322,114	1,322,114
Mortgage loans	–	–	24,713	24,713
Affiliated companies	–	–	115,810	115,810
Short-term securities	257,783	1,220	–	259,003
Total assets at fair value	$1,612,708	$2,489,557	$3,234,887	$7,337,152

The following table summarizes the changes in financial assets classified in Level 3 for the year ended March 31, 2009. Gains and losses reported in this table may include changes in fair value that are attributable to both observable and unobservable inputs.

2009 (in thousands)	Real Estate and Private Equity	Alternative Investments	Other Securities	Affiliated Companies	Total
Balance at April 1, 2008	$1,646,865	$1,545,641	$124,208	$115,291	$3,432,005
Total losses included in Statement of Changes in Net Assets Available for Benefits, net	(390,358)	(336,856)	(71,104)	(11,481)	(809,799)
Contributions (distributions), net	330,452	113,329	(19,692)	12,000	436,089
Transfers to Level 3	–	–	176,592	–	176,592
Balance at March 31, 2009	$1,586,959	$1,322,114	$210,004	$115,810	$3,234,887

6. International Clergy Pension Plan

The International Clergy Pension Plan ("ICPP") is a nonqualified, multiple-employer plan administered by the Fund on behalf of the retirement plans of certain Anglican churches outside the fifty United States that were previously part of The Episcopal Church and overseas dioceses of The Episcopal Church. Nonqualified plans are not subject to Section 401(a) of the Internal Revenue Code which, among other things, requires that the assets be held in a trust.

In 2004 and 2005, the Fund entered into administrative and investment agreements with The Episcopal Church of Liberia and Iglesia Anglicana de México, each of which sponsors its respective portion of the ICPP. The Fund also administers and invests the assets of the retirement plans sponsored by overseas dioceses of The Episcopal Church. The assets of the ICPP are held by the Fund outside the master trust (see page 9). The actuarial liabilities of all plans included in the ICPP are determined annually by an actuarial consulting firm, Buck Consultants, an ACS Company, and total $80.7 million and $78.8 million at March 31, 2009 and March 31, 2008, respectively.

7. Restricted and Unrestricted Funds

The Permanently and Temporarily Restricted Legacy and Gift Funds stem from bequests and contributions received by the Fund from individuals for the purpose of supporting the tax-exempt purposes of the Fund. The principal balance of the temporarily restricted account is available for use at the discretion of the Trustees; the principal balance of the permanently restricted account is maintained in accordance with the wishes of the benefactors.

The Major Medical Supplement Fund, the Life Insurance Benefit Fund and the Supplemental Pension Fund are entirely discretionary with no specific assets designated against them. The Trustees have reserved the right, at their discretion, to change or discontinue the benefits provided by these discretionary funds depending on future financial and economic conditions and investment performance.

The Major Medical Supplement Fund was established in 1987 in recognition of the rising costs of medical care for pension beneficiaries. In its early years, this program provided eligible beneficiaries enrolled in Medicare with a major medical supplement to that government program. As medical care for retirement age individuals increased in complexity and expense, the Trustees' approach to this entirely discretionary benefit has moved towards making a specific dollar contribution for each eligible plan member. This dollar contribution can be used to cover some or all of the cost of a Medicare supplement program offered by The Medical Trust.

The amount of the Major Medical Supplement Fund is based upon an actuarial analysis performed by Hewitt Associates LLC, healthcare actuaries to the fund. Hewitt's calculation is based on the current dollar amount provided for each eligible plan member and the Fund's goal of increasing the dollar amount of this discretionary subsidy to contribute to increases in medical costs. The calculation uses an increased medical inflation rate assumption for future years. Additionally, it uses an interest rate which is the same as the interest rate used in calculating the accumulated plan benefit obligations for the Qualified Plans.

The Medical Prescription Drug, Improvement and Modernization Act of 2003 (the "Act") was enacted on December 8, 2003. The Act introduced a prescription drug benefit under Medicare as well as a federal subsidy to sponsors of retiree health care plans that provide a benefit that is at least equivalent to Medicare. Final regulations governing key elements of the Act were released in January 2005 and the calculation of the Major Medical Supplement Fund reflects the effect of the Act and the regulations.

The Life Insurance Benefit Fund was established to provide for the estimated annual insurance premiums of participants. The fund provides eligible beneficiaries with life insurance during active service and when retired.

The Supplemental Pension Fund is a provision for benefits to those participants whose pension payments would be limited by certain sections of the Internal Revenue Code (the "Code") to an amount below their entitlement under the present benefit formula. Subject to certain other provisions of the Code, the supplemental provision provides for payment of the difference between the Code limitation and such participant's earned benefits.

The following charts summarize the activities of the Restricted and Unrestricted Funds for the years ended March 31, 2009 and 2008.

2009 (in thousands)	Beginning Balance	Increase/(Decrease) in Restricted and Unrestricted Funds: Assessments and Investment Gains (Losses)	Benefits & Expenses	Transfers From/To Net Assets	March 31 Balance
Permanently Restricted Legacy & Gifts	$ 17,495	$ (3,146)	$ –	$ (850)	$ 13,499
Temporarily Restricted Legacy & Gifts	16,385	(1,775)	(1,548)	247	13,309
Major Medical Supplement	981,579	–	(23,584)	1,541	959,536
Life Insurance Benefit	81,596	–	(10,541)	97,560	168,615
Supplemental Pension	47,498	–	(764)	1,434	48,168
Total Restricted and Unrestricted Funds	$1,144,553	$ (4,921)	$ (36,437)	$ 99,932	$1,203,127

2008 (in thousands)	Beginning Balance	Assessments and Investment Gains (Losses)	Benefits & Expenses	Transfers From/To Net Assets	March 31 Balance
Permanently Restricted Legacy & Gifts	$ 15,691	$ 1,804	$ –	$ –	$ 17,495
Temporarily Restricted Legacy & Gifts	15,077	2,193	(885)	–	16,385
Major Medical Supplement	943,250	–	(21,609)	59,938	981,579
Life Insurance Benefit	79,041	–	(8,902)	11,457	81,596
Supplemental Pension	44,571	–	(681)	3,608	47,498
Total Restricted and Unrestricted Funds	$1,097,630	$ 3,997	$ (32,077)	$ 75,003	$1,144,553

8. Accumulated Plan Benefit Obligations

Buck Consultants, an ACS Company, is an actuarial consulting firm that estimates the actuarial present value of the accumulated plan benefits earned by the participants in the Clergy Plan, the Lay Plan and the Staff Plan to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal or retirement) between the valuation date and the expected date of payment.

Accumulated plan benefit obligations are the estimated future periodic payments, including lump-sum distributions that are attributable, under the plan provisions for services rendered by the plan participants through to the valuation date. Accumulated plan benefit obligations include benefits that are expected to be paid to: (a) retired or terminated participants or their beneficiaries and (b) present participants or their beneficiaries which are based on assumptions for future compensation levels, rates of mortality and disability, and other factors. The effect of plan amendments on the accumulated plan benefit obligations are recognized during the years in which such amendments become effective.

The significant assumptions underlying the actuarial estimates are as follows:

- Interest rate: 6% and 5.75% per annum for the years ended March 31, 2009 and 2008, respectively, compounded annually and developed considering annualized yields for long-term government and long-term, high quality corporate bonds that reflect the duration of the pension obligations.
- Cost-of-living adjustment: 3% per annum. Cost-of-living adjustments are not guaranteed. The Board of Trustees grants cost-of-living adjustments at its discretion.
- Vesting: After five years of credited service.
- Retirement: Normal, at age 65 and after; early, with no reduction at 55 and after 30 years of credited service; reduced benefits at age 60 with less than 30 years of credited service; compulsory, at age 72.
- The George B. Buck 1995 Mortality Table is used for participants' born before 1930 and for spouses and beneficiaries. The George B. Buck 1995 Mortality Table set back 3 years is used for participants' born after 1929. Special mortality tables are used for disability retirements and pensioned children over age 25. No mortality is assumed for pensioned children under age 25.

These actuarial assumptions are based on the presumption that the Qualified Plans will continue. If a plan were to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefit obligations.

The actuarial present value of the accumulated plan benefits of the Clergy Plan, the Lay Plan and the Staff Plan as of March 31, 2009 and 2008 are summarized as follows:

March 31, 2009 (in thousands)	Clergy Plan	Lay Plan	Staff Plan
Vested benefits:			
Actuarial present value of benefits for retired participants and their dependents	$ 2,925,158	$ 61,801	$ 37,287
Actuarial present value of benefits for participants not yet retired and their dependents	1,514,960	63,020	46,187
Nonvested benefits:	142,993	3,691	9,146
Total	$ 4,583,111	$128,512	$ 92,620

March 31, 2008 (in thousands)	Clergy Plan	Lay Plan	Staff Plan
Vested benefits:			
Actuarial present value of benefits for retired participants and their dependents	$ 2,819,933	$ 57,752	$ 31,834
Actuarial present value of benefits for participants not yet retired and their dependents	1,521,858	73,420	45,145
Nonvested benefits:	148,467	4,951	8,776
Total	$ 4,490,258	$136,123	$ 85,755

The net increase (decrease) in the actuarial present value of accumulated plan benefits of the Clergy Plan, the Lay Plan and the Staff Plan for the years ended March 31, 2009 and 2008 are summarized as follows:

March 31, 2009 (in thousands)	Clergy Plan	Lay Plan	Staff Plan
Actuarial present value of accumulated plan benefits at beginning of year	$ 4,490,258	$136,123	$ 85,755
Increase during the year attributable to:			
Plan amendment	81,150	1,636	987
Change in actuarial assumptions	(132,007)	(5,208)	(3,615)
Benefits accumulated	141,462	(6,732)	7,153
Increase for interest due to decrease in the discount period	251,134	7,685	4,859
Benefits paid	(248,886)	(4,992)	(2,519)
Net increase (decrease)	92,853	(7,611)	6,865
Actuarial present value of accumulated plan benefits at end of year	$ 4,583,111	$128,512	$ 92,620

March 31, 2008 (in thousands)	Clergy Plan	Lay Plan	Staff Plan
Actuarial present value of accumulated plan benefits at beginning of year	$ 4,322,862	$127,119	$ 76,068
Increase during the year attributable to:			
Plan amendment	(15,913)	(395)	(218)
Change in actuarial assumptions	(4,363)	–	–
Benefits accumulated	180,829	6,827	8,642
Increase for interest due to decrease in the discount period	241,901	7,179	4,288
Benefits paid	(235,058)	(4,607)	(3,025)
Net increase	167,396	9,004	9,687
Actuarial present value of accumulated plan benefits at end of year	$ 4,490,258	$136,123	$ 85,755

The amount designated for assessment deficiencies represents an allocation of assets for the actuarial present value of the estimated amount to be paid out in benefits in excess of the estimated amount to be received in assessments in connection with the Qualified Plans. The estimated amount to be paid out in benefits assumes a cost of living adjustment of 3% per annum and the estimated amount to be received in assessments assumes an age-related compensation increase that approximates 4.5% per year over a typical career.

9. Funding

Participating employers pay assessments to the Qualified Plans on behalf of the eligible participants in each respective plan. The assessments for the Clergy Plan are equal to 18% of the participants' compensation, which includes salaries, other cash compensation and the value of housing. The assessments to the Lay Plan are equal to 9% of the participants' compensation. The assessments paid to the Staff Plan are currently 10% of the participants' compensation.

The funding position of the Clergy Plan, the Lay Plan and the Staff Plan as of March 31, 2009 and 2008 are summarized as follows:

March 31, 2009 (in thousands)	Clergy Plan	Lay Plan	Staff Plan
Net assets available for pension benefits after amount designated for assessment deficiency	$ 5,157,123	$ 64,513	$ 64,570
Actuarial present value of accumulated plan benefits	4,583,111	128,512	92,620
Surplus (Deficit)	$ 574,012	$ (63,999)	$(28,050)

March 31, 2008 (in thousands)	Clergy Plan	Lay Plan	Staff Plan
Net assets available for pension benefits after amount designated for assessment deficiency	$ 7,355,656	$ 91,236	$ 81,622
Actuarial present value of accumulated plan benefits	4,490,258	136,123	85,755
Surplus (Deficit)	$ 2,865,398	$ (44,887)	$ (4,133)

10. Expenses

The Fund shares many of its expenses, including staff compensation, with its affiliates on the basis of allocations reviewed with the Board of Trustees. The accompanying financial statements for the Fund for the years ended March 31, 2009 and 2008, include cash compensation expenses of $30.0 million and $26.4 million, respectively. In the same respective years, an additional $12.9 million and $13.2 million in cash compensation expenses were incurred by affiliates of the Fund.

The compensation philosophy of the officers of the Fund and its affiliates is established by the Compensation Committee of the Board of Trustees and approved by the full Board. Effective on or after January 1, 2008, the total remuneration of certain key officers of the Fund and its affiliates is approved by the Compensation Committee of the Board of Trustees. In addition, the total remuneration paid to the President and Chief Executive Officer is ratified by the full Board. The rationale for the total remuneration paid to the key officers involves two elements: (1) market data that is representative of functionally comparable positions in organizations similar to the Fund and its affiliates and (2) individual and corporate performance. Supplemental retirement and life insurance benefits are provided to certain officers under the terms of individual agreements. The accompanying financial statements of the Fund include officers' cash compensation, totaling $13.3 million and $11.1 million for the fiscal years ended March 31, 2009 and 2008, respectively. In the same respective years, an additional $7.4 million and $7.6 million in officers' cash compensation expenses were incurred by affiliates of the Fund.

The cash compensation for the five current officers of the Fund receiving the highest total cash compensation for the year ended March 31, 2009 was as follows:

T. Dennis Sullivan, President & CEO	$1,108,000
Executive Vice Presidents:	
William L. Cobb, Jr., Chief Investment Officer	$967,000
Daniel A. Kasle, Chief Financial Officer	$612,000
Senior Vice Presidents:	
Helen Fox-O'Brien, Investment Department	$759,000
Alan Snoddy, Investment Department	$641,000

The Fund and its affiliated companies have a non-contributory defined benefit staff retirement plan, described above as the Staff Plan (see page 9), covering substantially all of its lay employees. The Staff Plan is reviewed annually by the consulting actuaries, Buck Consultants, an ACS Company. As of March 31, 2009, the plan benefit obligations were $108.1 million. The assumed rate of return used in the above calculations was 6.0%. The net assets available for plan benefits as of March 31, 2009 were $80.1 million. The excess of the plan benefit obligations over the plan net assets was recorded as a liability in the accompanying statements of net assets available for benefits. The Fund pledged a contribution of $4.1 million to the Staff Plan in the fiscal year ended 2009 and $4.7 million to the Staff Plan in the fiscal year ended 2008.

The Fund and its affiliated companies have a defined contribution investment participation plan for eligible employees, under which employees may contribute up to 100% of their salaries, subject to federal limitations. The first 6% of their contributions is matched 75% by the Fund. Total employer matching contributions under this plan were $1.3 million and $1.3 million for the years ended March 31, 2009 and 2008, respectively.

The Fund and its affiliated companies also provide healthcare and life insurance benefits for eligible retired employees. The Fund accrues the cost of providing these benefits during the active service period of the employee. For the years ended March 31, 2009 and 2008, the Fund and its affiliates recorded expenses of $2.0 million and $2.5 million, respectively, for benefits and interest expense net of interest income. The Fund has initiated a program to fund its obligation for this benefit by contributing to a post-retirement benefit investment account. At March 31, 2009, the amount in this account, which is included in the combined statements of net assets available for benefits, was $15.3 million to fund obligations of $26.0 million.

For measuring the expected post-retirement benefit obligation, average annual rates of increase in the per capita claims cost were assumed for the fiscal years beginning April 1, 2009 and 2008 for medical costs of 8.0% and 8.5%, respectively. The increases in medical rates were assumed to decrease annually to 3.25% in the fiscal year beginning April 1, 2019 and remain at that level thereafter. The weighted average discount rates used in determining the accumulated post-retirement benefit obligation were 6.0% and 5.75% at March 31, 2009 and 2008, respectively. If the healthcare cost trend rate were increased by 1%, the accumulated post-retirement benefit obligation as of March 31, 2009 would increase by approximately $2.5 million.

Report of Independent Auditors

To the Board of Trustees of the Church Pension Fund

We have audited the accompanying combined statements of net assets available for benefits of The Church Pension Fund, The Episcopal Church Lay Employees' Retirement Plan and The Staff Retirement Plan of the Church Pension Fund and Affiliates, collectively referred to as the "Church Pension Group," as of March 31, 2009 and 2008, and the related combined statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Church Pension Group's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Church Pension Group's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Church Pension Group's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial status of the Church Pension Group at March 31, 2009 and 2008, and the changes in its financial status for the years then ended, in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

June 9, 2009

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As of March 31, 2009

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