2012

The Church Pension Group Annual Report

Statistical Highlights

Cumulative Clergy Pension Fund Operations

	Since Inception (1917)
Assessments and original pledges received	$ 2,232,061,943
Investment income and gains (net of expenses and other deductions)	11,411,526,567
Total income	$13,643,588,510
Benefits paid for clergy and dependents	$ 4,292,042,332
Transfers to restricted and unrestricted net assets	$ 2,609,662,495

Participant Statistics

	2012	2009	2006
Active Fund Participants†			
Number			
Male	4,423	4,957	5,237
Female	2,482	2,517	2,314
Total	6,905	7,474	7,551
Participants' Average Age	53.7	53.5	53.3
Average Compensation	$66,261	$64,900	$60,309
Those Receiving Benefits			
Retirees			
Normal Retirement	3,531	3,292	2,977
Early Retirement	3,497	3,120	2,941
Disability Retirement	462	443	392
Total	7,490	6,855	6,310
Average Annual Pension Benefit	$29,609	$29,232	$25,460
Average Age	74.3	74.0	73.6
Surviving Spouses			
Number	2,577	2,583	2,542
Average Benefit	$19,873	$19,224	$16,463
Average Age	78.7	78.3	77.3

† Those for whom payments made into the plan. Participant statistics as of December 31, 2011.
Source: Buck Consultants, LLC Actuarial Reports

Ordinations by Calendar Year

	2011	2008	2005
Number of Individuals Ordained*	369‡	419	570
Average Age at Ordination	48.2	48.3	47.6

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

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

A Message from Mary Kate Wold

Dear Friends,

This is a time of transition for the Church Pension Group (CPG). One year ago, I joined CPG as President and CEO when Dennis Sullivan retired. Over the past several months, I have had the opportunity to travel around the Church, hear your stories and collect your thoughts on CPG. I am grateful for your feedback and for your encouragement for us to stay on course — to continue providing peace of mind through competitive benefits, financial education and compassionate service. I want to confirm that that is exactly what we are doing.

As you will see in this report, the Fund remains in sound financial condition due to good investment results and strong financial stewardship. Our mission is to be the trusted provider of comprehensive, cost-effective retirement, health and life insurance benefits to the Episcopal Church, its clergy and lay employees. Consistent with this central mission, CPG provides pension and retirement savings plans, as well as other benefits and programs for individuals and institutions through our affiliates — the Church Insurance Companies, Church Life Insurance Corporation, the Episcopal Church Medical Trust, Church Publishing Incorporated, and CREDO Institute, Inc. All of these entities remain faithfully committed to serving our constituents.

General Convention's adoption of the Denominational Health Plan and Lay Employee Pension System has expanded the scope of our responsibilities to serve the Church. Implementation of these programs is well underway, and we are in constant dialogue with leadership from around the Church to make sure they have the information and support they need to implement each in their dioceses. The current economic climate in the world and in the Church makes complying with these resolutions a challenge for some. We are continuing to work to ensure that we understand these challenges and help dioceses, parishes, schools and other Episcopal organizations plan around them.

This summer, we will bid farewell to the following seven members of the Board of Trustees of the Church Pension Fund who are retiring from the board after having served the two consecutive six-year terms allowed under General Convention rules: the Rev. A. Thomas Blackmon, the Rev. Dr. Randall Chase, Jr., Deborah Harmon Hines, Ph.D., the Rt. Rev. Peter James Lee, D.D., the Rt. Rev. Claude E. Payne, D.D., Quintin E. Primo III, and Katherine Tyler Scott. On behalf of the entire staff of CPG, I want to thank each of them for their wisdom, service and support over the past 12 years. They will be missed. At the same time, we look forward to welcoming the new trustees who will be elected at General Convention. The list of nominees is impressive.

I am honored to serve those who serve the Episcopal Church.

Faithfully,

Mary Kate Wold

Mary Kate Wold

The Board of Trustees

(back row) The Rt. Rev. Claude E. Payne, The Rt. Rev. Wayne P. Wright, Quintin E. Primo III, The Rev. A. Thomas Blackmon, Cecil Wray, The Rev. Dr. Timothy J. Mitchell, The Rev. Thomas James Brown, Edgar S. Starns, CPA, Canon Dr. Karen Noble Hanson, The Very Rev. George L. W. Werner, Deborah Harmon Hines, Ph.D., The Rt. Rev. Robert H. Johnson
(middle row) James E. Bayne, Diane B. Pollard, Vincent C. Currie, Jr., Margaret A. Niles, The Hon. Martha B. Alexander, The Rt. Rev. V. Gene Robinson, The Very Rev. Tracey Lind, Sandra S. Swan, D.L.H., The Rev. Dr. Randall Chase, Jr.
(front row) Katherine Tyler Scott, Mary Kate Wold, The Rt. Rev. Peter James Lee, Barbara B. Creed

Dear Friends,

Under the leadership of Mary Kate Wold, and with the ongoing collaboration and prayerful reflection that has long characterized the interactions of the Board of Trustees and CPG's executive leadership team, much has been accomplished during the past year.

Implementation of Resolutions A138 and A177

The implementation of the Lay Employee Pension System (LPS) and the Denominational Health Plan (DHP) continues to be rolled out across the Church with appropriate communications, education, tools and personal interactions by our staff.

Most dioceses and parishes already have gone a long way toward implementing these initiatives. Over 90% of the eligible clergy and lay employee population (excluding those who have coverage through other approved sources) currently receive healthcare benefits through the Medical Trust (a CPG affiliate), and a majority of the dioceses expects to be fully compliant with the DHP on or about January 1, 2013. Our current data indicates that approximately 76% of employers who have eligible employees provide lay employee pensions through a CPF pension plan, and we are working with the Church to determine how many eligible lay employees are covered under approved alternative pension plans.

Benefit Changes

Benefits for Legally Married Same-Gender Spouses: Effective July 1, 2011, the CPF Trustees amended the rules governing retirement benefits for spouses of eligible participants in the Clergy Pension Plan, the Lay Defined Benefit Plan and the Clergy Post-Retirement Medical Assistance Plan (Medicare Supplement Benefit) in order to provide parity of benefits for legally married same-gender spouses.

Increased Subsidy for Medicare Supplement Benefit[1]

For 2012, the cost of each of the three Medicare supplement plans from which eligible retirees can choose increased by $15 per month, but the CPF subsidy increased by the same amount, thus covering the cost increase for all eligible retirees.

New COLA Policy

Because the granting of a cost-of-living adjustment (COLA) in any given year results in increased payments to all participants in perpetuity, the CPF Board adopted a policy that no COLA should be granted in any defined benefit pension plan administered by the CPF Board that has a funding ratio (which is a measure of the financial strength of a pension plan) of less than 1.00.

Total Benefits Paid during Fiscal 2012

During the past fiscal year, CPF paid out $327 million in pension and related benefits for clergy and lay employees.

[1] *Although not obligated by Plan rules, we hope to continue to provide similar post-retirement assistance in the future. However, given the rising cost of medical care, coupled with the uncertainty regarding the structure of Medicare in the future, this should not be viewed as a guarantee of a post-retirement health benefit assistance program in perpetuity.*

Significant Accomplishments

- The Fund's Assets Available for Benefits remained strong during the past fiscal year, rising from $9.277 billion as of March 31, 2011 to nearly $9.5 billion as of March 31, 2012.

- A review of the investment options in the Lay DC Plan and RSVP Plan during the past year resulted in changes effective May 7, 2012. The Fidelity Freedom® Fund offering was expanded with the addition of the Fidelity Freedom® 2055 Fund.

- Informed by research and extensive user testing, we redesigned the CPG website around dedicated sections for administrators, clergy and lay employees, with new sections, content and tools. The new ***www.cpg.org*** was launched in July 2011.

- To further increase service efficiencies and to continue to provide a high level of participant and administrator satisfaction, a group of Client Engagement representatives has been cross-trained to serve administrators with a single call.

- For ten years, Episcopal Payroll Services (EPS) has been offering participating Church employers payroll processing, tax filing, and compliance support through the cost-effective services of a payroll processor. CPG serves as the facilitator of this voluntary program available to Church employers. As of April 2011, EPS transitioned to Automatic Data Processing, Inc. (ADP), a world leader in payroll processing, which results in cost savings for participating employers, a higher level of service, and fully integrated web-based processing options. EPS continues to provide customer support.

- In the aftermath of the earthquake that devastated Haiti in 2010, CPF had waived the obligation for churches in the Diocese of Haiti to pay pension assessments through 2011. We renewed that waiver through the end of 2012.

- Through a wide variety of meetings, conferences, presentations and visits around the Church this past fiscal year, CPG staff had over 8,500 interactions with those we serve.

- Working with the Standing Commission on Liturgy and Music, we completed the Hymnal Feasibility Study requested by the 76th General Convention. A summary of that work can be found in the Commission's report in the General Convention Blue Book.

- Retail sales, customer service and order-management operations of Church Publishing Incorporated (CPI) were assigned to the United Methodist Publishing House's (UMPH) Cokesbury, and Abington Press, another UMPH affiliate, became the exclusive wholesale and trade distributor of CPI products. These administrative changes allow CPI to focus more sharply on its core mission — publishing in service to the Episcopal Church — while providing a deeper reach into the ecumenical marketplace and achieving the benefits of a larger sales force and more sophisticated transactional systems.

- In June 2012, CPG purchased new office space at 19 East 34th Street in New York City. Since 1993, when CPG purchased its current headquarters, our work on behalf of the Church has expanded. Efficient operation of the business now requires the additional space, which we hope to move into in late 2013.

- On January 2, 2012, Nancy L. Sanborn succeeded Barton T. Jones as Executive Vice President, Chief Legal Officer and Secretary. For more information about Ms. Sanborn, see the "Management Changes" section of this report.

Investment Performance

The CPF portfolio had another positive year, with Assets Available for Benefits increasing to nearly $9.5 billion at the end of the fiscal year.

Interest rates declined to historically low levels in most major markets, reflecting generally low inflation rates and concerns regarding the sustainability of the global economic recovery. The U.S. stock market had another good year. However, both developed and emerging non-U.S. markets had negative returns, reflecting the fiscal crisis in Europe and concerns about economic growth rates in China. While interest rates are at or near historical lows, global stock markets remain below their 2007 highs. For example, for the S&P 500 to return to its 2007 high, U.S. stocks would need to appreciate nearly 18%.

The CPF portfolio benefitted from generally favorable market conditions in 2012, including strong global bond markets and positive returns from U.S. stocks. Our private equity investments had particularly good results in 2012. On the other hand, our investments in non-U.S. stocks detracted from performance.

The left-hand exhibit on the opposite page shows the performance of the Fund over three time periods ending March 31, 2012. It compares portfolio performance with two key benchmarks: a passive composite of 67% S&P 500 and 33% Barclay's Capital bonds, and the Fund's investment goal of a 4.5% return in excess of inflation. Fund performance was somewhat disappointing in the last fiscal year, falling behind both the passive benchmark and investment objective. It should not be a surprise that the Fund would perform differently from the benchmark given our intentional diversification into private equity and real assets, hedge fund strategies, and non-U.S. equities. With only 11% of assets invested in U.S. large capitalization equities, it is difficult to outperform our passive benchmark when the S&P 500 significantly outperforms non-U.S. markets and alternative strategies. We went through similar and longer periods of underperformance during the mid-1990s when U.S. stocks significantly outperformed our diversified assets.

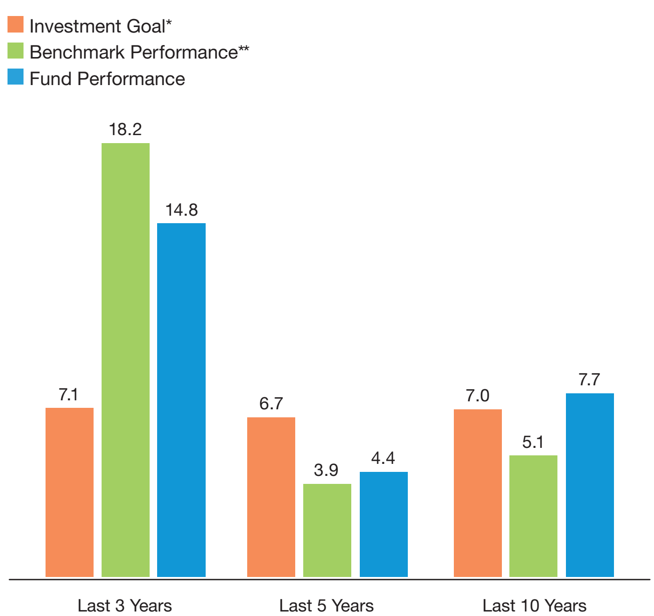
On a more meaningful longer term basis, the Fund outperformed its investment objective on a three- and ten-year basis and also outperformed the passive benchmark on a ten-year basis.

As shown in the right–hand exhibit on the opposite page, the Fund is in a strong financial condition, with Additional Funds of nearly $600 million in excess of Required Reserves.

Looking ahead, there are many uncertainties regarding economic growth and financial market returns. With interest rates so low, only a small increase in rates would result in negative returns for many fixed income investments. The strength of the Economic Union and the Euro is being severely tested by fiscal and regulatory issues throughout the Continent, especially in the peripheral countries. The United States is in a relatively strong position, although unemployment remains high and fiscal issues have not been resolved here, either. While these issues and others will weigh heavily on financial markets, we believe the Fund is well positioned in terms of both financial strength and diversification. This should allow us to continue to take advantage of investment opportunities that arise from unsettled financial markets.

Investment Performance for Periods Ending March 31, 2012

Annualized Total Return in Percent (preliminary)

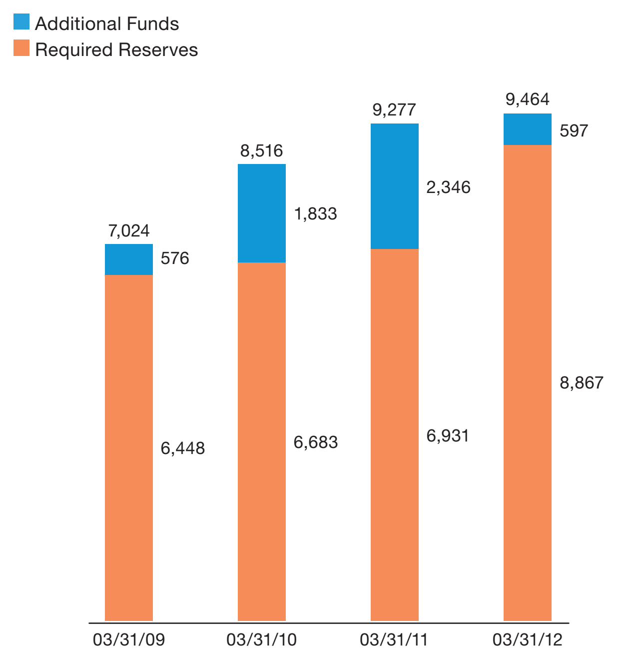


*Investment Goal is a return of 4.5% over inflation.

**From inception to 6/30/08, the benchmark consisted of 65% S&P 500 Index/35% Barclays Capital U.S. Government Credit Index. From 6/30/08 to present, the benchmark consists of 67% S&P 500 Index/33% Barclays Capital U.S. 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.

Board Changes

The membership of the CPF Board will change significantly this year.

As set out in the Church canons, General Convention deputies will elect 12 trustees at the upcoming General Convention in Indianapolis, selecting from the slate of nominees proposed by the Joint Standing Committee on Nominations. Five current CPF Trustees are eligible and have agreed to stand for reelection — Barbara B. Creed, Vincent C. Currie, Jr., Diane B. Pollard, the Very Rev. George L. W. Werner, and Cecil Wray.

Seven other highly esteemed trustees — the Rev. A. Thomas Blackmon, the Rev. Dr. Randall Chase, Jr., Deborah Harmon Hines, Ph.D., the Rt. Rev. Peter James Lee, D.D., the Rt. Rev. Claude E. Payne, D.D., Quintin E. Primo III, and Katherine Tyler Scott — are retiring from the CPF Board, having faithfully served the two consecutive six-year terms allowed under General Convention rules.

Management Changes

This year saw two major management transitions.

On August 1, 2011, **Mary Kate Wold** assumed the position of President and CEO. Mary Kate is a finance and operating executive and former law firm partner who most recently served as Senior Vice President, Finance, and a Principal Corporate Officer of Wyeth, one of the world's largest pharmaceutical companies, leading its Treasury, Tax, Procurement, and Business Process Outsourcing organizations. Prior to joining Wyeth, she was a partner at and chaired the tax practice group of Shearman & Sterling, one of the nation's leading law firms. Earlier in her career, she served in the United States Department of the Treasury as a member of the Office of International Tax Counsel.

On January 2, 2012, **Nancy L. Sanborn** succeeded Barton T. Jones as Executive Vice President, Chief Legal Officer and Secretary. Prior to joining CPG, Nancy was a partner at Davis Polk & Wardwell LLP, one of the nation's leading law firms. As a Davis Polk partner, she provided legal advice to corporate clients, private equity funds and their portfolio companies, and financial institutions in connection with investments, acquisition and divestiture transactions, financial restructurings and other corporate matters. Prior to joining Davis Polk and attending law school, Nancy was a Vice President at J.P. Morgan, where she served as a corporate banker for eight years.

Thank You to Our Retiring Colleagues

We celebrate the contributions of our retiring trustees and staff member below and on the following pages.

The Rev. A. Thomas Blackmon
Rector, Christ Episcopal Church, Covington, Louisiana

Throughout Tom's years of service on the CPF Board, he has been a strong voice for the pastoral and economic needs of those who work for the Church. He served as Vice Chair of the Retirement Programs Committee and a member of the Finance Committee. Active in the affiliate companies as well, Tom was Vice Chair of the Church Publishing Incorporated board, a director of Church Life Insurance Corporation, and a member of the Episcopal Church Medical Trust Board. He also served on the Healthcare Coverage Feasibility Study Advisory Group whose work informed the Denominational Health Plan initiative. Tom's concern for beneficiaries in times of special need led him to serve on two ad hoc board committees: the Committee on Disaster Policy and the Hurricane Committee.

The Rev. Dr. Randall Chase, Jr.
Dean of Students and Deputy for Administration (retired), Episcopal Divinity School, Cambridge, Massachusetts

Ran's involvement with CPF predated his election to the CPF Board, having served as a member of CPF's Benefit Research Advisory Committee (BRACE) during the 1990s. As a CPF Trustee, Ran brought a broad perspective and a personal commitment to fairness and stewardship. He served on the Executive, Retirement Programs, Finance, and Nominating Committees. He was very active in the affiliated companies as well, serving as Chair of the Church Publishing Incorporated board, Vice Chair of the board of CREDO Institute, Inc., a member of the ad hoc CREDO Review Committee, and a director of the Church Insurance Companies. A member of the Episcopal Church Medical Trust Board, he also served on the Healthcare Coverage Feasibility Study Advisory Group that studied the feasibility of what came to be known as the Denominational Health Plan. Ran was a member of the ad hoc CEO Selection Committee that oversaw the search that resulted in Mary Kate Wold's election.

Deborah Harmon Hines, Ph.D.
Vice Provost, University of Massachusetts Medical School, Worcester, Massachusetts
Both her impressive professional healthcare credentials and her strong support of diversity and social justice informed the various roles that Debbie played as a CPF Trustee. She served on the Executive Committee, was Vice Chair of the Social & Fiduciary Responsibility in Investments Committee, Chair of the Diversity and Workplace Values Committee, and a member of the board's Commission on Corporate Sustainability. She was Vice Chair of the Episcopal Church Medical Trust Board, and also served on the Healthcare Coverage Feasibility Study Advisory Group whose work led to the Denominational Health Plan initiative. She served on the CREDO Evaluation Team and on the ad hoc CEO Selection Committee that oversaw the search that resulted in Mary Kate Wold's election.

The Rt. Rev. Peter James Lee, D.D.
Bishop of Virginia (retired), Interim Dean, The American Cathedral in Paris
A CPF Trustee since 1999, elected Vice Chair of the board in 2003 and Chair in 2009, Peter has been a strong and compassionate leader throughout various periods of change, including the transitions from Alan F. Blanchard to T. Dennis Sullivan and from Dennis to Mary Kate Wold. Under Peter's leadership, the board reexamined and rearticulated its mission, and CPG conducted multi-year in-depth studies of lay employee benefits and healthcare cost and delivery, the results of which informed the General Convention resolutions establishing the Lay Employee Pension System and the Denominational Health Plan. Peter's extensive involvement with CPF pre-dated his service on the CPF Board; during the 1990s, he was a member of CPF's Wellness Initiatives Advisory Committee and chaired its Benefit Research Advisory Committee (BRACE). Throughout his service as a trustee, his wise counsel has informed our joint deliberations as well as the work of the many committees on which he served — Executive (Chair), Nominating (Chair), Compensation (Chair), Investment, Social and Fiduciary Responsibility in Investments, Diversity and Workplace Values, Ecclesiastical Offices Held by Beneficiaries, the Commission on Corporate Sustainability (Chair), the Corporate Governance Steering Committee, the ad hoc CREDO Review Committee (Chair), the Committee on Fund Structure, and the ad hoc CEO Selection Committees that oversaw the searches that resulted in the elections of T. Dennis Sullivan and Mary Kate Wold. Peter also served as a director of Church Life Insurance Corporation.

The Rt. Rev. Claude E. Payne, D.D.
Bishop of Texas (retired), Abilene, Texas
Claude's unusual professional background — an early career as a chemical engineer and two years of active duty in the U.S. Army and his long career in the Church— coupled with his deep-seated sense of compassion and justice gave him a unique perspective on the work of the board. He served on the Compensation Committee and the Committee on Ecclesiastical Offices Held by Beneficiaries, both of which he chaired, as well as the Executive and Audit Committees. As a director of the Church Insurance Companies, Claude demonstrated a deep appreciation of complex business issues while always focusing on the needs of those we serve. He served on the ad hoc CEO Selection Committees that oversaw the searches that resulted in the elections of T. Dennis Sullivan and Mary Kate Wold, and he chaired the 2003–04 ad hoc Transition Committee.

Quintin E. Primo III
Chairman and CEO, Capri Capital Partners, LLC, Chicago, Illinois
Son of the Rt. Rev. Quintin E. Primo Jr., the first African American bishop to be elected in the Diocese of Chicago and an advocate for the advancement of minorities in the church and the establishment of social programs benefitting those less fortunate, Quintin brought a unique combination of life experience and professional skills to his work on the CPF Board. His deep, ongoing commitment to social justice and outreach, coupled with formidable leadership experience in the areas of finance and investment, informed all he did, and he was ever mindful of the needs of those who serve the Church. His role as Chairman of Capri Capital Partners, a real estate investment firm that seeks opportunities in urban commercial and residential real estate in underserved markets, was of great value in his roles as Vice Chair of the Finance Committee and member of the Audit, Compensation, Executive, and Investment Committees. He also served on the ad hoc CEO Selection and CEO Transition Committees, and he was Chair of the board of Church Life Insurance Corporation.

Katherine Tyler Scott

Managing Partner, Ki ThoughtBridge, Indianapolis, Indiana

As a CPF Trustee and later as the board's Vice Chair, Katherine has been a collegial and inspirational leader who lives her commitment to fairness and the common good. Her long-term involvement as a member of the Retirement Programs Committee had a significant impact on the formulation of benefit changes, and her efforts as Chair of the ad hoc Mission Statement Committee was formative in the reexamination and restatement of our mission. She was Vice Chair of both the Executive and Finance Committees, and she also served on the Compensation and Nominating Committees. Her deep knowledge of governance and organizational and leadership development informed her work as a member of the Corporate Governance Steering Committee, the ad hoc CREDO Review Committee, and the ad hoc CEO Selection Committee that oversaw the search that resulted in the election of Mary Kate Wold.

Barton T. Jones

Barton joined CPG in November 1999 as Senior Vice President, General Counsel and Secretary, and he was named Executive Vice President, Chief Legal Officer and Secretary in September 2010. Barton served as counselor and trusted advisor to the CPF Board of Trustees, the affiliated companies, and senior management. He provided practical legal and business advice on matters affecting CPG, such as fiduciary duties, corporate transactions, commercial contracts, government regulations, corporate governance, compliance, litigation and investments. Barton represented CPG in senior Church circles, participated in multi-denominational activities, and coordinated the use of outside counsel. He served as Staff Executive to the board's Executive Committee, Committee on Social and Fiduciary Responsibility in Investments, Commission on Corporate Sustainability and the ad hoc Committees on Mission Review and Fund Structure.

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

Faithfully,

The Rt. Rev. Peter James Lee
Chair

Barbara B. Creed
Vice Chair

Katherine Tyler Scott
Vice Chair

Mary Kate Wold
President and CEO

Officers of the CPF Board and President and CEO

(seated) The Rt. Rev. Peter James Lee, Mary Kate Wold
(standing) Barbara B. Creed, Katherine Tyler Scott

Combined Statements of Net Assets Available for Benefits

March 31	2012	2011
Assets		
Investments, at fair value:		
Equity securities, other than affiliated companies	$1,830,409,829	$2,332,740,674
Fixed income securities	2,574,424,055	2,491,660,498
Real estate and private equity	2,845,742,156	2,383,822,493
Alternative investments	2,016,575,137	1,917,174,016
Mortgage loans	56,927,973	14,307,202
Affiliated companies, equity interest	122,673,105	127,113,219
Short-term securities	29,346,413	39,546,544
Total Investments, at fair value	9,476,098,668	9,306,364,646
Receivables and Other Assets:		
Receivable from brokers	53,783,329	143,261,388
Notes receivable	–	1,515,655
Assessments receivable, less allowance for doubtful accounts (2012–$2,506,000; 2011–$2,355,000)	4,464,625	4,510,316
Accrued investment income and other assets	73,608,817	72,520,788
Home office building and improvements, less accumulated depreciation (2012–$13,197,000; 2011–$12,086,000)	21,733,073	16,812,991
Cash and Cash Equivalents	537,035,469	487,622,156
Total Assets	10,166,723,981	10,032,607,940
Liabilities		
International Clergy Pension Plan	146,384,627	109,965,127
Payable to brokers	115,652,120	234,362,415
Accrued expenses and other liabilities	164,771,625	111,102,120
Total Liabilities	426,808,372	455,429,662
Total Net Assets	$9,739,915,609	$9,577,178,278
Components of Net Assets		
Restricted Net Assets:		
Permanently Restricted Legacy and Gift Fund	$ 19,605,418	$ 18,890,701
Temporarily Restricted Legacy and Gift Fund	13,826,146	13,742,936
Total Restricted Net Assets	33,431,564	32,633,637
Unrestricted Net Assets:		
Designated for Major Medical Supplement Fund	1,189,477,800	938,014,528
Designated for Life Insurance Benefit Fund	221,200,753	183,688,404
Designated for Supplemental Pension Fund	49,845,183	43,376,877
Designated for investment in affiliated companies	122,673,105	127,113,219
Available for benefits:		
Designated for assessment deficiency	1,180,685,349	702,106,850
Net assets available for benefits:		
The Clergy Pension Plan	6,741,883,683	7,354,100,302
The Episcopal Church Lay Employees' Retirement Plan	110,461,636	103,375,338
Staff Retirement Plan of The Church Pension Fund and Affiliates	90,256,536	92,769,123
Total net assets available for benefits	6,942,601,855	7,550,244,763
Total Unrestricted Net Assets	9,706,484,045	9,544,544,641
Total Net Assets	$9,739,915,609	$9,577,178,278

See accompanying notes to financial statements.

Combined Statements of Changes in Net Assets Available for Benefits

Years Ended March 31	2012	2011
Additions to Net Assets		
Assessments	$ 94,997,461	$ 93,608,276
Interest	102,828,864	97,639,752
Dividends and other income	39,670,391	41,586,807
Net gain on real estate and private equity investments	269,524,911	380,243,037
Net gain on alternative investments	25,941,400	216,254,491
Net realized and unrealized investment gains on equity and fixed income securities	139,658,960	373,303,177
Total Additions to Net Assets	672,621,987	1,202,635,540
Deductions from Net Assets		
Benefits and Expenses:		
Pensions and other benefits	287,052,218	280,745,015
Medical supplement	26,346,863	25,505,459
Life insurance	13,685,196	13,197,395
Total benefits	327,084,277	319,447,869
Investment management and custodial fees	29,493,334	29,414,030
General and administrative	64,867,049	63,336,696
Enterprise-wide projects	3,342,680	4,625,295
Total Benefits and Expenses	424,787,340	416,823,890
Other Deductions:		
International Clergy Pension Plan	35,916,450	3,562,168
Other liabilities	49,180,866	(2,280,951)
Increase in Total Net Assets	162,737,331	784,530,433
(Increase) Decrease in Restricted and Unrestricted Net Assets		
(Increase) in Restricted Net Assets	(797,927)	(1,166,514)
(Increase) decrease in Major Medical Supplement Fund	(251,463,272)	6,911,194
(Increase) in Life Insurance Benefit Fund	(37,512,349)	(9,434,108)
(Increase) in Supplemental Pension Fund	(6,468,306)	(522,202)
Decrease (increase) in investment in affiliated companies	4,440,114	(589,438)
(Increase) in assessment deficiency	(478,578,499)	(47,286,428)
(Decrease) Increase in Net Assets Available for Benefits	(607,642,908)	732,442,937
Net Assets Available for Benefits at Beginning of Year	7,550,244,763	6,817,801,826
Net Assets Available for Benefits at End of Year	$6,942,601,855	$7,550,244,763

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, 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 Department of Financial Services.

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 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, solely for investment purposes, 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.

Accounting principles generally accepted in the United States require the Fund and the Qualified Plans to evaluate uncertain tax positions taken by the Fund and the Qualified Plans. The financial statement effects of a tax position are recognized when the position is more likely than not, based on the technical merits, to be sustained upon examination by the Internal Revenue Service. There were no uncertain tax positions taken by the Fund and the Qualified Plans as of March 31, 2012 and 2011.

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 participants and their dependents, and (3) the Staff Plan benefits for participants and their dependents. 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, (2) attributable to the Lay Plan is funded by assessments paid by participating employers, and (3) attributable to the Staff Plan is funded at the discretion of the Fund. As of March 31, 2012 and 2011, 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 $4.1 billion and $3.4 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 accounting principles generally accepted in the United States ("GAAP"). All inter-plan balances have been eliminated in these combined financial statements.

The preparation of financial statements in conformity with accounting principles generally accepted 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 benefit obligations 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.

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, including investments measured at net asset values ("NAV") which can be withdrawn within 90 days from the balance sheet date.

Level 3 — Inputs that are unobservable, including investments measured at NAV which cannot be withdrawn within 90 days from the balance sheet date.

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 fair 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.

vi) Adoption of New Accounting Pronouncements – In January 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2010-06, I*mproving Disclosures about Fair Value Measurements*. ("ASU 2010-06"). This guidance updated the disclosure requirements of Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosures* to require additional disclosures related to the amounts and reasons for significant transfers between levels in the fair value hierarchy, the expansion of fair value disclosures by each class of asset, disclosure of the policy for the recognition of transfers between levels in the fair value hierarchy and the disclosure of valuation techniques for all Level 2 and Level 3 assets. ASU 2010-06 was effective for periods beginning after December 15, 2009. The Fund and the Qualified Plans adopted ASU 2010-06 effective April 1, 2010 and the additional financial statement disclosures are included in Note 4 and Note 5.

vii) Accounting Pronouncement Not Yet Adopted – In May 2011, the FASB issued guidance that addresses requirements for measuring fair value. Among other things, this guidance clarifies that the "highest and the best use" valuation premise applies only to non-financial assets and that premiums or discounts should be applied to valuations of an individual asset or liability only when market participants would do so. This guidance also permits measurement of fair value of financial instruments (that are carried at fair value) based on an entity's net exposure to a particular market or credit risk on a net basis if there is evidence that the entity manages its financial instruments in this way. This guidance provided for additional financial statement disclosure regarding fair value measurements, including disclosure involving transfers between categories within the fair value hierarchy, and quantitative and qualitative information about fair value measurements that involve a significant degree of judgment. This guidance is effective for the Fund and the Qualified Plans for the year ended March 31, 2013. The adoption of the guidance may result in additional financial statement disclosures and management does not anticipate that it will have a significant impact on the financial position of the Fund and the Qualified Plans.

viii) Reclassifications – Certain 2011 amounts in the Fund's combined financial statements have been reclassified to conform to the 2012 financial statement presentation.

4. Investments

Equity Securities

Equity securities include direct investments in the common and preferred 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 appreciation (depreciation) in fair value for the years ended March 31, 2012 and 2011 and the fair value of investments in equity securities by asset class as of March 31, 2012 and 2011, are summarized as follows:

March 31, 2012 (in thousands)	Net Appreciation (Depreciation) in Fair Value During Year	Fair Value End of Year
U.S. large capitalization/ broadly diversified	$ 25,436	$ 810,627
U.S. small capitalization	(4,445)	238,709
Sector strategies	21,308	56,485
Total U.S. equities	42,299	1,105,821
Emerging markets	(17,840)	152,385
Other international	(21,697)	572,204
Totals	$ 2,762	$ 1,830,410

March 31, 2011 (in thousands)	During Year	End of Year
U.S. large capitalization/ broadly diversified	$ 107,331	$ 1,043,721
U.S. small capitalization	70,971	326,278
Sector strategies	7,897	73,619
Total U.S. equities	186,199	1,443,618
Emerging markets	28,287	208,427
Other international	60,592	680,696
Totals	$ 275,078	$ 2,332,741

Fixed Income Securities

The net appreciation (depreciation) in fair value for the years ended March 31, 2012 and 2011 and the fair value of investments in fixed income securities by asset class as of March 31, 2012 and 2011 are summarized as follows:

March 31, 2012 (in thousands)	Net Appreciation (Depreciation) in Fair Value During Year	Fair Value End of Year
U.S. Treasury and obligations of U.S. government corporations and agencies	$ 92,874	$ 1,064,466
Corporate	37,974	1,260,787
Loan-backed	947	70,147
Foreign governments	4,712	117,808
Asset-backed	390	61,216
Totals	$ 136,897	$ 2,574,424

March 31, 2011 (in thousands)		
U.S. Treasury and obligations of U.S. government corporations and agencies	$ 54,356	$ 1,098,221
Corporate	37,029	1,162,346
Loan-backed	5,259	62,282
Foreign governments	(140)	108,963
Asset-backed	1,721	59,849
Totals	$ 98,225	$ 2,491,661

Derivative Financial Investments

Futures contracts are used primarily to maintain the Fund's asset allocation within ranges determined by the Investment Committee of the Fund's Board of Trustees. 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 $40 million and $19 million short at March 31, 2012 and 2011, 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 $13 million and $3 million for the years ended March 31, 2012 and 2011, 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 the years ended March 31, 2012 and 2011 and the fair values of investments in real estate and private equity limited partnerships by asset class as of March 31, 2012 and 2011 are summarized as follows:

March 31, 2012 (in thousands)	Fair Value Beginning of Year	Contributions	Operating Results & Net Capital Gains (Losses)	Distributions	Fair Value End of Year
Real estate:					
North America	$ 665,141	$ 119,888	$ 54,197	$ (61,144)	$ 778,082
Europe	128,881	72,605	26,779	(38,322)	189,943
Asia	179,821	46,455	11,747	(28,699)	209,324
Other	101,564	75,251	12,543	(19,412)	169,946
Total real estate	1,075,407	314,199	105,266	(147,577)	1,347,295
Private equity:					
North America	753,507	102,052	184,984	(144,521)	896,022
Europe	253,828	55,882	26,728	(32,142)	304,296
Asia	152,552	21,037	(9,420)	(11,018)	153,151
Other	148,528	53,357	(38,662)	(18,245)	144,978
Total private equity	1,308,415	232,328	163,630	(205,926)	1,498,447
Totals	$2,383,822	$ 546,527	$ 268,896	$ (353,503)	$ 2,845,742

March 31, 2011 (in thousands)	Fair Value Beginning of Year	Contributions	Operating Results & Net Capital Gains (Losses)	Distributions	Fair Value End of Year
Real estate:					
North America	$ 532,518	$ 135,980	$ 49,117	$ (52,474)	$ 665,141
Europe	108,088	27,928	803	(7,938)	128,881
Asia	96,818	63,571	39,234	(19,802)	179,821
Other	82,176	67,006	(10,473)	(37,145)	101,564
Total real estate	819,600	294,485	78,681	(117,359)	1,075,407
Private equity:					
North America	597,110	128,878	187,195	(159,676)	753,507
Europe	189,422	56,240	42,161	(33,995)	253,828
Asia	92,381	35,831	33,327	(8,987)	152,552
Other	108,556	32,298	35,923	(28,249)	148,528
Total private equity	987,469	253,247	298,606	(230,907)	1,308,415
Totals	$1,807,069	$ 547,732	$ 377,287	$ (348,266)	$ 2,383,822

Real estate limited partnerships include investments across all major property types including commercial properties, such as office, retail, multi-family, hotel and land, residential properties and real and other assets such as energy, materials and timber. As of March 31, 2012 and 2011, investments in commercial properties, residential properties and real and other assets were 46%, 23% and 31%, respectively, and 54%, 18% and 28%, respectively, of the portfolio.

Private equity limited partnerships include strategies focused on venture capital, growth equity and buyout transactions across many industry sectors. As of March 31, 2012 and 2011, investments in venture capital and growth equity and buyout transactions were 46% and 54%, respectively, and 44% and 56%, respectively, of the portfolio.

The net gain on investments in real estate and private equity limited partnerships for the fiscal years ended March 31, 2012 and 2011 include realized and unrealized gains, operating results, other income and direct fees and are summarized in the following table:

March 31 (in thousands)	2012	2011
Net realized capital gains	$ 149,053	$ 106,072
Net unrealized capital gains	120,185	271,441
Operating results	(342)	(226)
Operating results and net capital gains	268,896	377,287
Other income and direct fees	629	2,956
Net gains on real estate and private equity investments	$ 269,525	$ 380,243

These investments are usually subject to "lock-up" provisions, generally ranging from 8 to 10 years from inception at which time we expect our entire investment to have been liquidated.

At March 31, 2012, the Fund had open investment commitments to limited partnerships of $1.2 billion which are expected to be funded during future years. In this regard, from April 1, 2012 through April 30, 2012, the Fund invested an additional $38 million and made no new commitments in limited partnerships. Although there is a secondary market in limited partnership interests, 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. Alternative investments primarily include investments in (1) long/short equity hedge funds, which invest primarily in long and short equity securities, (2) credit/distressed debt securities that are generally rated below investment grade with managers that invest in debt or debt related securities or claims associated with companies, assets or sellers whose financial conditions are stressed, distressed or in default, and (3) multi-strategy hedge funds that pursue multiple strategies and capture market opportunities. The net appreciation (depreciation) in fair value for the year, the fair value, unfunded commitments, redemption frequency (if currently eligible) and redemption notice period of these alternative investments by asset class at the year end are summarized as follows:

March 31, 2012 (in thousands)	Net Appreciation (Depreciation) in Fair Value During Year	Fair Value End of Year	Unfunded Commitments End of Year	Redemption Frequency*	Redemption Notice Period
Long/short equity	$ 10,020	$ 545,966	$ –	Q/A	30-90 days
Credit/distressed debt	5,814	382,863	78,902	None	None
Multi-strategy	22,914	490,711	–	SA/A	60-180 days
Other	(12,807)	597,035	53,054	M/Q/SA/A	15-90 days
Totals	$ 25,941	$2,016,575	$131,956		

March 31, 2011 (in thousands)					
Long/short equity	$ 71,005	$ 587,204	$ –	Q/A	30-90 days
Credit/distressed debt	39,563	395,079	131,099	None	None
Multi-strategy	45,593	467,797	–	Q/A	60-180 days
Other	60,093	467,094	14,876	M/Q/SA/A	15-90 days
Totals	$ 216,254	$1,917,174	$145,975		

*Monthly ("M"), Quarterly ("Q"), Semi-Annually ("SA"), Annually ("A")

Certain of the alternative investments in limited partnerships are subject to withdrawal "gate" or suspension provisions as defined in the limited partnerships' agreement. The general partner and/or investment manager of the limited partnerships may restrict or suspend withdrawal requests for various reasons, including, but not limited to, insufficient liquidity at the limited partnership to satisfy withdrawal requests or to preserve the capital interests of the limited partners not withdrawing from the limited partnerships. As of March 31, 2012, none of the limited partnerships have such restrictions on withdrawals.

Affiliated Companies

Investments in affiliated companies represent an important use of the Fund's assets. All of the affiliated companies other than The Episcopal Church Clergy and Employees' Benefit Trust are wholly-owned by the Fund and all 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

Department of Financial Services which is not materially different from the fair value of these entities that would be 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 the years ended December 31, 2011 and 2010, except for Church Publishing Incorporated which is described for the years ended March 31, 2012 and 2011.

The Church Insurance Companies[1]

Today, more than 88% 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 Church institutions. The Agency accesses a broad range of products tailored for the special needs of Episcopal Church institutions through its sister companies or through its product partners. The Church Insurance Companies have provided property and liability coverage for Episcopal 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 Episcopal Church institutions to benefit from the coverage flexibility and potential cost advantages of this risk-financing approach. Effective November 24, 2009, the Agency entered into a service agreement with the United Methodist Property and Casualty Trust ("PACT"), a Washington, D.C. captive reinsurance company, to provide certain agency services. Mary Katherine Wold is the President and D. Roderick Webster is Senior Vice President and General Manager of The Church Insurance Companies.

Financial Summary

December 31 (in thousands)	2011	2010
Assets	$ 211,251	$ 217,994
Liabilities	136,294	142,646
Capital and surplus	74,957	75,348
Earned premiums	42,372	42,303
Net income	2,013	4,248

[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. Mary Katherine Wold is the President and James E. Thomas is Senior Vice President and General Manager of Church Life.

Financial summary

December 31 (in thousands)	2011	2010
Assets	$ 254,640	$ 237,132
Liabilities	216,172	198,198
Capital and surplus	38,468	38,934
Insurance in force	1,493,218	1,491,126
Earned premiums	37,619	36,224
Net income	979	4,224
Dividend paid to the Fund	1,000	1,200

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. Mary Katherine Wold is the President and Davis Perkins is Senior Vice President and Publisher of Church Publishing.

Financial Summary

March 31 (in thousands)	2012	2011
Assets	$ 12,696	$ 12,687
Liabilities	9,194	8,268
Capital	3,502	4,419
Revenue	5,514	13,751
Net loss	(2,867)	(7,623)
Capital contribution received from the Fund	1,950	1,500

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. These conferences 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)	2011	2010
Assets	$ 21,905	$ 12,158
Liabilities	881	830
Net assets	21,024	11,328
Revenue from third parties	535	537
Revenue from the Fund	15,157	838
Change in net assets	9,696	(5,851)

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

The Benefit Trust, now in its thirty-fourth 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. Mary Katherine Wold is the President and Frank P. Armstrong is Senior Vice President and General Manager of The Episcopal Church Medical Trust.

Financial Summary

December 31 (in thousands)	2011	2010
Assets	$ 49,031	$ 42,925
Liabilities	24,047	21,603
Accumulated surplus	24,984	21,322
Revenues	180,658	163,259
Benefits provided	177,181	162,736
Net income	3,477	523

5. Fair Value Measurements

The following tables provide information about the financial assets measured at fair value by asset class as of March 31, 2012 and 2011.

March 31, 2012 (in thousands)	Level 1	Level 2	Level 3	Total
Equity securities:				
U.S. large capitalization/ broadly diversified	$ 679,393	$ 131,234	$ –	$ 810,627
U.S. small capitalization	238,276	433	–	238,709
Sector strategies	56,485	–	–	56,485
Total U.S. equities	974,154	131,667	–	1,105,821
Emerging markets	5,684	146,701	–	152,385
Other international	23,517	548,687	–	572,204
Totals	1,003,355	827,055	–	1,830,410
Fixed income securities:				
U.S. Treasury and obligations of U.S. government corporations and agencies	–	1,062,913	1,553	1,064,466
Corporate	–	1,085,514	175,273	1,260,787
Loan-backed	–	70,101	46	70,147
Foreign governments	–	95,470	22,338	117,808
Asset-backed	–	59,395	1,821	61,216
Totals	–	2,373,393	201,031	2,574,424
Real estate and private equity	–	–	2,845,742	2,845,742
Alternative investments:				
Long/short equity	–	369,408	176,558	545,966
Credit/distressed debt	–	261	382,602	382,863
Multi-strategy	–	–	490,711	490,711
Other	–	283,584	313,451	597,035
Totals	–	653,253	1,363,322	2,016,575
Mortgage loans	–	–	56,928	56,928
Affiliated companies	–	–	122,673	122,673
Short-term securities	–	29,347	–	29,347
Total assets at fair value	$1,003,355	$3,883,048	$4,589,696	$9,476,099

March 31, 2011 (in thousands)	Level 1	Level 2	Level 3	Total
Equity securities:				
U.S. large capitalization/ broadly diversified	$ 919,733	$ 123,988	$ –	$1,043,721
U.S. small capitalization	325,770	508	–	326,278
Sector strategies	73,619	–	–	73,619
Total U.S. equities	1,319,122	124,496	–	1,443,618
Emerging markets	6,421	202,006	–	208,427
Other international	101,351	579,345	–	680,696
Totals	1,426,894	905,847	–	2,332,741
Fixed income securities:				
U.S. Treasury and obligations of U.S. government corporations and agencies	–	1,095,329	2,892	1,098,221
Corporate	–	996,745	165,601	1,162,346
Loan-backed	–	62,141	141	62,282
Foreign governments	–	95,537	13,426	108,963
Asset-backed	–	58,893	956	59,849
Totals	–	2,308,645	183,016	2,491,661
Real estate and private equity	–	–	2,383,822	2,383,822
Alternative investments:				
Long/short equity	–	405,824	181,380	587,204
Credit/distressed debt	–	254	394,825	395,079
Multi-strategy	–	–	467,797	467,797
Other	–	171,612	295,482	467,094
Totals	–	577,690	1,339,484	1,917,174
Mortgage loans	–	–	14,307	14,307
Affiliated companies	–	–	127,113	127,113
Short-term securities	–	39,547	–	39,547
Total assets at fair value	$1,426,894	$3,831,729	$4,047,742	$9,306,365

The following tables summarize the changes in financial assets classified in Level 3 by asset class for the years ended March 31, 2012 and 2011. Gains and losses reported in this table may include changes in fair value that are attributable to both observable and unobservable inputs.

	Fixed Income Securities					
March 31, 2012 (in thousands)	U.S. Treasury and Obligations of U.S. Government	Corporate	Loan-backed	Foreign Governments	Asset-backed	Total
Balance at April 1, 2011	$ 2,892	$165,601	$ 141	$ 13,426	$ 956	$ 183,016
Transfers into Level 3	1,132	208	–	–	–	1,340
Transfers out of Level 3	(2,892)	(1,583)	–	(1,877)	–	(6,352)
Total gains/(losses) included in Statement of Changes in Net Assets Available for Benefits, net	75	(4,174)	(5)	(183)	(20)	(4,307)
Purchases	390	16,038	–	20,092	886	37,406
Sales	-	(803)	–	(9,120)	–	(9,923)
Settlements	(44)	(14)	(90)	–	(1)	(149)
Balance at March 31, 2012	$ 1,553	$175,273	$ 46	$ 22,338	$1,821	$ 201,031
March 31, 2011 (in thousands)						
Balance at April 1, 2010	$ 7,842	$150,040	$1,031	$ 33,486	$ 570	$ 192,969
Transfers into Level 3	–	8	–	–	–	8
Transfers out of Level 3	(7,842)	(1,538)	(674)	(23,193)	(570)	(33,817)
Total gains/(losses) included in Statement of Changes in Net Assets Available for Benefits, net	–	3,880	(1)	1,062	29	4,970
Purchases	2,893	16,095	–	2,261	927	22,176
Sales	–	(2,869)	–	(190)	–	(3,059)
Settlements	(1)	(15)	(215)	–	–	(231)
Balance at March 31, 2011	$ 2,892	$165,601	$ 141	$ 13,426	$ 956	$ 183,016

	Alternative Investments				
March 31, 2012 (in thousands)	Long/ Short Equity	Credit/ Distressed Debt	Multi-strategy	Other	Total
Balance at April 1, 2011	$181,380	$394,825	$467,797	$295,482	$1,339,484
Transfers into Level 3	–	–	–	–	–
Transfers out of Level 3	–	–	–	–	–
Total gains/(losses) included in Statement of Changes in Net Assets Available for Benefits, net	(3,199)	2,951	22,914	(14,145)	8,521
Purchases	–	53,467	–	47,942	101,409
Sales	(1,623)	–	–	–	(1,623)
Settlements	–	(68,641)	–	(15,828)	(84,469)
Balance at March 31, 2012	$176,558	$382,602	$490,711	$313,451	$1,363,322
March 31, 2011 (in thousands)					
Balance at April 1, 2010	$ 142,098	$ 351,169	$437,852	$ 292,754	$ 1,223,873
Transfers into Level 3	–	–	–	–	–
Transfers out of Level 3	–	–	–	–	–
Total gains included in Statement of Changes in Net Assets Available for Benefits, net	33,885	32,452	45,592	26,537	138,466
Purchases	20,000	44,914	–	109,355	174,269
Sales	(14,603)	–	–	–	(14,603)
Settlements	–	(33,710)	(15,647)	(133,164)	(182,521)
Balance at March 31, 2011	$ 181,380	$ 394,825	$467,797	$ 295,482	$ 1,339,484

March 31, 2012 (in thousands)	Equity Securities	Real Estate and Private Equity	Mortgage Loans	Affiliated Companies
Balance at April 1, 2011	$ –	$2,383,822	$ 14,307	$ 127,113
Transfers into Level 3	–	–	–	–
Transfers out of Level 3	–	–	–	–
Total gains included in Statement of Changes in Net Assets Available for Benefits, net	–	268,896	526	5,582
Purchases	–	546,527	50,000	6,596
Sales	–	–	–	(16,618)
Settlements	–	(353,503)	(7,905)	–
Balance at March 31, 2012	$ –	$2,845,742	$ 56,928	$ 122,673

March 31, 2011 (in thousands)	Equity Securities	Real Estate and Private Equity	Mortgage Loans	Affiliated Companies
Balance at April 1, 2010	$ 98	$1,807,069	$ 20,375	$ 126,524
Transfers into Level 3	–	–	–	–
Transfers out of Level 3	–	–	–	–
Total gains/(losses) included in Statement of Changes in Net Assets Available for Benefits, net	(98)	377,287	629	1,114
Purchases	–	547,732	–	1,500
Sales	–	–	–	(2,025)
Settlements	–	(348,266)	(6,697)	–
Balance at March 31, 2011	$ –	$2,383,822	$ 14,307	$ 127,113

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. In 2009, the Fund extended the administrative and investment agreement with the Episcopal Church of Liberia through January 1, 2018. 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 11). The actuarial liabilities of all plans included in the ICPP are determined annually by an actuarial consulting firm, Buck Consultants, a Xerox Company, and total $145.7 million and $107.0 million at March 31, 2012 and March 31, 2011, 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 Life Insurance Benefit Fund was established to provide for the estimated annual insurance premiums of eligible beneficiaries in the Clergy Plan with life insurance during active service and when retired.

The Supplemental Pension Fund is a provision for benefits to those participants in the Clergy Plan 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, 2012 and 2011.

	Increase/(Decrease) in Restricted and Unrestricted Funds				
March 31, 2012 (in thousands)	Beginning of Year	Assessments and Investment Gains	Benefits and Expenses	Transfers From/To Net Assets	End of Year
Permanently Restricted Legacy & Gifts	$ 18,891	$ 1,095	$ (126)	$ (254)	$ 19,606
Temporarily Restricted Legacy & Gifts	13,743	1,102	(1,273)	254	13,826
Major Medical Supplement	938,015	–	(26,347)	277,810	1,189,478
Life Insurance Benefit	183,688	–	(13,635)	51,148	221,201
Supplemental Pension	43,377	–	(875)	7,343	49,845
Total Restricted and Unrestricted Funds	$1,197,714	$ 2,197	$ (42,256)	$ 336,301	$ 1,493,956

March 31, 2011 (in thousands)	Beginning of Year	Assessments and Investment Gains	Benefits and Expenses	Transfers From/To Net Assets	End of Year
Permanently Restricted Legacy & Gifts	$ 16,793	$ 2,092	$ –	$ 6	$ 18,891
Temporarily Restricted Legacy & Gifts	14,674	1,579	(2,566)	56	13,743
Major Medical Supplement	944,926	–	(25,505)	18,594	938,015
Life Insurance Benefit	174,254	–	(13,197)	22,631	183,688
Supplemental Pension	42,855	–	(859)	1,381	43,377
Total Restricted and Unrestricted Funds	$1,193,502	$ 3,671	$ (42,127)	$ 42,668	$ 1,197,714

8. Accumulated Plan Benefit Obligations

Buck Consultants, a Xerox 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: 4.25% and 5.50% per annum for the years-ended March 31, 2012 and 2011, 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 for the Clergy Plan and the Staff Plan and 0% for the Lay Plan. Cost-of-living adjustments are not guaranteed. The Board of Trustees grants cost-of-living adjustments at its discretion. The decision is made annually for fully-funded plans.
- Vesting: After five years of credited service.
- Retirement (Clergy Plan): 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.
- Mortality (Clergy Plan): 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 benefit obligations of the Clergy Plan, the Lay Plan and the Staff Plan as of March 31, 2012 and 2011 are summarized as follows:

March 31, 2012 (in thousands)	Clergy Plan	Lay Plan	Staff Plan
Vested benefits:			
Actuarial present value of accumulated plan benefits for retired participants and their dependents	$3,860,415	$ 67,544	$ 51,373
Actuarial present value of accumulated plan benefits for participants not yet retired and their dependents	2,109,899	83,185	87,472
Nonvested benefits:	174,604	3,637	16,353
Total	$6,144,918	$154,366	$155,198

March 31, 2011 (in thousands)	Clergy Plan	Lay Plan	Staff Plan
Vested benefits:			
Actuarial present value of accumulated plan benefits for retired participants and their dependents	$3,206,274	$ 74,138	$ 38,146
Actuarial present value of accumulated plan benefits for participants not yet retired and their dependents	1,658,458	86,408	67,093
Nonvested benefits:	143,304	3,914	12,269
Total	$5,008,036	$164,460	$117,508

The net increase (decrease) in the actuarial present value of the accumulated plan benefit obligations of the Clergy Plan, the Lay Plan and the Staff Plan for the years ended March 31, 2012 and 2011 are summarized as follows:

March 31, 2012 (in thousands)	Clergy Plan	Lay Plan	Staff Plan
Actuarial present value of accumulated plan benefit obligations at beginning of year	$5,008,036	$164,460	$117,508
Increase (decrease) during the year attributable to:			
Change in actuarial assumptions	992,955	(17,918)	29,102
Benefits accumulated	148,320	5,385	5,233
Increase for interest due to decrease in the discount period	268,050	8,871	6,381
Benefits paid	(272,443)	(6,432)	(3,026)
Net increase (decrease)	1,136,882	(10,094)	37,690
Actuarial present value of accumulated plan benefit obligations at end of year	$6,144,918	$154,366	$155,198

March 31, 2011 (in thousands)	Clergy Plan	Lay Plan	Staff Plan
Actuarial present value of accumulated plan benefit obligations at beginning of year	$4,808,294	$150,719	$105,602
Increase (decrease) during the year attributable to:			
Change in actuarial assumptions	141,604	5,208	4,457
Benefits accumulated	56,020	6,140	4,452
Increase for interest due to decrease in the discount period	268,914	8,493	5,987
Benefits paid	(266,796)	(6,100)	(2,990)
Net increase	199,742	13,741	11,906
Actuarial present value of accumulated plan benefit obligations at end of year	$5,008,036	$164,460	$117,508

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 can assume an annual cost-of-living adjustment and the estimated amount to be received in assessments can assume an annual age-related compensation increase both consistent with the assumptions used in the estimates of the actuarial present value of the accumulated plan benefits.

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 applicable participants' compensation, which includes salaries, other cash compensation and the value of housing.

The assessments for 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, 2012 and 2011 are summarized as follows:

March 31, 2012 (in thousands)	Clergy Plan	Lay Plan	Staff Plan
Net assets available for pension benefits after amount designated for assessment deficiency	$6,741,884	$110,462	$ 90,256
Actuarial present value of accumulated plan benefit obligations	6,144,918	154,366	155,198
Surplus (Deficit)	$ 596,966	$ (43,904)	$ (64,942)

March 31, 2011 (in thousands)	Clergy Plan	Lay Plan	Staff Plan
Net assets available for pension benefits after amount designated for assessment deficiency	$7,354,100	$103,375	$ 92,769
Actuarial present value of accumulated plan benefit obligations	5,008,036	164,460	117,508
Surplus (Deficit)	$2,346,064	$ (61,085)	$ (24,739)

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 of the Fund for the years ended March 31, 2012 and 2011, include cash compensation expenses of $38.2 million and $36.2 million, respectively. In the same respective years, an additional $12.5 million and $13.3 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. 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 $16.6 million and $16.2 million for the fiscal years ended March 31, 2012 and 2011, respectively. In the same respective years, an additional $8.3 million and $8.6 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, 2012 was as follows:

Mary Katherine Wold, President & CEO	$812,000*
Executive Vice Presidents:	
William L. Cobb, Jr., Chief Investment Officer	$1,109,000
Jim W. Morrison, Chief Operating Officer for Benefits and Risk Bearing Business	$628,000
Managing Directors:	
Helen Fox-O'Brien, Investment Department	$970,000
Alan Snoddy, Investment Department	$875,000

(*Partial year from date of hire on June 6, 2011 through March 31, 2012)

The Fund and its affiliated companies have a non-contributory defined benefit staff retirement plan, described above as the Staff Plan (see page 11), covering substantially all of its employees. The Staff Plan is reviewed annually by the consulting actuaries, Buck Consultants, a Xerox Company. As of March 31, 2012, the actuarial present value of the accumulated plan benefit obligations were $189.7 million. The assumed interest rate used in the above calculations was 4.25%. The net assets available for plan benefits as of March 31, 2012 were $124.8 million. The excess of the plan benefit obligations over the plan net assets was included in other liabilities in the accompanying combined statements of net assets available for benefits. The Fund pledged a contribution of $6.2 million to the Staff Plan in the fiscal year ended 2012 and $4.7 million to the Staff Plan in the fiscal year ended 2011.

The Fund and its affiliated companies have a defined contribution 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 $1.6 million and $1.6 million for the years ended March 31, 2012 and 2011, 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, 2012 and 2011, the Fund and its affiliates recorded expenses of $3.4 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, 2012, the amount in this account, which is included in the accompanying combined statements of net assets available for benefits, was $20.3 million to fund obligations estimated at $34.1 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, 2012 and 2011 for medical costs of 6.5% and 7.0%, 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 expected post-retirement benefit obligation were 4.25% and 5.50% at March 31, 2012 and 2011, respectively. If the healthcare cost trend rate were increased by 1%, the expected post-retirement benefit obligation as of March 31, 2012 would increase by approximately $3.1 million.

11. Subsequent Events

The Fund has performed an evaluation of subsequent events through June 25, 2012, which is the date the financial statements were issued. No significant subsequent events were identified.

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, 2012 and 2011, 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, 2012 and 2011, and the changes in its financial status for the years then ended, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

June 25, 2012

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The Rev. Clayton D. Crawley
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*Includes officers of The Church Pension Fund and officers of affiliated companies which include The Church Insurance Agency Corporation, The Church Insurance Company of New York, The Church Insurance Company of Vermont, Church Life Insurance Corporation, The Episcopal Church Medical Trust, and Church Publishing Incorporated.

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David L. Brigham
Cambridge Associates
Gordon Fowler
Hiram F. Moody, Jr.
Troy Y. Murray
Collins Spencer

Custodian

The Northern Trust Company

Counsel

Davis Polk & Wardwell

Independent Auditors

Ernst & Young LLP

Pension Actuary

Buck Consultants, a Xerox Company

Health Plan Actuary

Hewitt Associates

As of March 31, 2012

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