CHURCH PENSION GROUP
Passionate About Our Purpose

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2018 Annual Report

The Church Pension Fund—At-A-Glance

$6.4 Billion
Benefits paid for clergy and dependents since inception in 1917[1]

$97 Million
Annual assessments received[2]

$383 Million
Annual benefits paid[3]

90
Percentage of every dollar collected by The Episcopal Church Medical Trust to pay claims

$13.3 Billion
CPF's investment portfolio assets[4]

$1 Billion+
Invested or committed capital in socially responsible investments[5]

19,437
Active Lay Pension Plan participants[6]

105,335
Annual client interactions with CPG's Client Services group

6,192
Active Clergy Pension Plan participants[7]

9,262
Churches, dioceses, and other Episcopal organizations served

2,768
Number of products and titles managed by Church Publishing Incorporated

90
Percentage of U.S. Episcopal churches insured by The Church Insurance Companies[8]

[1]Since inception (1917) through 03/31/18. [2]Includes clergy, lay employees and CPG staff; 04/01/17–03/31/18. [3]Includes pension and other benefits (medical supplement and life insurance) paid for clergy and dependents, lay employees, and CPG staff; 04/01/17–03/31/18. [4]As of 03/31/18. [5]As of 01/18. [6]Includes participants in The Episcopal Church Lay Employees' Retirement Plan (Lay DB Plan) and The Episcopal Church Lay Employees' Defined Contribution Retirement Plan (Lay DC Plan). [7]As defined under The Church Pension Fund Clergy Pension Plan and reported in the Actuarial Valuation Report dated 12/31/2017. [8]Includes property and liability protection.

A Message from Mary Kate Wold

“CPG exists to support the clergy and lay employees of the Episcopal Church in their calling to spread the gospel.”

Dear Friends:

We at the Church Pension Group (CPG) are honored to have served the Episcopal Church loyally for the past 100 years by providing retirement, health, life insurance, and related benefits to its clergy and lay employees. Our centennial, which we celebrated from March 2017 to March 2018, presented a special opportunity to acknowledge our accomplishments. We also reaffirmed our vision, which is to ensure that our clients will have the highest possible level of financial security in retirement that is consistent with exemplary financial stewardship on our part and with the evolving needs of the Church.

Over the course of our history, CPG has been called upon to look ahead and to make decisions about investments, benefits, and other programs that affect the lives of people who serve the Church around the world. We take each decision thoughtfully. We are serious about our stewardship and passionate about our purpose.

In this Annual Report, in addition to summarizing our financial performance, I have invited a few of my colleagues to discuss CPG’s purpose and how it informs the work they do and the decisions they make. I also want to share three client stories that bring our mission to life.

The Very Rev. George Werner has held many roles in the Church, including long service on The Church Pension Fund Board of Trustees. He recently announced his retirement from service to spend more time with his lovely wife, Audrey. I am thrilled to share his recent reflections about CPG with you. Suzanne McNiff, a Christian educator who works with young children in a local parish school, also talks about how we support her in her ministry. Like many lay employees, she is putting her professional gifts to work in committed service of the Church. And, looking back on 43 years of faithful service, The Very Rev. Dr. Joshua Mastine Nisbett explains how CPG has freed him to focus on his ministry, from Nevis and Antigua to the United States and Tanzania. These are just a few of the many people we have the privilege of calling our clients.

CPG exists to support the clergy and lay employees of the Episcopal Church in their calling to spread the gospel. I hope this Annual Report sheds new, more personal light on how we do it.

Faithfully,

Mary Kate Wold

Mary Kate Wold
Chief Executive Officer and President

A Message from The Church Pension Fund Board of Trustees

Dear Friends:

"All of the work we completed this year underscores the values CPG holds in common with the broader Church and the unique role CPG plays in supporting the work of the Church."

—Barbara B. Creed
Chair

The Church Pension Fund (CPF) Board is elected by General Convention to oversee the work of CPG and to respond to requests for study that we regularly receive from General Convention. As it does every year, CPG management set ambitious goals for 2017 regarding investment performance, client service, and financial management—its key performance indicators—that we reviewed and approved. After careful consideration of its performance and ongoing oversight of the entire organization, we are pleased to report that CPG continues to exceed its goals and its external benchmarks.

We are particularly pleased with the organization's comprehensive review and revision of the CPF Clergy Pension Plan and related plans. The revisions, which introduce greater flexibility, consistency, and simplicity into CPG's pension programs, better enable us to address the needs of emerging forms of ministry.

We also were impressed by CPG's comprehensive study of compensation and benefits in the non-domestic dioceses. The study, which was requested by General Convention Resolution 2015-A181, helped us understand the strengths of our benefits package and identify issues that require further examination, which we will undertake in the coming year.

It has been extremely rewarding to serve on the CPF Board with colleagues so dedicated to responding to the needs of the Church and maintaining the financial strength of CPF that fuels everything we do.

Due to trustee retirements and the trustee election at the 79th General Convention, the membership of the CPF Board will soon shift. We are indebted to the following trustees, who have completed their maximum service:

Barbara B. Creed

Vincent C. Currie, Jr.

Diane B. Pollard

Cecil Wray

We feel blessed to have the opportunity to serve you, and we thank you for your continued support.

Faithfully,

Barbara B. Creed
Chair

The Rev. Dr. Timothy J. Mitchell
Vice Chair

Sandra S. Swan, D.L.H.
Vice Chair

Mary Kate Wold
Chief Executive Officer and President

We are also thankful to the eight trustees who have agreed to stand for re-election:

Canon Rosalie Simmonds Ballentine

The Rt. Rev. Diane M. Jardine Bruce

The Rt. Rev. Clifton Daniel III

Gordon B. Fowler, Jr.

Delbert C. Glover, Ph.D.

Ryan K. Kusumoto

Canon Kathryn Weathersby McCormick

Solomon S. Owayda

Departing Trustees

Barbara B. Creed was appointed a trustee in 2002 and was elected by General Convention to serve as a trustee in 2006 and 2012. She has served as Chair of the Board since 2015 and previously served as a Vice Chair. In addition, she was Chair of the Executive Committee, for which she also served as Vice Chair, and Chair of the Church Life Insurance Corporation Board, for which she served as both Vice Chair and Lead Director as well. Ms. Creed is currently Of Counsel (retired) at the law firm Trucker Huss, APC.

Vincent C. Currie, Jr., was first elected a trustee in 1991, reelected in 1997, elected again in 2006, and reelected in 2012. He has served as a Vice Chair of the Board and Chair of the Finance Committee. In addition, Mr. Currie served as Vice Chair and Senior Trustee Director of The Church Insurance Companies. Mr. Currie is the former Diocesan Administrator of the Episcopal Diocese of the Central Gulf Coast in Pensacola, Florida, and worked in the banking and general insurance industry for more than 20 years.

Diane B. Pollard was elected to serve as a trustee in 1988 and reelected in 1994; and was again elected in 2006 and reelected in 2012. She has served as Chair of the Compensation, Diversity, and Workplace Values Committee, among other committees. She also served as a Director of The Church Insurance Companies and is currently an independent benefits and human resources consultant.

Cecil Wray was appointed a trustee in 2000, was elected by General Convention to serve as trustee in 2006, and reelected in 2012. He served as Chair of the Investment Committee, and as Chair, Vice Chair, and Lead Director of The Church Insurance Companies. He is currently a senior partner (retired) at the law firm Debevoise & Plimpton.

Investment Performance

Exhibit A
Asset Allocation

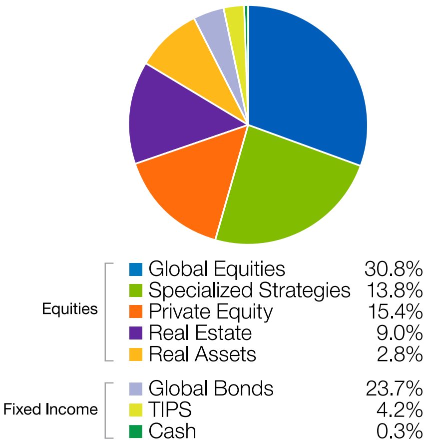


Exhibit B
CPF's Investment Portfolio Assets
(Billions)

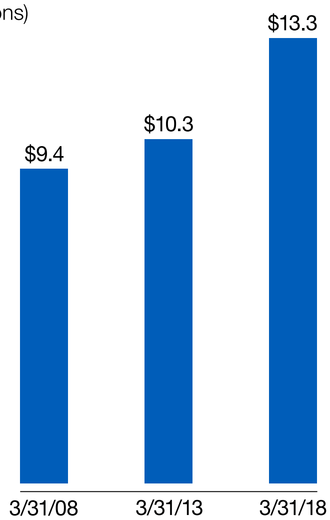
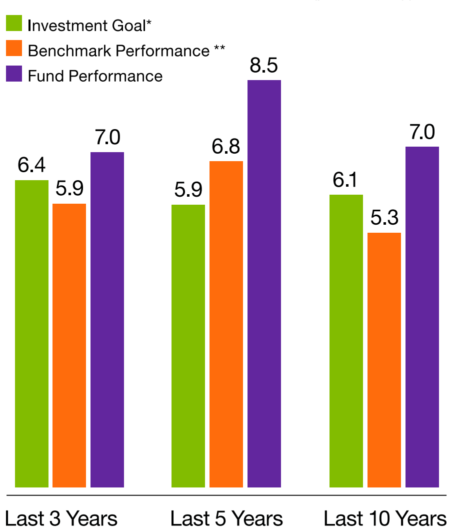


Exhibit C
Investment Performance
Periods Ending March 31, 2018
Annualized Total Returns in Percent (preliminary)



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

***Prior to 6/30/08, the benchmark consisted of 65% MSCI ACWI Index/35% Bloomberg Barclays Aggregate Bond Index. From 6/30/08 to present, the benchmark consists of 67% MSCI ACWI Index/33% Bloomberg Barclays Aggregate Bond Index.*

CPF serves the Episcopal Church by providing access to benefits that are primarily funded by assessment payments to CPF and by returns on our investment portfolio. Our top priority is to cover the cost of benefits for those we currently serve and those we will be privileged to serve in the future. We pursue that obligation through a long-term investment program employing a highly diversified global investment portfolio **(Exhibit A)**.

As of March 31, 2018, CPF's investment portfolio assets were $13.3 billion **(Exhibit B)**, as compared to $12.4 billion on March 31, 2017. These assets include those of The Episcopal Church Lay Employees' Retirement Plan, which totaled $207 million as compared to $191 million on March 31, 2017.

The increase in the value of CPF's investment portfolio was 10.7 percent for the year ending March 31, 2018. For this period, equity markets around the world provided robust returns, especially in emerging markets, while returns for fixed income were low, but generally positive. Investments in real estate also contributed significantly to the portfolio's strong performance. While these results are good news for CPF, these returns have led to higher valuations across most asset classes. This generates some concern about expected performance in the future.

Exhibit C shows CPF's investment performance for the three-, five-, and ten-year periods ending March 31, 2018. It compares the portfolio's annualized returns with those of two key measures: CPF's annualized investment goal of 4.5 percent over inflation and a passive benchmark performance composite of 67 percent MSCI ACWI Index (global stocks) and 33 percent Bloomberg Barclays Aggregate Bond Index (U.S. bonds). For each of the three-, five-, and ten-year periods ending March 31, 2018, CPF's return exceeded those of both the investment goal and benchmark. CPF has performed well not only when considering its overall investment portfolio, but also within asset classes, demonstrating the strength of the investment team and our belief in the value of actively managed portfolios.

We remain vigilant in monitoring the investment risks posed by the evolving financial environment, a challenging task given continued high valuations among many financial assets. CPF's strong fiduciary oversight continues to emphasize prudent diversification and a strong liquidity position as we search globally for compelling investment opportunities.

We have also kept a keen focus on our responsibility to honor our mission of serving clergy and lay employees now and for decades into the future. Given the uncertainty of the financial markets in the years ahead, we strive to ensure that our assets will be sufficient to weather future market disruptions and downturns without the need to reduce benefits. We regularly stress test our portfolio's ability to meet obligations, using thousands of simulations of possible market conditions, to determine how likely we are to have sufficient assets to meet this objective over multiple decades. We believe we are now in a solid, but cautionary, position. Although it would not be prudent for us to enhance benefits or to reduce the clergy assessment rate without reevaluating benefits, we do have a high level of confidence that we can meet current and future obligations under our pension plans as they exist today.

Socially Responsible Investing Update

Three-pronged SRI strategy:
1. Investing for positive impact
2. Shareholder engagement
3. Thought leadership

For nearly 20 years, CPF has been active in seeking investments that offer opportunities to realize competitive risk-adjusted returns consistent with our investment objectives, while also achieving important social goals. Our socially responsible investing (SRI) strategy involves a three-pronged approach: investing for positive impact, shareholder engagement, and thought leadership.

We currently have approximately $1 billion of invested or committed capital in socially responsible investments in 25 countries. These investments have created or preserved some 54,000 affordable housing units throughout the United States, funded 320 urban development projects worldwide, and made possible 100 clean technology projects.

Here are some examples of positive impact investments in our portfolio:

- **SIMA Funds'** Off-Grid Solar and Financial Access Senior Debt Fund, providing reliable access to renewable and sustainable energy in the developing world
- **Market Square**, an environmentally sustainable redevelopment of the Western Furniture Exchange and Merchandise Mart supporting the resurgence of San Francisco's historic Mid-Market area
- **Silverlands**, a fund focused on sustainable agriculture for farmers in sub-Saharan Africa
- **Northpointe Apartments**,a multi-family affordable housing apartment complex located in Long Beach, California

Learn more about these investments at *http://www.cpg.org/SRIvideos*.

Shareholder engagement is the process by which we reach out to companies to collaboratively address social issues. For decades we have collaborated with the Committee on Corporate Social Responsibility of the Executive Council of the Episcopal Church (Executive Council) and the Domestic and Foreign Missionary Society, as well as with other faith-based organizations and investors, to discuss our shared concerns and develop strategies for addressing those concerns. We are also members of various investor groups, including the Interfaith Center on Corporate Responsibility, the Global Impact Investing Network (GIIN), and Ceres, and we coordinate our shareholder engagement efforts with other investors who have similar interests.

These efforts are focused on three areas: the environment; human rights, with a recent emphasis on sex trafficking; and corporate diversity. For instance, in the last year we successfully worked with a large oil and gas company on increasing its disclosure of how moving to a smaller carbon footprint would affect its business. Requiring additional disclosure can force companies (and encourage investors) to focus more intently and intentionally on making progress in a given area. Another example of our shareholder engagement is raising awareness with transportation companies and their employees about signs of sex trafficking and strategies to stop it. We have also encouraged several companies to agree to increase their consideration of diversity as an additional criterion in identifying board candidates.

Finally, we use our recognized position as a thought leader, convening and connecting investors focused on socially responsible investing. We convene investors to share best practices and strategies, increasing their awareness and interest in socially responsible investing. We also connect with other investors to share ideas about specific investments. We have helped to structure investment funds and worked with others to serve as a lead investor, which helps catalyze other investors to join us and leverage our impact on important social issues.

Hear presentations from global SRI thought leaders at *www.cpg.org/Insights&Ideas/SRI* and learn more about CPF's SRI activities at *www.cpg.org/SRI*.

Significant Initiatives and Accomplishments

Investment Portfolio Assets

CPF's investment portfolio assets rose to $13.3 billion as of March 31, 2018, from $12.4 billion as of March 31, 2017.

Pension Plan Revisions

Following four years of study, revisions to the Clergy Pension Plan and related plans became effective on January 1, 2018. The objective of the revisions was threefold: to increase flexibility to reflect evolving models of ministry, to improve consistency to ensure that all clergy are treated equitably, and to provide simplicity to ensure that the benefits under the plan are more easily communicated and administered.

For a detailed overview of this work, including a description of all of the revisions, visit ***www.cpg.org/CPPR***.

Socially Responsible Investing

We continued to make investments that have positive social and environmental impact. One transaction involved a $17 million investment in the Social Investment Managers & Advisors Off-Grid Solar and Financial Access Senior Debt Fund I, B.V. The $75 million fund will provide loans to microfinance institutions, distribution companies, and manufacturers in the off-grid solar sector located in sub-Saharan Africa and South Asia. We currently have more than $1 billion of invested or committed capital in socially responsible investments in 25 countries.

Learn more at ***www.cpg.org/SRI***.

Shareholder Engagement

Our shareholder engagement efforts have focused on encouraging companies in our investment portfolio to address issues related to the environment, human rights violations, and corporate board diversity. We recently engaged with a fossil fuel company to provide increased transparency on climate risk reporting; with technology companies to increase the diversity of their corporate boards; and with transportation companies to enhance their training and policies to combat human trafficking.

Lay Employee Survey

We surveyed approximately 8,000 people enrolled in the Lay Pension System that we administer. We sought to examine how well-prepared lay employees are for retirement and to better understand their overall financial well-being. The results will help us develop a holistic picture of their retirement readiness and inform the programs and tools we make available to help them prepare for retirement.

Church Insurance Savings

Church Insurance Companies renegotiated terms with our reinsurance broker, creating a savings of $5 million, or 25 percent on our reinsurance program. In addition, we entered into an agreement to automate critical property and casualty processes and increase the efficiency of our underwriting, billing, finances, and accounting functions.

Bishop Relationship Model

We enhanced and extended our account management service model to include additional resources for bishops. As part of this initiative, CPG's Research & Data Group developed individualized business reports for nearly 50 bishops, on parochial, demographic, and economic data as well as ordinations, clergy employment, healthcare, and pensions.

Thought Leadership

We hosted a series of events, *Insights & Ideas: Centennial Conversations*, that brought together leaders from the Church, CPG, and the private sector. Taking place in New York City, Minneapolis, Houston, and San Francisco, these discussions focused on topics of particular interest to the Church and CPG—The Demographics of a Changing Church and Investing for Positive Impact.

Learn more and view presentations at ***www.cpg.org/Insights&Ideas***.

Benefits in Non-Domestic Dioceses

We completed our report related to General Convention Resolution 2015-A181, which asked us to review the compensation and costs for all employee benefits for clergy and lay employees in the dioceses of Province IX, the Diocese of Haiti, the Episcopal Church in Cuba, and Covenant Partners. We also included the Diocese of the Virgin Islands. Our findings confirmed the competitiveness of the pension and other benefits we offer and identified some areas that require further study.

Learn more at ***www.cpg.org/2015A181***.

International Account Management

We extended our account management services model to include the international dioceses of the Episcopal Church and its Covenant Partners: Iglesia Anglicana de la Region de Central America (IARCA), Anglican Church of Mexico (ACM), and the Episcopal Church in Liberia. Each diocese or province was assigned an account manager with the relevant language skills. Several international diocesan administrators attended CPG-hosted administrator conferences, and in-person meetings were held with the bishops of all international dioceses of the Episcopal Church, as well as with the Archbishop in Liberia and the primates of ACM and IARCA.

Facebook and Twitter

We established an official social media presence, on Facebook and Twitter (both @ChurchPension), in order to share information and ideas more broadly and to deepen relationships around the Church.

Follow us at ***www.facebook.com/ChurchPension*** and ***twitter.com/ChurchPension***.

Passionate About Our Purpose

Mary Kate Wold, Chief Executive Officer and President

As the CEO of CPG, I consider my role a special calling to serve the clergy and employees of the Episcopal Church. I am most proud of how this organization lives out its core values of professionalism, compassion, and trustworthiness. If you walk our halls it is absolutely clear that all of our employees, at every level, live with the zeal and passion to support our clients and, at the same time, come with the highest level of professionalism and skill to do their work in the best possible way to serve our population. And that's very special.

Hear more from Mary Kate Wold about CPG's relationship with the Church and its recent pension plan revisions, financial position, and investments at *www.cpg.org/R2GC*.

When Bishop William Lawrence successfully lobbied for the creation of CPF more than a century ago, I doubt he imagined that it would eventually encompass three lines of business and serve more than 42,000 clients in 18 countries around the world. While the work of CPG has expanded to include lay employees and products and services beyond pensions, the vision for CPG is as focused as ever. We exist to help paid servants of the Church have the highest possible level of financial security in retirement. In so doing, we help the Church recruit, retain, and reward faithful ministers who spread the gospel. Our work is inextricably linked with the work of the Episcopal Church, as are our people.

Twenty-four of the 25 members of the CPF Board are elected by General Convention. I am the 25th, and I am selected and evaluated by the CPF Board annually. My fellow board members are bishops, parish priests, and lay professionals who, like me, are committed to the Church, who are the Church. Every meeting starts with prayer and the presence of God is felt among us as we make important decisions. On our own and at the request of General Convention, we have studied benefits, deployment trends, and demographics around the world. We have revised benefits, created new benefits programs, and offered new services to meet the changing needs of the Church. For information on our recent revisions to the Clergy Pension Plan and related plans, visit ***www.cpg.org/CPPR***.

We are paying close attention to the needs of the Church, and we are doing everything we can to meet them within the context of our mission and fiduciary duties. We have managed investments that include effective socially responsible investing activities to express the values we share. We have been faithful stewards, and this has been the most rewarding work of my life.

Frank Armstrong, Executive Vice President and Chief Operating Officer

I'm very proud of our financial strength because it helps us provide financial security for clergy and lay employees as they prepare for retirement. That's our purpose. That's why we exist. We also help them manage their health and their wellness. And we care for their buildings so they can focus on their purpose, which is doing the work of the Church.

Hear more from Frank Armstrong about how CPG responds to client needs and controls the rising cost of healthcare at *www.cpg.org/R2GC*.

Since CPF was established by an act of General Convention in 1913, it has had a special and enduring relationship with this legislative body. We look forward to attending General Convention every three years to remain attuned to the direction of the Church and to be helpful in addressing its priorities. Working with General Convention we have responded to the risk management needs of Church institutions, the ordination of women, the canonically sanctioned same-gender marriage rite, the accessibility of benefits for lay employees, the adequacy of benefits in non-domestic dioceses, the availability of affordable, comprehensive healthcare benefits, and much more.

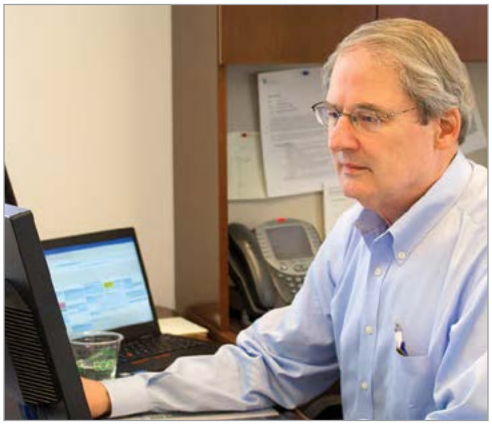
Central to our passionate support of the Church and those who serve it are our continual efforts to remain abreast of and, often, anticipate Church developments, so that we can ensure that our products, services, and solutions remain in sync with its evolving needs.

For example, before and since the last General Convention, we dedicated ourselves to listening to what was happening around the Church and to receiving feedback from our clients. We have spent several years in conversation with Church leaders, as well as full-time, part-time, bi-vocational, recently ordained, and soon-to-be-retired clergy, along with seminarians and later ordinands. As a result of this work, and in addressing General Convention Resolution 2015-A177, on January 1, 2018, we launched a simpler, more flexible Clergy Pension Plan that is better suited to today's employment trends. To learn more, read our Blue Book report at ***www.cpg.org/GC2018***.

Another example of our efforts to address issues raised by General Convention was Resolution 2015-A181, which asked us to study compensation and costs of benefits for clergy and lay employees in the dioceses of Province IX, the Diocese of Haiti, the Episcopal Church in Cuba, and Covenant Partners. Over the past several years, we have studied the competitiveness of benefits outside the United States and have visited many dioceses around the world to better understand their expectations and needs.

As a result of our most recent study—which was expanded to include the Diocese of the Virgin Islands—we discovered that our International Clergy Pension Plan compares favorably to local benchmarks and to the U.S. Clergy Pension Plan. We also found that our clergy life insurance and disability benefits are consistently more robust than the benefits offered to similar workers. We identified some gaps as well, however. For instance, clergy and lay employees tend to earn less compensation than those with similar responsibilities in these countries, and local inflation and currency exchanges affect pension benefits in differing ways. To learn more, read our report (***www.cpg.org/2015A181***). We have been involved in creating a path for the Episcopal Church in Cuba to rejoin the Episcopal Church with full retirement benefits.

I have been working with CPG for more than 20 years, first as a consultant and more recently as a member of its executive leadership team. In that time, CPG's commitment to service has endured and deepened. I am proud to be a part of a financial services organization that puts people at the center of its work.



Roger Sayler, Executive Vice President and Chief Investment Officer

We do everything we possibly can to ensure financial security in retirement for our beneficiaries. What I really enjoy about investment management at CPF is the intellectual challenge of working through the hundreds of innovative and exciting opportunities brought to us by the world's leading investors and pulling them together in a portfolio that serves our ultimate purpose.

Hear more from Roger Sayler about CPF's investment activities at *www.cpg.org/R2GC*.

To uphold our commitment to the Church to help provide financial security for those who serve it, we must maintain a high level of confidence that we will be able to meet our obligations for decades to come. Not only is our investment portfolio the engine that makes this possible, but it is also one of the many ways we demonstrate our alignment with the Church's values. As fiduciaries, we are charged with ensuring the highest possible level of risk-adjusted returns to allow us to achieve our vision. While doing well as the provider of benefits for our clergy, we also try to do good around the world. So we seek out and invest in projects that address social and environmental justice—issues that are of particular importance to the Church.

The CPF investment team scours the world for investments that meet our high standards, and very few make the grade. It is even more challenging to find investments that not only meet our performance requirements but also effect positive change. This is a challenge, however, that we have met. And we have not stopped there. We work very closely with others in the Church to engage companies in our mutual portfolios to encourage them to behave in ways that are commensurate with the Church's values. We also connect and convene people to inspire them to become involved in this arena. Driven by the principles that we share with the broader Church and guided by our fiduciary duties to the pension funds we sponsor, CPF has become a leader in the field of institutional investing and in socially responsible investing—twin goals with one purpose: managing investments that fund future needs.

Patty Favreau, Executive Vice President and Chief Communications Officer

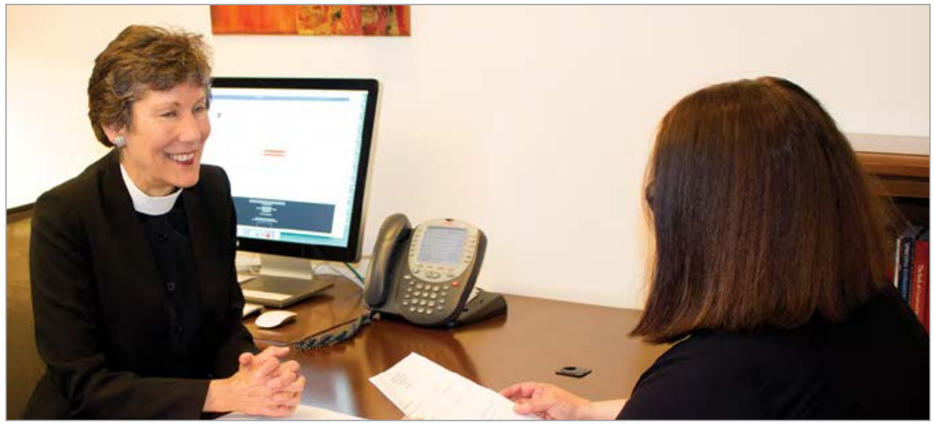
I have worked in financial services for more than 20 years and I've never seen another place that goes to such lengths to make sure that its clients have access to the benefits available to them. We have employees who have rushed an enrollment agreement to a hospital and worked with nurses to make sure that a clergy person suffering with cancer could sign the form and continue to receive benefits. We have people in our call center who work with sons and daughters, when it's permissible, to make sure that their parents fully understand decisions that they've made so they can optimize their benefits.

Hear more from Patty Favreau about CPG's role as Recorder of Ordinations and its efforts to collect client insights and serve the needs of lay employees at *www.cpg.org/R2GC*.

Collecting client insights, sharing insights with colleagues to support decision making, and communicating about the decisions we make are my prime responsibilities at CPG. We are extremely fortunate to have a wealth of data on clergy and lay employees that we collect as the Recorder of Ordinations and the primary benefits provider for the Church. Over the past year we have been tracking and sharing the following five trends: 1) resource constraints at the parish and diocesan level, 2) emerging forms of ministry that help Church happen amid financial distress, 3) rising prominence of deacons who, in some cases, are taking on more priestly duties, 4) lay employees receiving more recognition—and benefits— as dedicated servants of the Church, and 5) significant pay gaps between male and female clergy. Hear more about these trends from Matthew Price, Ph.D., CPG's Senior VIce President of Research & Data, at *www.cpg.org/Insights&Ideas/trends*.

These trends and others inform our ongoing efforts to manage the rising cost of healthcare benefits, to revise the Clergy Pension Plan and related plans, to make it easier for lower-paid clergy to establish eligibility for pension benefits, and for clergy who work in non-traditional roles to earn full years of credited service. These five trends also inspired us to undertake a comprehensive study of lay employee retirement readiness, which is well underway, to make sure we are doing what we can to help lay employees have the highest possible level of financial security in their retirement. And finally, these trends led us to initiate a targeted education and outreach initiative for women to make sure they understand their benefits and the additional work they need to do to retire comfortably.

We continue to focus on emerging needs and identifying opportunities to pursue CPG's vision one client insight at a time.



The Rev. Canon Anne Mallonee, Executive Vice President and Chief Ecclesiastical Officer

The gospel of love of neighbor underpins the values of CPG and the Church. Our founder, Bishop William Lawrence, a man of means, did not have to worry about his own retirement security. It was out of love of neighbor that he worked to ensure that clergy would no longer retire in abject poverty. We continue to respond to the needs and concerns of our clients as ministry changes.

Hear more from Anne Mallonee at *www.cpg.org/R2GC*.

I joined CPG almost four years ago after 30 years in parish ministry. I had never given CPG much thought when I was a parish priest because I knew my benefits were in good order; CPG had a positive reputation among my clergy colleagues. Now that I work here, I understand how important it is for clergy and lay employees to be engaged about their benefits so we can help them prepare for the future. My background helps me build bridges; I translate Church priorities for CPG and describe CPG's capabilities and restraints to the Church. I see a lot of synergy between the Church and CPG, and that's exciting to me.

I have been on the road constantly since joining CPG, visiting every province, and meeting with full-time, part-time, bi-vocational, non-stipendiary, and retired clergy. I have also spent time with diocesan staff, parish administrators, lay employees, and volunteers who support the Church in various ways. People have shared wonderful stories of faith, commitment, and optimism—and some troubling stories of frustration and need. CPG is addressing the issues it can–the ones that fall within our mission and fiduciary duties. When something is beyond our area, we reach out to our partners around the Church to see if they can help. For example, we are involved with the Episcopal Church Foundation on addressing financial challenges facing seminarians and pastoral leaders (a Lilly Foundation initiative).

The Church is changing and we all play specific roles in preparing it for the future. I have had the great blessing of participating in Jesus Movement revivals and conferences on evangelism over the past several months, and I have seen the Holy Spirit dancing. These wonderful experiences confirm our sense that CPG must be managed for sustainability. We have to be around for a long time because the Episcopal Church is going to be around for a long time.

The Rev. Clayton Crawley, Executive Vice President and Chief Information Officer

I'm a priest and a Chief Information Officer, which is an interesting combination. Working at CPG has allowed me to thrive in this liminal space where my call to serve Jesus as a priest in the Church and the specific needs of CPG's clients are coincident. I've been privileged to work at CPG for 19 of its 100 years and have seen firsthand our constant striving to live into our mission as a steward of the pension plans we administer for the clergy and lay employees of the Episcopal Church.

Hear more from Clayton Crawley about his ministry and technology team at CPG at *www.cpg.org/Crawley*.

Through technology, CPG is able to fulfill its mission. We have a unique technical team that does not just ask, "What is the right thing to do?" We also partner with the business to inquire, "How do we do it best for our clients?" When we launched revisions to the Clergy Pension Plan and related plans on January 1, 2018, our team was able to identify the right platform and the best business processes to allow us to meet our clients' needs. And starting from the ground up, we built a data structure to enter CPG's next 100 years.

In recent years, cyber security has become an area of focus for the financial services industry. Like other organizations, we handle information we need to make sure it is protected. We follow industry best practices in data security, which includes continually training our employees and keeping our systems and processes up-to-date.

While no company can stop every bad actor, we stay ever focused on the task of maintaining, protecting, and preserving what has been given into our care. The mission and vision of CPG depends on the ability to collect, process, and protect client information. I am proud to be a part of this organization and to serve the Church in this place.

Client Stories

Suzanne McNiff, the Director of Christian Education at St. James the Less in Scarsdale, New York, has worked in the field of Christian Education for 30 years. She knows what it takes to “get children really involved with their faith.” She also knows that it is a lot easier to devote her time to doing that when she does not have to worry about her medical benefits or retirement savings or even where she is going to get her educational books for the coming year.

Listen to Suzanne as she describes her experiences with CPG and all she gained by attending one of our financial planning conferences at ***www.cpg.org/McNiff***.

The Very Rev. Dr. Joshua Mastine Nisbett is the Rector of St. David’s Episcopal Church in Cambria, New York, where he has served for 33 years. In describing CPG’s mission and role, he recalls the Gospel account where Jesus tells his followers, “Do not be anxious about tomorrow.” This, he says, reflects how CPG looks after his future financial retirement needs so that he can focus on the needs of his ministry today.

Discover what he describes as his “aha moment” with CPG and listen as he looks back on 43 years of faithful service to the Church, including his global ministry in Tanzania, at ***www.cpg.org/Nisbett***.

Dean Emeritus of Trinity Cathedral, **The Very Rev. George Werner** is a former CPF trustee and the 31st President of the House of Deputies. He has seen and done a lot in the Church, and he notes what CPG was like in the 1970s and how it continues to be aligned with the interests, values, and beliefs of the broader Church.

He understands how many people rely on the benefits they receive. He is grateful that after long, deeply rewarding careers, many of his colleagues are able to serve as supply clergy after retirement thanks in part to the benefits they have. Hear his reflection on the great life he has had in the Church and the retirement he is enjoying, thanks to CPG, at ***www.cpg.org/Werner***.

Statistical Highlights

Cumulative Clergy Pension Plan Operations

	Since Inception (1917) through March 31, 2018
Assessments and original pledges received	$ 2,730,115,625
Investment income and gains (net of expenses and other deductions)	16,383,025,086
Total Income	**$19,113,140,711**
Benefits paid for clergy and dependents	$ 6,398,885,216

Clergy Pension Plan Participant Statistics

	2018	2015	2012
Active Participants†			
Number			
Male	3,823	4,104	4,423
Female	2,369	2,460	2,482
Total	**6,192**	**6,564**	**6,905**
Participants' Average Age	54.2	54.1	53.7
Average Compensation	**$73,663**	**$69,334**	**$66,261**
Those Receiving Benefits			
Retirees			
Normal Retirement	4,130	3,803	3,531
Early Retirement	3,577	3,604	3,497
Disability Retirement	433	452	462
Total	8,140	7,859	7,490
Average Annual Pension Benefit	$30,723	$30,589	$29,609
Average Age	75.6	74.9	74.3
Surviving Spouses			
Number	2,740	2,650	2,577
Average Annual Pension Benefit	$21,551	$20,761	$19,873
Average Age	79.7	79.2	78.7

†Those for whom assessments are paid into the plan.
Participant statistics as of December 31, 2017.
Source: Conduent HR Consulting, LLC

Ordinations by Calendar Year

	2017	2014	2011
Number of Individuals Ordained*	330**	376	392
Average Age at Ordination	49.3	49.5	49.4

*Includes both U.S. and non-U.S. ordinations under all Canons
**This figure may increase when additional information is received from dioceses.

Combined Statements of Net Assets Available for Benefits

March 31	2018	2017
Assets		
Investments, at Fair Value:	$12,817,540,795	$12,057,919,996
Receivables and Other Assets:		
Receivable from brokers	26,818,294	15,500,406
Assessments receivable, less allowance for doubtful accounts (2018 – $1,078,000; 2017 – $1,397,000)	3,362,452	3,521,229
Accrued investment income and other assets	59,680,943	74,087,766
Cash and cash equivalents	777,354,171	526,613,447
Total Assets	13,684,756,655	12,677,642,844
Liabilities		
International Clergy Pension Plan	160,205,174	154,279,502
Payable to brokers	94,531,523	58,312,229
Accrued expenses and other liabilities	119,163,653	123,037,219
Total Liabilities	373,900,350	335,628,950
Total Net Assets	$13,310,856,305	$12,342,013,894
Components of Net Assets		
Restricted Net Assets:		
Permanently Restricted Legacy and Gift Fund	$ 31,727,738	$ 28,690,303
Temporarily Restricted Legacy and Gift Fund	22,338,420	20,107,907
Total Restricted Net Assets	54,066,158	48,798,210
Unrestricted Net Assets:		
Designated for Medicare Supplement Subsidy Fund	1,098,486,926	1,038,451,483
Designated for Clergy Life Insurance Benefit Fund	249,574,203	242,752,816
Designated for Benefit Equalization Plan Fund	50,961,050	63,177,929
Designated for Clergy Child Benefit Fund	3,480,036	–
Designated for Clergy Long-Term Disability Fund	102,618,466	–
Designated for investment in affiliated companies	124,814,785	123,678,790
Available for benefits:		
Designated for assessment deficiency	1,296,228,855	1,167,601,557
Net assets available for benefits:		
The Clergy Plan	9,918,223,654	9,287,173,280
The Episcopal Church Lay Employees' Retirement Plan	178,658,579	164,625,629
Staff Retirement Plan of The Church Pension Fund and Affiliates	233,743,593	205,754,200
Total net assets available for benefits	10,330,625,826	9,657,553,109
Total Unrestricted Net Assets	13,256,790,147	12,293,215,684
Total Net Assets	$13,310,856,305	$12,342,013,894

See accompanying notes to financial statements.

Combined Statements of Changes in Net Assets Available for Benefits

Years Ended March 31	2018	2017
Additions to Net Assets		
Assessments	$ 97,489,332	$ 96,946,002
Interest	101,868,775	102,249,805
Dividends and other income	40,666,605	40,036,120
Net appreciation in fair value of investments	1,246,433,809	1,054,398,350
Total Additions to Net Assets	1,486,458,521	1,293,630,277
Deductions from Net Assets		
Benefits and Expenses:		
Pensions and other benefits	330,720,640	326,786,054
Medical supplement	36,269,296	34,808,949
Life insurance	16,404,105	15,749,456
Total benefits	383,394,041	377,344,459
Investment management and custodial fees	54,244,118	39,361,263
General and administrative	92,521,445	79,536,523
Total Benefits and Expenses	530,159,604	496,242,245
Other Deductions (Additions):		
International Clergy Pension Plan	3,483,125	(766,514)
Other Liabilities	(16,026,620)	(108,314,128)
Increase in Total Net Assets	968,842,412	906,468,674
(Increase) Decrease in Restricted and Unrestricted Net Assets		
(Increase) in Restricted Net Assets	(5,267,949)	(4,528,366)
(Increase) decrease in Medicare Supplement Subsidy Fund	(60,035,443)	25,542,497
(Increase) in Clergy Life Insurance Benefit Fund	(6,821,387)	(19,797,160)
Decrease (Increase) in Benefit Equalization Plan Fund	12,216,879	(13,653,674)
(Increase) in Clergy Child Benefit Fund	(3,480,036)	–
(Increase) in Clergy Long-Term Disability Fund	(102,618,466)	–
(Increase) in investment in affiliated companies	(1,135,995)	(9,190,115)
(Increase) decrease in assessment deficiency	(128,627,298)	160,182,083
Increase in Net Assets Available for Benefits	673,072,717	1,045,023,939
Net Assets Available for Benefits at Beginning of Year	9,657,553,109	8,612,529,170
Net Assets Available for Benefits at End of Year	$10,330,625,826	$ 9,657,553,109

See accompanying notes to financial statements.

1. Organization

The Church Pension Fund ("CPF") is a not-for-profit corporation chartered in 1914 by the Legislature of the State of New York. CPF is authorized by the Canons of the Episcopal Church to establish and administer the clergy pension system of the Episcopal Church, including pension, life and health benefits, as well as the lay employee pension system and the denominational health plan of the Episcopal Church. Since its founding, CPF has elected to be examined by the New York State Department of Financial Services.

CPF began its operations on March 1, 1917. Subsequently, affiliates of CPF 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; Church Pension Group Services Corporation, 2002; and The Church Insurance Company of New York, 2007.

All operations of CPF and its affiliates, informally known as the Church Pension Group, are governed by CPF's Board of Trustees. Except for the Chief Executive Officer ("CEO"), all CPF Trustees serve without compensation and are elected by the General Convention from a slate of nominees submitted by the Joint Standing Committee on Nominations of the Episcopal Church.

2. Description of the Plans

CPF's assets are primarily used to fund a defined benefit plan and related benefits for eligible clergy of the Episcopal Church (the "Clergy Plan") and their beneficiaries. A portion of these assets are held in The Church Pension Fund Clergy Pension Plan, which is sponsored and administered by CPF. CPF is also the plan sponsor and administrator of 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"). The Church Pension Fund Clergy Pension Plan, the Lay Plan and the Staff Plan are 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 Church Pension Group Services Corporation. The respective assets of these defined benefit plans and other benefit plans maintained by CPF are pooled, solely for investment purposes, for the benefit of all participants. As church plans, the Qualified Plans and other 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 or guarantees. These plans have long been recognized as exempt from federal income taxes. CPF and its affiliates are also exempt from certain federal, state and local income taxes.

The Qualified Plans qualify as church plans under Section 414(e) of the Internal Revenue Code (the "Code"). The Lay Plan and the Staff Plan have received determination letters from the Internal Revenue Service, most recently in 2014, stating that the plans are qualified under Section 401(a) of the Code and, therefore, the related trust is exempt from taxation under Section 501(a) of the Code. The Qualified Plans are required to operate in conformity with the Code to maintain their qualification. CPF believes the Qualified Plans are being operated in compliance with their applicable requirements of the Code and, therefore, believes that the Qualified Plans, as amended, are qualified and the related trust is tax exempt. The Qualified Plans and other plans may be terminated by CPF at any time. Upon termination of any of these plans, CPF has the obligation to distribute the plan assets in accordance with the terms of the applicable plan documents.

Accounting principles generally accepted in the United States ("GAAP") require CPF and the Qualified Plans to evaluate uncertain tax positions taken by CPF 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 CPF or the Qualified Plans as of March 31, 2018 and 2017.

As a result of the recent federal income tax reform enacted into law under the Tax Cuts and Jobs Act of 2017, certain provisions will impact tax-exempt organizations, including revisions to taxes on unrelated business activities, excise taxes on compensation of certain employees, and various other provisions. The regulations necessary to implement the law are expected to be promulgated throughout 2018 and the ultimate outcome of these regulations and the impact to CPF and the Qualified Plans cannot be determined presently.

CPF maintains a master trust with an undivided ownership interest in the portion of CPF'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 CPF as Trustee and The Northern Trust Company as Custodian.

The portion of the master trust (1) attributable to The Church Pension Fund Clergy Pension Plan is funded, as necessary, to be 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 CPF. As of March 31, 2018 and 2017, the master trust assets included in the combined statements of net assets available for benefits, relating to the plan benefits described above, amounted to $4.0 billion and $3.9 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 CPF and the Qualified Plans in accordance with GAAP. All inter-plan balances have been eliminated in these combined financial statements.

The preparation of financial statements in conformity with GAAP 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 CPF 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 — Inputs other than quoted prices in active markets for identical assets and liabilities that are observable either directly or indirectly for substantially the full term of the asset or liability, including investments that can be withdrawn within 90 days from the balance sheet date. Level 2 inputs include (1) quoted prices for similar assets and liabilities in active markets, (2) quoted prices for identical or similar assets or liabilities in markets that are not active, (3) observable inputs other than quoted prices that are used in the valuation of the assets or liabilities (for example, interest rate and yield curve quotes at commonly quoted intervals), and, (4) inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

Investments in limited partnerships are carried at fair value. The fair value of these investments is based upon CPF'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 CPF'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 carrying value of CPF's investment in affiliated companies is determined using the equity method of accounting, 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) 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.

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

iv) 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

The fair value of investments as of March 31, 2018 and 2017 summarized by general investment type are as follows:

March 31 (in thousands)	2018	2017
Common & preferred stocks	$ 960,956	$ 1,067,155
Registered investment companies	–	260,886
U.S. Treasury securities	1,286,894	1,243,282
Municipal securities	27,591	28,451
Corporate bonds	609,395	638,232
Foreign government securities	250,153	240,717
Limited partnership interests:		
Real estate	1,557,320	1,481,861
Private equity	2,112,464	1,883,450
Other alternative investments	2,226,038	1,878,890
Commingled funds	3,565,885	3,112,590
Affiliated companies, equity interest	220,845	222,406
Totals	$12,817,541	$12,057,920

As of March 31, 2018 and 2017, CPF is not exposed to any significant concentration of risk within its investment portfolio.

Common and preferred stocks 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.

Registered investment companies include mutual funds that invest in bond and equity securities.

U.S. Treasury and Municipal securities consist primarily of securities issued or guaranteed by the U.S. government, or its designated agencies, and state and local governments.

Corporate bonds include investment securities issued by a corporate entity at a stated interest rate payable on a particular future date, such as bonds, commercial paper, convertible bonds, collateralized mortgage obligations, debentures and zero coupon bonds.

Foreign government securities include government securities and structured debt securities.

Limited partnership interests include investments in real estate, private equity and other alternative investments.

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.

Private equity limited partnerships include strategies focused on venture capital and growth equity/buyout transactions across many industry sectors.

Other alternative investment limited partnerships primarily include investments in hedge funds and absolute return strategies, such as (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 redemption frequency is bi-monthly, quarterly and annually, and the redemption notice period can be from 30 to 180 days.

Certain of the other alternative investments in limited partnerships are subject to withdrawal "gate" or suspension provisions as defined in the limited partnerships' agreement. The general partners and/or investment managers of the limited partnerships may restrict or suspend withdrawal requests for various reasons, including, but not limited to, insufficient liquidity at the limited partnerships to satisfy withdrawal requests or to preserve the capital interests of the limited partners not withdrawing from the limited partnerships. As of March 31, 2018, none of the limited partnerships had any restrictions on withdrawals.

Limited partnership investments generally span a minimum of ten years, during which committed capital is contributed and distributions are made when income is earned or investments are liquidated.

At March 31, 2018, CPF had open investment commitments to limited partnerships of $1.6 billion which are expected to be funded during future years. In this regard, from April 1, 2018, through April 30, 2018, CPF invested an additional $30 million in and made $116 million of new commitments to limited partnerships. Most limited partnership investments are illiquid; however, there is a secondary market in limited partnership interests. There may be penalties should CPF not fulfill its funding commitments; however, CPF maintains adequate liquidity to ensure that all unfunded commitments are met.

Commingled funds include funds that invest in (1) long and short equity securities, or, (2) debt or debt related securities or claims associated with companies, assets or sellers whose financial conditions are stressed, distressed or in default. The redemption frequency is daily, monthly, quarterly, semi-annually and annually and the redemption notice period can be from 5 to 90 days.

Derivative Financial Investments

Futures contracts are used primarily to maintain CPF's asset allocation within ranges determined by the Investment Committee of CPF'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 $794 million long and $553 million long at March 31, 2018 and 2017, 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 by changes in interest rates or in the value of 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 $37 million and $43 million for the years ended March 31, 2018 and 2017, respectively, are recorded in the accompanying financial statements as a component of net appreciation in fair value of investments.

Affiliated Companies

All of the affiliated companies other than The Episcopal Church Clergy and Employees' Benefit Trust are wholly-owned by CPF. 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. This statutory basis of accounting results in a fair value of these companies that is not materially different from the fair value 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, 2017 and 2016, except for Church Pension Group Services Corporation and Church Publishing Incorporated, which are described for the years ended March 31, 2018 and 2017.

Church Pension Group Services Corporation

Church Pension Group Services Corporation ("CPGSC") provides certain services, primarily personnel and facilities related, to CPF and its affiliated companies on a cost-reimbursement basis. Church Pension Group 34th Street Realty, LLC is a wholly owned subsidiary of CPGSC that owns the condominium office space that is the headquarters of the Church Pension Group. As of March 31, 2018 and 2017, the fair value of the condominium office space was $96 million and $99 million, respectively. CPGSC also does business as The Episcopal Church Medical Trust and is the sponsor of the health plan options funded by The Episcopal Church Clergy and Employees' Benefit Trust. Mary Katherine Wold is the Chief Executive Officer and President and Francis P. Armstrong is Executive Vice President and Chief Operating Officer of CPGSC.

The Church Insurance Companies[1]

The Church Insurance Companies have provided property and liability coverage for Episcopal Church institutions since 1929. Today, more than 90% of Episcopal Church dioceses and churches rely on the Church Insurance Companies for their commercial package insurance coverage. The Church Insurance Agency Corporation (the "Agency") provides insurance agency and risk-management services to Episcopal Church and Methodist institutions. The Agency accesses a broad range of property, casualty and other insurance products tailored for the special needs of Episcopal Church institutions through its sister companies, The Church Insurance Company of Vermont ("CICVT") and The Church Insurance Company of New York ("CICNY"), or through its product partners. CICVT and CICNY 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 shared risk-financing approach. On August 23, 2012, Church Insurance Services LLC ("CIS"), a Delaware limited liability company and wholly-owned subsidiary of CICVT, was formed to further the covenant relationship between the Episcopal Church and The United Methodist Church and the charitable and religious purposes of CICVT by providing certain insurance-related services to the United Methodist Insurance Corporation, a Vermont captive insurance company affiliated with The United Methodist Church. On October 1, 2012, Agency and CIS entered into services agreements with the United Methodist Insurance Corporation to provide insurance agency and other insurance-related services to the United Methodist Insurance Corporation. Mary Katherine Wold is the President and William F. Murray is Senior Vice President and General Manager of each of the Church Insurance Companies.

Financial Summary

December 31 (in thousands)	2017	2016
Assets	$ 232,424	$ 221,879
Liabilities	172,942	158,185
Capital and surplus	59,482	63,694
Earned premiums	61,189	55,014
Net loss	4,519	437

[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 products 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 of Church Life.

Financial Summary

December 31 (in thousands)	2017	2016
Assets	$ 294,168	$ 297,068
Liabilities	234,257	240,408
Capital and surplus	59,911	56,660
Insurance in force	1,540,058	1,544,613
Earned premiums	34,592	44,021
Net income	3,295	2,789
Dividend paid to CPF	900	600

Church Publishing Incorporated

Since 1918, Church Publishing Incorporated ("Church Publishing") has produced the official worship materials of the Episcopal Church. In addition to basic, gift, and online editions of prayer books and hymnals, Church Publishing has a backlist of books in the fields of liturgy, theology, church leadership, financial and spiritual wellness, evangelism, racial reconciliation, creation care ministry and mission and Anglican spirituality alongside an active product list of more than two thousand resources, including church supplies, such as lectionary inserts, calendars, parish registers, and eProducts, such as the ritesong and the eCP (electronic common prayer) app. Church Publishing also publishes resources on behalf of the Office of General Convention and its Standing Commission on Liturgy and Music; the *Church Annual* and the *Episcopal Clerical Directory*; and offers an array of faith formation materials. Mary Katherine Wold is the President and Mark Dazzo is Senior Vice President and Publisher of Church Publishing.

Financial Summary

March 31 (in thousands)	2018	2017
Assets	$ 6,534	$ 7,054
Liabilities	10,368	10,847
Capital	(3,834)	(3,793)
Revenue	4,617	4,125
Net loss	641	764
Capital contribution received from CPF	600	600

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

Since 1978, The Benefit Trust has funded the welfare benefit plans that are offered by The Episcopal Church Medical Trust. The Episcopal Church Medical Trust provides eligible active and retired clergy and lay employees of the Episcopal Church and their dependents with a broad array of welfare benefit plan options and serves as the plan sponsor and administrator of such plans. The Episcopal Church Medical Trust offers a variety of self-funded plan offerings, providing comprehensive medical, behavioral health, prescription drug, vision and dental benefits. The Episcopal Church Medical Trust also offers a few fully insured health care plans, providing comprehensive medical and dental benefits. 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 contracts with fully insured plans to provide group life and disability plans to eligible employers and their eligible employees.

The Benefit Trust is not a subsidiary of CPF. Accordingly, its assets, liabilities and financial results are not included in the combined statements of net assets available for benefits. The Northern Trust Company is the Trustee of The Benefit Trust. Mary Katherine Wold is the President of The Episcopal Church Medical Trust.

Financial Summary

December 31 (in thousands)	2017	2016
Assets	$ 64,649	$ 62,427
Liabilities	39,330	34,963
Accumulated surplus	25,319	27,464
Revenues	241,570	237,723
Net (loss) income	(2,410)	3,703

5. Fair Value Measurements

The following tables provide information about the financial assets measured at fair value by general type as of March 31, 2018 and 2017:

	Assets at Fair Value			
March 31, 2018 (in thousands)	Level 1	Level 2	Level 3	Total
Common and preferred stock	$ 960,956	$ –	$ –	$ 960,956
Registered investment companies	–	–	–	–
U.S. Treasury securities	–	1,286,894	–	1,286,894
Municipal securities	–	27,591	–	27,591
Corporate bonds	–	609,395	–	609,395
Foreign government securities	–	250,153	–	250,153
Limited partnership interests:				
Real estate	–	–	1,557,320	1,557,320
Private equity	–	–	2,112,464	2,112,464
Other alternative investments	–	934,878	1,291,160	2,226,038
Affiliated companies	–	–	220,845	220,845
	$ 960,956	$3,108,911	$5,181,789	9,251,656
Investments measured at net asset value				
Commingled funds				3,565,885
Total assets at fair value				$12,817,541

March 31, 2017 (in thousands)	Level 1	Level 2	Level 3	Total
Common and preferred stock	$1,067,155	$ –	$ –	$ 1,067,155
Registered investment companies	260,886	–	–	260,886
U.S. Treasury securities	–	1,243,282	–	1,243,282
Municipal securities	–	28,451	–	28,451
Corporate bonds	–	638,232	–	638,232
Foreign government securities	–	240,717	–	240,717
Limited partnership interests:				
Real estate	–	–	1,481,861	1,481,861
Private equity	–	–	1,883,450	1,883,450
Other alternative investments	–	802,158	1,076,732	1,878,890
Affiliated companies	–	–	222,406	222,406
	$1,328,041	$2,952,840	$4,664,449	8,945,330
Investments measured at net asset value				
Commingled funds				3,112,590
Total assets at fair value				$12,057,920

The following tables summarize the changes in financial assets classified in Level 3 by general type for the years ended March 31, 2018 and 2017. Gains and losses reported in this table may include changes in fair value that are attributable to both observable and unobservable inputs:

	Level 3				
March 31, 2018 (in thousands)	Real Estate	Private Equity	Other Alternative Investments	Affiliated Companies	Total
Balance at April 1, 2017	$1,481,861	$1,883,450	$1,076,732	$ 222,406	$4,664,449
Transfers into Level 3	–	–	220,523	–	220,523
Transfers out of Level 3	–	–	(37,922)	–	(37,922)
Total gains/(losses) included in Statement of Changes in Net Assets Available for Benefits, net	120,091	344,945	50,895	(1,268)	514,663
Purchases	386,133	209,116	172,188	607	768,044
Sales	(430,765)	(325,047)	(20,157)	(900)	(776,869)
Settlements	–	–	(171,099)	–	(171,099)
Balance at March 31, 2018	$1,557,320	$2,112,464	$1,291,160	$ 220,845	$5,181,789

March 31, 2017 (in thousands)	Real Estate	Private Equity	Other Alternative Investments	Affiliated Companies	Total
Balance at April 1, 2016	$1,378,616	$1,825,387	$1,043,193	$ 215,711	$4,462,907
Transfers into Level 3	–	–	–	–	–
Transfers out of Level 3	–	–	–	–	–
Total gains included in Statement of Changes in Net Assets Available for Benefits, net	157,659	169,249	100,088	5,253	432,249
Purchases	217,937	182,077	162,239	2,042	564,295
Sales	(272,351)	(293,263)	(3,801)	(600)	(570,015)
Settlements	–	–	(224,987)	–	(224,987)
Balance at March 31, 2017	$1,481,861	$1,883,450	$1,076,732	$ 222,406	$4,664,449

Limited Partnership interests in real estate, private equity and other alternative investments with a fair value of $5.0 billion are primarily valued by using CPF's proportionate share of the limited partnership's equity value as derived from the financial statements provided by the investment managers. This requires a significant amount of judgment by management due to the absence of readily available quoted market prices and the long-term nature of the investments. There are no significant related unobservable inputs.

Affiliated companies with a fair value of $221 million as of March 31, 2018, are valued by using the underlying financial statements of the Affiliates. There are no significant related unobservable inputs.

6. International Clergy Pension Plan

The International Clergy Pension Plan ("ICPP") represents the liabilities associated with a group of non-qualified, multiple-employer retirement plans that are administered by CPF on behalf of dioceses of the Episcopal Church that are located outside the 50 United States and certain Anglican churches located outside the 50 United States that were previously part of the Episcopal Church. Non-qualified plans are not subject to Section 401(a) of the Code, which, among other things, requires that the assets be held in a trust. Accordingly, the assets of these plans are held by CPF outside the master trust (see page 18).

CPF has administrative and investment agreements with the Episcopal Church of Liberia, Iglesia Anglicana de México and each of the five dioceses of the Iglesia Anglicana de la Región Central de América ("IARCA"), each of which sponsors its plan. The actuarial liabilities of all plans included in the ICPP are determined annually by an actuarial consulting firm, Conduent HR Consulting, LLC, and totaled $156.0 million and $148.6 million at March 31, 2018 and March 31, 2017, respectively.

7. Restricted And Unrestricted Net Assets

The Permanently and Temporarily Restricted Legacy and Gift Funds stem from bequests and contributions received by CPF from individuals for the purpose of supporting the tax-exempt purposes of CPF. A portion of the principal balance of the temporarily restricted account must be maintained and spent only in accordance with the wishes of the beneficiaries, but the remainder is available for use at the discretion of CPF, in accordance with its tax-exempt purposes; the entire principal balance of the permanently restricted account is maintained in accordance with the wishes of the benefactors.

The Medicare Supplement Subsidy Fund represents the estimated amount of a discretionary benefit that CPF has provided to eligible participants in the Clergy Plan and their eligible spouses to (1) subsidize some or all of the cost to purchase a Medicare Supplement Health Plan offered by The Episcopal Church Medical Trust for eligible participants in the Clergy Plan and their eligible spouses, and, (2) pay a monthly cash subsidy to eligible participants and their eligible spouses. CPF has reserved the right, in its discretion, to change or discontinue this discretionary benefit.

The amount of the Medicare Supplement Subsidy Fund is based upon an actuarial analysis performed by Hewitt Associates, LLC, operating as Aon Hewitt, healthcare actuaries for CPF. Hewitt's calculation is based on the current dollar amount of this discretionary subsidy, the expected participation rate for eligible plan members and CPF'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 to discount these estimated payments, which is the same as the interest rate used in calculating the accumulated plan benefit obligations for the Clergy Plan, the Lay Plan and the Staff Plan.

The Clergy Life Insurance Benefit Fund represents the estimated liability for future annual insurance premiums required to provide eligible participants in the Clergy Plan with life insurance during active service and when retired.

The Benefit Equalization Plan Fund represents the estimated liability for the benefit provided to those participants in the Clergy Plan whose pension payments would be limited by certain sections of the Code to an amount below their entitlement under the present benefit formula. Subject to certain other provisions of the Code, the Benefit Equalization Plan provides for payment of the difference between the Code limitation and such participant's earned benefits.

The Clergy Child Benefit Fund represents the estimated liabilities for the benefits provided to eligible children of deceased clergy who earned a vested benefit under the Clergy Plan. Prior to January 1, 2018, this benefit was paid from The Church Pension Fund Clergy Pension Plan.

The Clergy Long-Term Disability Fund represents the estimated liabilities for the long-term disability benefit provided to eligible clergy in the Clergy Plan who become disabled on or after January 1, 2018. Eligible clergy who became disabled prior to January 1, 2018, will continue to receive a disability retirement benefit under The Church Pension Fund Clergy Pension Plan.

No specific assets are designated to fund the Medicare Supplement Subsidy Fund, Clergy Life Insurance Benefit Fund, Benefit Equalization Plan Fund, Clergy Child Benefit Fund or the Clergy Long-Term Disability Benefit Fund payments.

The following charts summarize the activities of these Restricted and Unrestricted Net Assets described above for the years ended March 31, 2018 and 2017:

		Increase/(Decrease) in Restricted and Unrestricted Net Assets			
March 31, 2018 (in thousands)	Beginning of Year	Contributions and Investment Gains	Benefits and Expenses Paid	Benefits Accumulated	End of Year
Permanently Restricted Legacy and Gift	$ 28,690	$ 3,145	$ (107)	$ –	$ 31,728
Temporarily Restricted Legacy and Gift	20,108	2,265	(35)	–	22,338
Medicare Supplement Subsidy	1,038,451	–	(36,269)	96,305	1,098,487
Clergy Life Insurance Benefit	242,753	–	(16,360)	23,181	249,574
Benefit Equalization Plan	63,178	–	(1,729)	(10,488)	50,961
Clergy Child Benefit	–	–	(113)	3,593	3,480
Clergy Long-Term Disability	–	–	–	102,618	102,618
Total	$1,393,180	$ 5,410	$ (54,613)	$ 215,209	$1,559,186

March 31, 2017 (in thousands)	Beginning of Year	Contributions and Investment Gains	Benefits and Expenses Paid	Benefits Accumulated	End of Year
Permanently Restricted Legacy and Gift	$ 26,117	$ 2,766	$ (193)	$ –	$ 28,690
Temporarily Restricted Legacy and Gift	18,153	2,081	(126)	–	20,108
Medicare Supplement Subsidy	1,063,994	–	(34,809)	9,266	1,038,451
Clergy Life Insurance Benefit	222,956	–	(15,699)	35,496	242,753
Benefit Equalization Plan	49,524	–	(1,647)	15,301	63,178
Total	$1,380,744	$ 4,847	$ (52,474)	$ 60,063	$1,393,180

The amount designated for investment in affiliated companies represents the investment in affiliated companies, at fair value, excluding the condominium office space that is the headquarters of the Church Pension Group. This asset is not restricted from use by CPF and, as of March 2018 and 2017, had a fair value of $96 million and $99 million, respectively.

8. Accumulated Plan Benefit Obligations

Conduent HR Consulting, LLC, is an actuarial consulting firm that estimates the actuarial present value of the accumulated plan benefit obligations owed to 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, to services rendered by the plan participants 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 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. Effective January 1, 2018, certain amendments were made to the Clergy Plan and the Lay Plan.

The significant assumptions and plan provisions underlying the actuarial estimates are as follows:

- Interest rate: 3.875% and 4.125% per annum for the years-ended March 31, 2018 and 2017, 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: Clergy Plan – 3% per annum for the years ended March 31, 2018 and 2017;

  Lay Plan and Staff Plan – 0% per annum for the years ended March 31, 2018 and 2017. The CPF Board of Trustees grants cost-of-living adjustments at its discretion. The decision is made annually.
- Vesting (Clergy Plan): After five years of credited service (or at age 65 or older while an active participant, effective January 1, 2018).
- Retirement (Clergy Plan): Normal, at age 65 and after; early, with no reduction at age 55 with 30 years of credited service; reduced benefits, at age 60 with less than 30 years of credited service (at age 55, effective January 1, 2018); compulsory, at age 72.

Mortality for the years ended March 31, 2018 and 2017:

- Clergy Plan: The RP-2014 Employee White-Collar Mortality Table was used for participants and the RP-2014 Healthy Annuitant White-Collar Mortality Table was used for retirees, spouses and beneficiaries. Special mortality tables were used for disability retirements.
- Lay: The RP-2014 Employee Total Mortality Table was used for participants and the RP-2014 Healthy Annuitant Total Mortality Table was used for retirees, spouses and beneficiaries.
- Staff: The RP-2014 Employee White-Collar Mortality Table was used for participants and the RP-2014 Healthy Annuitant White-Collar Mortality Table was used for retirees, spouses and beneficiaries.

Improvement in mortality was projected from 2006 on a fully generational basis for the years ended March 31, 2018 and 2017 using Scale MP-2017 and Scale MP-2016, respectively.

These actuarial assumptions are based on the presumption that the Clergy Plan, the Lay Plan and the Staff Plan 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, 2018 and 2017 are summarized as follows:

March 31, 2018 (in thousands)	Clergy Plan	Lay Plan	Staff Plan
Vested benefits:			
Actuarial present value of accumulated plan benefit obligations for retired participants and their dependents	$ 4,403,113	$ 101,074	$ 66,610
Actuarial present value of accumulated plan benefit obligations for participants not yet retired and their dependents	2,055,321	111,348	107,586
Nonvested benefits:	58,890	3,051	17,896
Total	$ 6,517,324	$ 215,473	$192,092

March 31, 2017 (in thousands)	Clergy Plan	Lay Plan	Staff Plan
Vested benefits:			
Actuarial present value of accumulated plan benefit obligations for retired participants and their dependents	$ 4,281,812	$ 93,607	$ 57,758
Actuarial present value of accumulated plan benefit obligations for participants not yet retired and their dependents	2,170,205	103,823	100,250
Nonvested benefits:	50,117	2,624	15,626
Total	$ 6,502,134	$ 200,054	$173,634

The amount designated for assessment deficiency represents 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 Clergy Plan, the Lay Plan and the Staff Plan. The assumptions used to estimate the assessment deficiency are consistent with the assumptions used in the estimates of the actuarial present value of the accumulated plan benefit obligations.

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, 2018 and 2017 are summarized as follows:

March 31, 2018 (in thousands)	Clergy Plan	Lay Plan	Staff Plan
Actuarial present value of accumulated plan benefit obligations at beginning of year	$ 6,502,134	$ 200,054	$ 173,634
Increase (decrease) during the year attributable to:			
Change in actuarial assumptions	28,090	4,902	6,085
Plan amendments	(44,305)	–	(152)
Benefits accumulated	150,146	11,486	10,583
Increase for interest due to decrease in the discount period	260,458	8,068	7,057
Transfer to separate plans	(70,931)	–	–
Benefits paid	(308,268)	(9,037)	(5,115)
Net increase	15,190	15,419	18,458
Actuarial present value of accumulated plan benefit obligations at end of year	$ 6,517,324	$ 215,473	$ 192,092

March 31, 2017 (in thousands)	Clergy Plan	Lay Plan	Staff Plan
Actuarial present value of accumulated plan benefit obligations at beginning of year	$ 6,715,978	$ 201,330	$ 240,905
Increase (decrease) during the year attributable to:			
Change in actuarial assumptions	(258,875)	(7,178)	(9,517)
Plan amendments	(76,074)	(881)	(77,882)
Benefits accumulated	158,059	7,194	14,892
Increase for interest due to decrease in the discount period	270,752	8,131	9,843
Benefits paid	(307,706)	(8,542)	(4,607)
Net decrease	(213,844)	(1,276)	(67,271)
Actuarial present value of accumulated plan benefit obligations at end of year	$ 6,502,134	$ 200,054	$ 173,634

9. Funding

Participating employers pay assessments to CPF on behalf of the eligible participants in each respective plan. The assessments for the participants in the Clergy Plan are equal to 18% of the applicable participants' compensation as defined under the Clergy Plan. The assessments for the participants in the Lay Plan are equal to 9% of the applicable participant's compensation as defined under the Lay Plan. The assessments for the participants in the Staff Plan are currently, at minimum, equal to 15% of the applicable participants' compensation as defined under the Staff Plan.

Assessments paid to CPF on behalf of the participants in the Clergy Plan, the Lay Plan and the Staff Plan were $83 million, $5 million and $10 million, respectively, during the year ended March 31, 2018 and $83 million, $5 million and $9 million, respectively, during the year ended March 31, 2017.

The funding positions of the Clergy Plan, the Lay Plan and the Staff Plan as of March 31, 2018 and 2017 are summarized as follows:

March 31, 2018 (in thousands)	Clergy Plan	Lay Plan	Staff Plan
Net assets available for pension benefits after amount designated for assessment deficiency	$ 9,918,224	$ 178,659	$ 233,744
Actuarial present value of accumulated plan benefit obligations	6,517,324	215,473	192,092
Surplus (Deficit)	$ 3,400,900	$ (36,814)	$ 41,652

March 31, 2017 (in thousands)	Clergy Plan	Lay Plan	Staff Plan
Net assets available for pension benefits after amount designated for assessment deficiency	$ 9,287,173	$ 164,626	$ 205,754
Actuarial present value of accumulated plan benefit obligations	6,502,134	200,054	173,634
Surplus (Deficit)	$ 2,785,039	$ (35,428)	$ 32,120

10. Expenses

During the years ended March 31, 2018 and 2017, CPGSC provided certain services, primarily personnel and facilities related, to CPF on a cost-reimbursement basis and billed $120 million and $60 million, respectively, for such services.

The executive compensation philosophy is established by the Compensation, Diversity and Workplace Values Committee of the Board of Trustees. The total remuneration of certain key officers of CPGSC is approved by the Compensation, Diversity and Workplace Values Committee of the Board of Trustees. In addition, the total remuneration paid to the Chief Executive Officer and President is approved by the full board. As part of approving the total remuneration of key officers, the Compensation Diversity and Workplace Values Committee and the Board of Trustees reviews the remuneration targets for functionally comparable positions in other financial services organizations and not-for-profits with similar complexity, as well as individual and corporate performance. Supplemental retirement and life insurance benefits are provided to certain officers under the terms of individual agreements.

The cash compensation for the two officers of CPF receiving the highest total cash compensation for the year ended March 31, 2018, was as follows:

Mary Katherine Wold, Chief Executive Officer and President	$1,660,100
Roger A. Sayler, Executive Vice President and Chief Investment Officer	$1,363,000

CPF maintains a defined contribution plan for eligible employees of CPGSC, 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 CPGSC. Total employer matching contributions under this plan were $2.0 million and $1.9 million for the years ended March 31, 2018 and 2017, respectively.

CPGSC also provides healthcare and life insurance benefits for eligible retired employees. CPGSC accrues the cost of providing these benefits during the active service period of the employee. For the years ended March 31, 2018 and 2017, CPF and its affiliates recorded expenses of $1.3 million and $1.2 million, respectively, for these benefits and interest expense net of interest income. This obligation is estimated at $24.0 million and $38.9 million as of March 31, 2018 and 2017, respectively. For measuring the expected post-retirement healthcare benefit obligation, average annual rates of increase in the per capita claims cost for 2018 and 2017 were assumed to be 8.0% and 7.0%, respectively. The increases in medical costs are assumed to decrease annually to 4.75% in 2025 and remain at that level thereafter. The weighted average discount rates used in determining the expected post-retirement benefit obligation were 3.875% and 4.125% at March 31, 2018 and 2017, respectively. If the healthcare cost trend rate were increased by 1%, the accumulated post-retirement benefit obligation as of March 31, 2018 would increase by approximately $0.5 million.

11. Subsequent Events

CPF has performed an evaluation of subsequent events through June 25, 2018, which is the date the financial statements were available to be 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 financial statements of The Church Pension Fund, The Church Pension Fund Clergy Pension Plan, 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," which comprise the combined statements of net assets available for benefits as of March 31, 2018 and 2017, and the related combined statements of changes in net assets available for benefits for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with 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.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial status of the Church Pension Group at March 31, 2018 and 2017, and the combined changes in its financial status for the years then ended, in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

June 25, 2018

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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, between April 1, 2017 and March 31, 2018.*

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The Northern Trust Company

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Ernst & Young LLP

Pension Actuary
Conduent HR Consulting, LLC

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