2019 Annual Report

The Church Pension Group: A Stable Presence

CHURCH PENSION GROUP
Passionate About Our Purpose

Church Pension Group At-a-Glance

$6.8 Billion
Benefits paid for clergy and dependents since inception in 1917[1]

$100 Million
Annual assessments received[2]

$400 Million
Annual benefits paid[3]

90
Percentage of every premium dollar we collect used to pay healthcare claims

$13.5 Billion
The Church Pension Fund's investment portfolio assets[4]

75
Conferences hosted annually

19,881
Active Lay Pension System participants[5]

105,985
Annual client interactions with CPG's Client Services group

6,000
Active Clergy Pension Plan participants[6]

8,971
Churches, dioceses, and other Episcopal organizations served by CPG

2,753
Number of products and titles managed by Church Publishing Incorporated

90
Percentage of U.S. Episcopal churches insured by The Church Insurance Companies[7]

[1]*Since inception (1917) through March 31, 2019.* [2]*Includes clergy, lay employees, and CPG staff; April 1, 2018–March 31, 2019.* [3]*Includes pension and other benefits (medical supplement and life insurance) paid for clergy and dependents, lay employees, and CPG staff; April 1, 2018–March 31, 2019.* [4]*As of March 31, 2019.* [5]*Includes participants in The Episcopal Church Lay Employees' Retirement Plan and The Episcopal Church Lay Employees' Defined Contribution Retirement Plan.* [6]*As defined under The Church Pension Fund Clergy Pension Plan and reported in the Actuarial Valuation Report dated December 31, 2018.* [7]*Includes property and liability protection.*

A Message from Mary Kate Wold

Dear Friends:

The history of the Church Pension Group (CPG) is rooted in the idea of stability—the belief that with a sound investment strategy, prudent financial management, and a clear focus on client needs, we can help the clergy, lay employees, and institutions of the Episcopal Church prepare for the future and weather financial storms.

When I joined CPG, the organization was in the process of recovering from the financial crisis of 2008 while implementing two General Convention mandates that expanded pension and health benefits for lay employees. Over the past eight years, I have had the great fortune to travel around the Church and hear people's stories about the impact of CPG's work on their financial, physical, and, in some cases, spiritual well-being.

The predominant theme in all of these conversations has been stability. We have heard about widespread peace of mind among the people we serve, their level of confidence stemming from CPG's clarity of purpose and our emphasis on financial strength over decades.

In this Annual Report, we cover our ongoing commitment to the Church: to long-term investment strategies that fund benefits, to continual conversations that inform our work, to comprehensive retirement and health care benefits for clergy and lay employees, and to the financial strength of the lines of business that we operate.

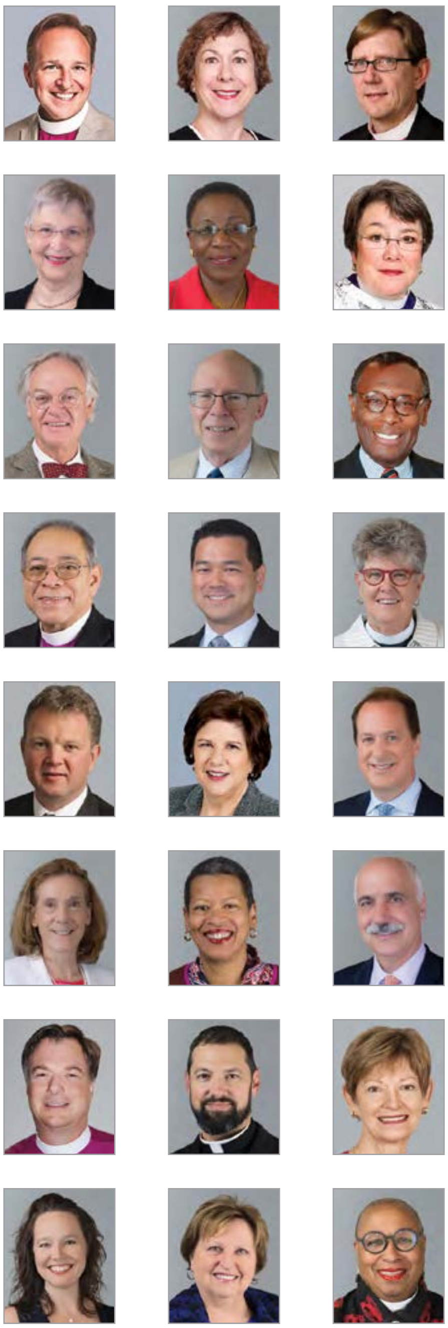
It is truly an honor to engage in our work at CPG, to be a source of consistency and comfort in moments that matter to the individuals and institutions of the Episcopal Church.

Faithfully,

Mary Kate Wold

Mary Kate Wold
Chief Executive Officer and President

A Message from The Church Pension Fund Board of Trustees



Dear Friends:

We are pleased to report that CPG continues to exceed its ambitious goals for investment performance, client service, and financial management. As we look back on the past fiscal year and look ahead, there is much to celebrate, not the least of which is the stability that CPG has been able to maintain in turbulent financial markets.

Four initiatives, all hitting their ten-year marks in 2019, stand out among the CPG work that has contributed to this success: the recovery and growth of The Church Pension Fund (CPF) investment portfolio, the establishment of both the Lay Pension System and the Denominational Health Plan, and the opening of CPF's regional investment office in Hong Kong.

CPG has achieved all of this, and much more, while offering its services to more than 8,900 churches, dioceses, and other Episcopal organizations with a level of professionalism and compassion reminiscent of CPF founder Bishop William Lawrence's original intention in 1917.

In July 2018, we welcomed five new Board members who were elected at the 79th General Convention:

- The Very Rev. Sam Candler
- The Rt. Rev. Julio Holguín
- Ms. Yvonne O'Neal
- The Rev. Austin K. Rios
- Ambassador Linda Watt

Their fresh and diverse perspectives have already made an impact on our work, as we all collaborate to approve important strategic initiatives, set policy, and provide responsible oversight. It is an honor to serve on the CPF Board.

Faithfully,

The Rt. Rev. Thomas James Brown
Chair

Canon Kathryn Weathersby McCormick
Vice Chair

The Rt. Rev. Brian N. Prior
Vice Chair

Mary Kate Wold
Chief Executive Officer and President

The Church Pension Fund Board of Trustees
New Trustees: 2018–2019

An active member of Atlanta's interfaith community who helped develop its formal structure, **the Very Rev. Sam Candler** is Dean at The Cathedral of St. Philip. He was previously Dean at Trinity Cathedral in Columbia, South Carolina, where he also served on the Governor's Commission on Race Relations. An educator and preacher throughout the Anglican Communion, he speaks regularly on the relationship between religion and both science and environmental sustainability. Dean Candler serves on the Investment and Audit Committees of the CPF Board.

A native of San Francisco de Macoris in the Dominican Republic, **the Rt. Rev. Julio Holguín** was Bishop in the Diocese of the Dominican Republic until 2017. Bishop Holguín was President of the Latin American Council of Churches (Ecumenical), acting Bishop of the Diocese of Cuba, and a member of the Executive Council of the Episcopal Church. In the Dominican Republic, he served as Vicar and Rector of churches and schools in San Marcos, Santa Cruz, and San Andres. Bishop Holguín is on the Benefits Policy and Finance Committees of the CPF Board.

Following a career as a financial consultant, **Ms. Yvonne O'Neal** now spends her time as an advocate for social justice. She currently serves as Overseas Program Officer with Africa Development Interchange Network, a non-governmental organization based in Cameroon. She is a member of the Diocesan Council and the Task Forces Against Human Trafficking and Domestic Violence for the Diocese of New York. Ms. O'Neal serves on the Audit and Benefits Policy Committees of the CPF Board.

The Rev. Austin K. Rios is Rector of St. Paul's Within the Walls in Rome, Italy, part of the Convocation of Episcopal Churches in Europe. Previously, he served as Diocesan Canon for Spanish-speaking ministries in the Diocese of Western North Carolina, Rector of La Capilla de Santa Maria, in Hendersonville, North Carolina, and Curate at Grace Episcopal Church in Asheville, North Carolina. Father Rios is on the Investment and Benefits Policy Committees of the CPF Board.

A former U.S. diplomat, **Ambassador Linda Watt** is a member of the Council on Foreign Relations and a recognized expert on Latin America. She recently served as Chief Operating Officer of the Episcopal Church and on the Church's Task Force on Relations with the Church in Cuba. In the U.S. State Department, she was Ambassador to Panama and acting Ambassador to the Dominican Republic. She also held diplomatic posts in Latin America, the United Kingdom, and Russia. Ms. Watt is on the Audit and Finance Committees of the CPF Board.

The Big Financial Picture

As is the case with most mature pension funds, CPF spends more in annual pension benefits than it collects in annual assessments. For example, for the fiscal year ending March 31, 2019, we paid more than $380 million in clergy pension plan benefits, but collected only $85 million in clergy assessments. Since we must depend on investment returns to fill that gap, strong investment performance is critical to our success. This fiscal year, CPF's investment portfolio increased from $13.3 billion to $13.5 billion.

When the stock market crashed in 2008, CPF suffered a $3 billion loss. While many financial institutions panicked, we did not. We were able to lean on the strength of the CPF portfolio—its long-term orientation, diversification, and liquidity—not only to pay all benefits as they became due, but also to continue to pursue compelling investment opportunities.

In the years that followed, we further increased the sophistication of the financial modeling we conduct in order to confirm our ability to pay benefits in various scenarios, and to evaluate the financial impact of potential changes to benefits. The financial market crash reminded us of the importance of our long-term focus and conservative spending in planning for rainy days.

Watch this video for more of our story: *https://bit.ly/2IHKlTz*

Exploring Investment Growth in Asia

The Investment team at CPG continually looks for growth opportunities around the world as part of our commitment to diversification. For the most part, we monitor and manage global investments from our home office in New York, but after years of study and conversation with regional experts, we decided that a local presence in Asia would boost our program.

On March 31, 2009, less than a year after the financial crisis, we opened a regional office in Hong Kong, hiring Eric Mason, an investment professional with deep experience in Asia, to lead it. With Eric at the helm, the Hong Kong office has sourced and evaluated attractive investments throughout Asia and has helped fuel significant growth for the CPF portfolio.

Watch this video for more of our story: *https://bit.ly/2IKZZOd*

Pursuing Strong Returns and Clean Energy

CPF currently has approximately $1 billion invested or committed capital in socially responsible investments. We recently identified a new opportunity to pursue strong risk-adjusted returns while also supporting clean energy endeavors, investing $40 million in the New Energy Capital Infrastructure Credit Fund II, LP. This fund supports the development and operation of clean energy projects, including solar, wind, energy efficiency, and water, throughout North America. It is managed by New Energy Capital Partners, LLC, a leading alternative asset management firm that understands our desire to have a positive environmental impact while contributing to the financial strength of CPF. For details about CPF's socially responsible investment strategy, visit *cpg.org/SRI*.

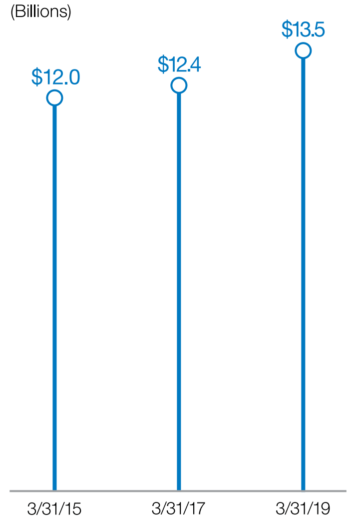
Investment Performance

Asset Allocation

Global Equities	28.6%
Global Bonds	26.4%
Private Equity	17.1%
Specialized Strategies	15.8%
Real Estate	9.2%
Private Specialty Strategies	2.7%
Cash	0.2%

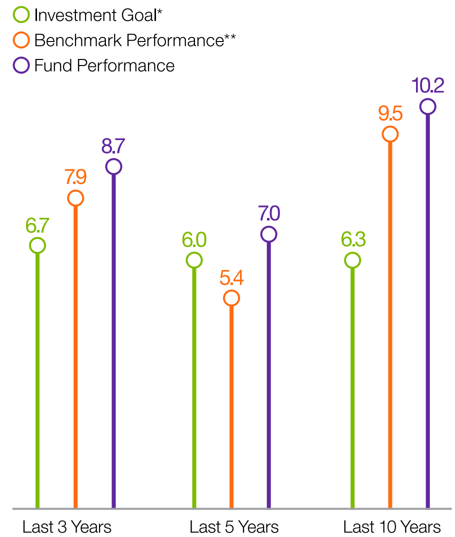
CPF's Investment Portfolio Assets

(Billions)



Investment Performance

Periods Ending March 31, 2019
Annualized Total Returns in Percentage (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.*

A Decade of Progress— The Lay Pension System and the Denominational Health Plan

In 2009, the General Convention took two major steps toward strengthening the benefits packages of eligible lay employees. Resolution 2009-A138 created the Lay Pension System, and 2009-A177 established the Denominational Health Plan. In the decade since these landmark resolutions were passed, participation in the lay pension programs we offer has tripled, and retirement savings among lay employees have grown more than 225%.

For more information on the Lay Pension System, visit *cpg.org/LPS* and watch this video: *https://bit.ly/2LlS4bT*

What Lay Employees Are Saying About Pensions

In a recent survey of lay employees regarding their retirement readiness, 85% of respondents described their pension benefits quite favorably compared to those of their peers. Here are a few examples of what they told us:

> "Our pension plan with the match contributes the highest percentage I have heard of."

> "Nowhere else that I know of contributes 9% of pay to pension."

> "My employer contributes 9% of my salary to my pension plan, which I think is very generous."

Containing Diocesan Medical Costs

Under the Denominational Health Plan, we have been able to leverage the purchasing power of all domestic dioceses to negotiate competitive rates with top providers and contain the rising cost of healthcare. We also have worked with dioceses to offer benefits to clergy and lay employees under the same cost-sharing arrangements.

Jessica Reynolds
Comptroller and Assistant to the Bishop
Diocese of Wyoming

With a Denominational Health Plan in place, many dioceses have been able to contain the cost of their members' medical coverage. One example is the diocese of Wyoming, where the plan's mandate to better align costs across the Church brought much-needed relief.

According to Jessica Reynolds, Comptroller and Assistant to the Bishop, "Thanks to the Denominational Health Plan, we were finally able to achieve cost containment."

As an additional benefit, this health plan made it feasible for the diocese to extend health benefits to its lay employees. "We were able to offer the laity what the clergy were getting, without a huge effect on our budget," Jessica said. "Premium-wise, it is now the same across the board. Among those churches that provided family coverage," she added, "there was very positive feedback from lay employees as to their ability to get those benefits."

For more information on the Denominational Health Plan, see the 2018 DHP Annual Report (*cpg.org/DHP*) and watch this video: *https://bit.ly/2RFtXWI*

Always Listening

Ongoing conversations around the Church are essential to our work at CPG. To complement our day-to-day interactions with the people we serve, in 2014 we established a dedicated Church Relations team that participates in the life of the Church in order to deepen our understanding of the context within which we serve.

In fact, Church Relations has become so critical to our work that this year we increased the executive presence on the team by adding the Rev. Clayton Crawley (previously our Executive Vice President and Chief Information Officer) as our Chief Church Relations Officer.

This group's responsibilities include organizing our presence at key Church events, such as General Convention, and convening conversations with stakeholders to keep us abreast of pivotal issues and policies that affect our work.

Church Relations played a critical role in collecting the insights on emerging forms of ministry that shaped our recent revisions to The Church Pension Fund Clergy Pension Plan and related plans. They also helped us host a series of informative conversations, which we called *Insights & Ideas*, on Church demographics and socially responsible investing.

We will be hosting additional listening events on pension parity and equity in the coming year, and we will be convening other *Insights & Ideas* sessions on our efforts to encourage companies to address some of the social and environmental concerns of the Church.

At CPG, we believe trust is built one conversation at a time, and we look forward to every opportunity to interact with those we serve.

Watch these videos for more of our story: *https://bit.ly/2Ldsd5P*
https://bit.ly/2xcuMN0

Protecting People, Property, and Finances

The Church Insurance Companies offer many types of property and casualty policies to protect the people, property, and finances of Episcopal institutions. Since 1929, Church Insurance has served the Church's property and casualty needs with a level of professionalism, compassion, and trustworthiness that has earned us high marks—significantly higher than any other property and casualty provider—according to the American Customer Satisfaction Index. It has been a privilege to help congregations and dioceses manage some of the risks inherent in their ministries, and recover from damage and losses that threatened their work.

Our commitment to serving the needs of the Episcopal Church remains unchanged, but the world around us is changing. We reduced deductibles for named storms and added cyber liability and malicious attack coverages to address emerging IT issues. At the same time, we recognized the need to revise flood coverage and restructure our reinsurance arrangements to shore up the financial sustainability of Church Insurance amid a declining number of parishes and an increasing number of natural disasters.

We are traveling around the Church, attending conferences, and hosting webinars to explain the changes we are making at Church Insurance and to assure all of our clients that our original intention remains the same: to serve the Episcopal Church by providing superior protection and compassionate service at competitive rates.

Watch this video for more of our story: *http://bit.ly/2YQcygJ*

Other CPG Highlights

Diocese of Cuba

In July 2018, in response to the 79th General Convention's decision to readmit the Episcopal Church of Cuba as a diocese of the Church, we began collaborating with the Domestic and Foreign Missionary Society and the Diocese of Cuba to bring their eligible clergy into our International Clergy Pension Plan. With a special team dedicated to integrating and onboarding diocesan leadership and clergy participants in Cuba, we have started the process of introducing their bishop and diocesan leadership to CPG's benefit programs and services.

Making Medicine More Convenient

We have always provided healthcare support through various resources such as Health Advocate, but more recently we began offering additional care management programs for members in the Anthem and Cigna plans, through the new Anthem Health Guide and Cigna One Guide/Personal Health Teams.

These new programs help active members coordinate care across multiple doctors, manage chronic conditions, confirm coverage of various services, understand authorizations required for certain treatments, and answer other questions that arise in serious health situations. Just one phone call provides access to multiple resources. All active members can use these programs to help ensure that they are getting the right care at the right time.

Engaging the Church Through Publishing

We published a variety of volumes in support of Presiding Bishop Michael B. Curry's invitation to practice the Way of Love. For example, the *Little Books of Guidance* series is designed to assist readers in discovering how the Way of Love practices can help them to follow Jesus more fully. Mary Bea Sullivan's *Living the Way of Love* and Bishop Marianne Edgar Budde's *Receiving Jesus: The Way of Love*, alongside free downloadable resources for families and intergenerational groups, were also well received by our readers.

In addition, we produced titles that support CPG's vision and strategy, such as *Bivocational* by Bishop Mark Edington, *Transforming Vestries*, part of a series edited by James Lemler, and books on financial literacy, retirement readiness, and health and wellness, which serve our readers in both their professional and personal lives.

Statistical Highlights

Cumulative Clergy Pension Plan Operations

	Since Inception (1917) through March 31, 2019
Assessments and original pledges received	$ 2,814,742,666
Investment income and gains (net of expenses and other deductions)	$ 16,907,334,772
Total Income	**$ 19,722,077,438**
Benefits paid for clergy and dependents	$ 6,780,120,088

Clergy Pension Plan Participant Statistics

	2019	2016	2013
Active Participants†			
Number			
Male	3,689	4,011	4,344
Female	2,311	2,467	2,480
Total	**6,000**	**6,478**	**6,824**
Participants' Average Age	54.4	54.0	53.9
Average Compensation	**$74,031**	**$70,332**	**$66,675**
Those Receiving Benefits			
Retirees			
Normal Retirement	4,171	3,914	3,624
Early Retirement	3,646	3,606	3,553
Disability Retirement	418	447	459
Total	**8,235**	**7,967**	**7,636**
Average Annual Pension Benefit	$31,485	$30,420	$29,888
Average Age	75.7	75.1	74.6
Surviving Spouses			
Number	2,723	2,681	2,578
Average Annual Pension Benefit	$22,148	$20,834	$20,249
Average Age	79.8	79.3	78.8

†Those for whom assessments are paid into the plan.
Participant statistics as of December 31, 2018.
Source: Conduent HR Consulting, LLC

Ordinations by Calendar Year

	2018	2015	2012
Number of Individuals Ordained*	350**	392	371
Average Age at Ordination	49.5	49.8	48.6

*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	2019	2018
Assets		
Investments, at Fair Value	$ 13,184,748,363	$12,817,540,795
Receivables and Other Assets:		
Receivable from brokers	16,698,977	26,818,294
Assessments receivable, less allowance for doubtful accounts (2019 – $1,575,000; 2018 – $1,078,000)	5,725,949	3,362,452
Accrued investment income and other assets	76,948,931	59,680,943
Cash and cash equivalents	636,898,291	777,354,171
Total Assets	13,921,020,511	13,684,756,655
Liabilities		
International Clergy Pension Plan	170,102,959	160,205,174
Payable to brokers	69,091,458	94,531,523
Accrued expenses and other liabilities	126,594,686	119,163,653
Total Liabilities	365,789,103	373,900,350
Total Net Assets	$13,555,231,408	$13,310,856,305
Components of Net Assets		
Net Assets with Donor Restrictions:		
Legacy and Gift Fund	$ 33,369,249	$ 31,727,738
Total Net Assets with Donor Restrictions	33,369,249	31,727,738
Net Assets without Donor Restrictions:		
Legacy and Gift Fund	23,415,784	22,338,420
Total Net Assets without Donor Restrictions	23,415,784	22,338,420
Internally Designated:		
Clergy Post-Retirement Medical Assistance Plan	1,103,498,032	1,098,486,926
Clergy Life Insurance Plan	251,769,093	249,574,203
Clergy Benefit Equalization Plan	54,979,147	50,961,050
Clergy Child Benefit Plan	2,861,002	3,480,036
Clergy Long-Term Disability Plan	87,397,903	102,618,466
Investment in affiliated companies	121,234,825	124,814,785
Available for benefits:		
Designated for assessment deficiency	1,239,169,289	1,296,228,855
Net assets available for benefits:		
The Clergy Plan	10,207,973,779	9,918,223,654
The Episcopal Church Lay Employees' Retirement Plan	185,257,809	178,658,579
Staff Retirement Plan of The Church Pension Fund and Affiliates	244,305,496	233,743,593
Total net assets available for benefits	10,637,537,084	10,330,625,826
Total Internally Designated	13,498,446,375	13,256,790,147
Total Net Assets	$13,555,231,408	$13,310,856,305

See accompanying notes to the combined financial statements.

Combined Statements of Changes in Net Assets Available for Benefits

Years Ended March 31	2019	2018
Additions to Net Assets		
Assessments	$ 98,945,887	$ 97,489,332
Interest	97,401,637	101,868,775
Dividends and other income	37,832,941	40,666,605
Net appreciation in fair value of investments	533,091,375	1,246,433,809
Total Additions to Net Assets	767,271,840	1,486,458,521
Deductions from Net Assets		
Benefits and Expenses:		
Pensions and other benefits	343,010,909	330,720,640
Medical supplement	38,165,723	36,269,296
Life insurance	17,543,349	16,404,105
Total benefits	398,719,981	383,394,041
Investment management and custodial fees	35,236,058	54,244,118
General and administrative	74,766,352	92,521,445
Total Benefits and Expenses	508,722,391	530,159,604
Other Deductions (Additions):		
International Clergy Pension Plan	8,160,492	3,483,125
Other Liabilities	6,013,854	(16,026,620)
Increase in Total Net Assets	244,375,103	968,842,412
(Increase) Decrease in Net Assets		
Net Assets with Donor Restrictions	(1,641,511)	(3,037,435)
Net Assets without Donor Restrictions	(1,077,364)	(2,230,514)
Internally Designated:		
Clergy Post-Medical Retirement Assistance Plan	(5,011,106)	(60,035,443)
Clergy Life Insurance Plan	(2,194,890)	(6,821,387)
Clergy Benefit Equalization Plan	(4,018,097)	12,216,879
Clergy Child Benefit Plan	619,034	(3,480,036)
Clergy Long-Term Disability Plan	15,220,563	(102,618,466)
Investment in affiliated companies	3,579,960	(1,135,995)
Assessment deficiency	57,059,566	(128,627,298)
Increase in Net Assets Available for Benefits	306,911,258	673,072,717
Net Assets Available for Benefits at Beginning of Year	10,330,625,826	9,657,553,109
Net Assets Available for Benefits at End of Year	$10,637,537,084	$10,330,625,826

See accompanying notes to the combined 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. Effective October 31, 2018, The Church Insurance Company of New York was merged into The Church Insurance Company of Vermont, with the Church Insurance Company of Vermont as the surviving entity.

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 of the Episcopal Church 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 is 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"). Management believes the Qualified Plans are being operated in compliance with their applicable requirements under Section 401(a) 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, 2019 and 2018.

CPF and the Qualified Plans were not significantly impacted by enactment of the Tax Cuts and Jobs Act of 2017.

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. The assets in the master trust can only be used to pay the plan benefits described above. As of March 31, 2019 and 2018, 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 $4.0 billion, respectively.

3. Basis of Presentation and Summary of Significant Accounting Principles

Basis of Presentation

The accompanying combined financial statements include the accounts of CPF and the Qualified Plans and have been prepared in accordance with GAAP. All inter-plan balances have been eliminated in these combined financial statements.

The preparation of the combined financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the combined 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 combined 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 – The combined financial statements are prepared based on the accrual basis of accounting.

iv) Net Assets – Net assets are classified as with or without donor restrictions or as internally designated for a specific purpose. All gifts, grants and bequests are considered to be without donor restrictions unless specifically subject to a 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, net assets with donor restrictions are reclassified to net assets without donor restrictions. Internally designated assets represent net assets that are set aside for a specific purpose.

v) Recently Adopted Accounting Standards – In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial statements of Not-for-Profit Entities*, which makes targeted improvements to the not-for-profit financial reporting model. The relevant changes to the combined financial statements include streamlining the net asset classification into two required net asset classes (with donor restrictions and without donor restrictions). Additional disaggregation is allowed. The ASU is effective for fiscal years beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018. As a result of this guidance, there was no material impact to the combined financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement* ("ASU 2018-13"), which amends Accounting Standards Codification ("ASC") 820, *Fair Value Measurement*. ASU 2018-13 modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. ASU 2018-13 is effective for all entities for fiscal years beginning after December 15, 2019, including interim periods therein. Early adoption is permitted for any eliminated or modified disclosures upon issuance of this ASU 2018-13. The combined entities elected to early adopt the modifications or elimination of ASU 2018-13 disclosures related to the rollforward of Level 3 fair value measurements and the policy for the timing of transfers between levels. The adoption of these modifications did not have a material effect on the combined financial statements. Management is assessing the impact of adoption of those additional disclosures that have not been implemented in the combined financial statements and has delayed the adoption of such disclosures until the effective date as stated above.

4. Investments

The fair value of investments as of March 31, 2019 and 2018 summarized by general investment type are as follows:

March 31 (in thousands)	2019	2018
Common and preferred stocks	$ 775,905	$ 960,956
U.S. Treasury securities	1,207,486	1,286,894
Municipal securities	26,344	27,591
Corporate bonds	488,540	609,395
Foreign government securities	248,439	250,153
Limited partnership interests:		
Real estate	1,631,405	1,557,320
Private equity	2,331,655	2,112,464
Other alternative investments	2,457,325	2,226,038
Commingled funds	3,803,024	3,565,885
Affiliated companies, equity interest	214,625	220,845
Totals	$13,184,748	$12,817,541

As of March 31, 2019 and 2018, 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.

U.S. Treasury securities consist primarily of securities issued or guaranteed by the U.S. government, or its designated agencies, including Small Business Administration ("SBA") loans.

Municipal securities include direct investments in 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 "gates" that restrict the ability of investors to withdraw from the investment. The general partners and/or investment managers of the limited partnerships also have rights to 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, 2019, none of the general partners or investment managers have exercised these suspension rights.

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, 2019, CPF had open investment commitments to limited partnerships of $2.7 billion which are expected to be funded during future years. In this regard, from April 1, 2019, through April 30, 2019, CPF invested an additional $81 million in and made $75 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 seeks to maintain 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 $931 million long and $794 million long at March 31, 2019, and March 31, 2018, 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 $26 million and $37 million for the years ended March 31, 2019 and 2018, respectively, are recorded in the accompanying combined 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 and/or controlled 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, 2018 and 2017, except for Church Pension Group Services Corporation, which is described for the years ended March 31, 2019 and 2018.

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, 2019 and March 31, 2018, the fair value of the condominium office space was $93.4 million and $96.0 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 the Episcopal Church and, prior to December 31, 2018, to 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. Effective October 31, 2018, CICNY was merged into CICVT with CICVT as the surviving entity. This merger was treated as a combination of entities under common control as defined in *ASC 805-50 Business Combinations – Related Issues*. CICVT is a single-parent captive insurance company incorporated in 1999 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 (the "UMI Service Agreements"). The UMI Service Agreements were terminated December 31, 2018. 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)	2018	2017
Assets	$ 225,612	$ 213,613
Liabilities	164,964	154,131
Capital and surplus	60,648	59,482
Earned premiums	58,095	61,189
Net income (loss)	2,592	(4,519)

[1]"The Church Insurance Companies" means, collectively, The Church Insurance Agency Corporation, The Church Insurance Company, The Church Insurance Company of New York (until its merger effective October 31, 2018) 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)	2018	2017
Assets	$ 303,110	$ 294,168
Liabilities	249,433	234,257
Capital and surplus	53,677	59,911
Insurance in force	1,819,657	1,540,058
Earned premiums	44,896	34,592
Net (loss) income	(10,348)	3,295
Dividend paid to CPF	–	900

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 publishes in the fields of liturgy, theology, church leadership, financial and spiritual wellness, evangelism, racial reconciliation, creation care ministry and mission and Anglican spirituality alongside a wide range of products and resources for parishes and individuals. This product portfolio includes church supplies, such as lectionary inserts, calendars, parish registers; and eProducts, including the recently introduced RitePlanning, RiteSong, and the eCP (electronic common prayer) app. Church Publishing also produces resources on behalf of the Office of General Convention and its Standing Commission on Liturgy and Music; the *Church Annual (*aka *The Red Book)* and the *Episcopal Clerical Directory*. It also 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

December 31 (in thousands)	2018	2017
Assets	$ 5,964	$ 6,360
Liabilities	9,578	10,106
Capital	(3,614)	(3,746)
Revenue	4,582	4,539
Net loss	(568)	(1,016)
Capital contribution received from CPF	700	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 Chief Executive Officer and President of The Episcopal Church Medical Trust.

Financial Summary

December 31 (in thousands)	2018	2017
Assets	$ 62,276	$ 64,649
Liabilities	34,974	39,330
Accumulated surplus	27,303	25,319
Revenues	252,489	241,570
Net income (loss)	1,983	(2,410)

5. Fair Value Measurements

The following tables provide information about the financial assets measured at fair value by general type as of March 31, 2019 and March 31, 2018:

	Assets at Fair Value			
March 31, 2019 (in thousands)	Level 1	Level 2	Level 3	Total
Common and preferred stock	$ 775,905	$ –	$ –	$ 775,905
U.S. Treasury securities	–	1,159,725	47,761	1,207,486
Municipal securities	–	26,344	–	26,344
Corporate bonds	–	488,540	–	488,540
Foreign government securities	–	248,439	–	248,439
Limited partnership interests:				
Real estate	–	–	1,631,405	1,631,405
Private equity	–	–	2,331,655	2,331,655
Other alternative investments	–	–	2,457,325	2,457,325
Affiliated companies	–	–	214,625	214,625
	$ 775,905	$1,923,048	$6,682,771	9,381,724
Investments measured at net asset value				
Commingled funds				3,803,024
Total assets at fair value				$13,184,748

	Assets at Fair Value			
March 31, 2018 (in thousands)	Level 1	Level 2	Level 3	Total
Common and preferred stock	$ 960,956	$ –	$ –	$ 960,956
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

The following table summarizes all additions to Level 3 assets by general type for the years ended March 31, 2019 and 2018:

	March 31, 2019	March 31, 2018
	Level 3 Purchases/ Additions	Level Purchases/ Additions
U.S. Treasury securities	$ 50,000	$ –
Real estate	350,935	386,133
Private equity	258,464	209,116
Other alternative investments	847,803	172,188
Affiliated companies	700	607
Totals	$ 1,507,902	$ 768,044

Other Alternative Investments had transfers into and out of Level 3. Transfers into Level 3 totaled $823 million and $221 million for the years ended March 31, 2019 and 2018, respectively. Transfers out of Level 3 totaled $1,122 million and $38 million for the years ended March 31, 2019 and 2018, respectively.

Limited Partnership interests in real estate, private equity and other alternative investments with a fair value of $6.4 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 $215 million as of March 31, 2019, 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 15).

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 Region Central de America ("IARCA"), each of which sponsors its plan. Management utilizes a third-party specialist, Buck Global, LLC, an actuarial consulting firm, to assist with determining the actuarial liabilities of all plans included in the ICPP. The actuarial liabilities totaled $163.0 million and $156.0 million at March 31, 2019 and March 31, 2018, respectively.

7. Net Assets

The Legacy and Gift Fund stems from bequests and contributions received by CPF from individuals for the purpose of supporting the tax-exempt purposes of CPF, of which a portion may be subject to donor-imposed restrictions. The portion of the principal balance subject to a donor-imposed restriction must be maintained and spent only in accordance with the wishes of the donors, but the remainder is available for use at the discretion of CPF, in accordance with its tax-exempt purposes.

The Clergy Post-Retirement Medical Assistance Plan (previously referred to as the "Medicare Supplement Subsidy Fund") represents the estimated liability for a discretionary benefit that CPF has provided to eligible participants in the Clergy Plan and the ICPP 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, or (2) pay a monthly cash subsidy to eligible participants in the ICPP and their eligible spouses. CPF has reserved the right, in its discretion, to change or discontinue this discretionary benefit.

Management engaged healthcare actuaries, Hewitt Associates, LLC, operating as Aon Hewitt, to assist in estimating the liability for benefits under the Clergy Post-Retirement Medical Assistance Plan. 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 Plan 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 Clergy Benefit Equalization Plan 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 Clergy Benefit Equalization Plan provides for payment of the difference between the Code limitation and such participant's earned pension benefits.

The Clergy Child Benefit Plan represents the estimated liability 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 Plan represents the estimated liability for the long-term disability benefit provided to eligible clergy in the Clergy Plan who became 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 Clergy Post-Retirement Medical Assistance Plan, the Clergy Life Insurance Plan, the Clergy Benefit Equalization Plan, the Clergy Child Benefit Plan or the Clergy Long-Term Disability Plan payments.

The following charts summarize the activities of the Net Assets described above for the years ended March 31, 2019, and March 31, 2018:

March 31, 2019 (in thousands)	Beginning of Year	Contributions and Investment Gains	Benefits and Expenses Paid	Benefits Accumulated	End of Year
Legacy and Gift Fund with donor restrictions	$ 31,728	$ 1,760	$ (119)	$ –	$ 33,369
Legacy and Gift Fund without donor restrictions	22,338	1,303	(225)	–	23,416
Clergy Post-Retirement Medical Assistance Plan	1,098,487	–	(38,166)	43,177	1,103,498
Clergy Life Insurance Plan	249,574	–	(17,492)	19,687	251,769
Clergy Benefit Equalization Plan	50,961	–	(1,815)	5,833	54,979
Clergy Child Benefit Plan	3,480	–	(719)	100	2,861
Clergy Long-Term Disability Plan	102,618	–	(429)	(14,791)	87,398
Total	$ 1,559,186	$ 3,063	$ (58,965)	$ 54,006	$1,557,290

March 31, 2018 (in thousands)	Beginning of Year	Contributions and Investment Gains	Benefits and Expenses Paid	Benefits Accumulated	End of Year
Legacy and Gift Fund with donor restrictions	$ 28,690	$ 3,145	$ (107)	$ –	$ 31,728
Legacy and Gift Fund without donor restrictions	20,108	2,265	(35)	–	22,338
Clergy Post-Retirement Medical Assistance Plan	1,038,451	–	(36,269)	96,305	1,098,487
Clergy Life Insurance Plan	242,753	–	(16,360)	23,181	249,574
Clergy Benefit Equalization Plan	63,178	–	(1,729)	(10,488)	50,961
Clergy Child Benefit Plan	–	–	(113)	3,593	3,480
Clergy Long-Term Disability Plan	–	–	–	102,618	102,618
Total	$ 1,393,180	$ 5,410	$ (54,613)	$ 215,209	$1,559,186

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 2019 and 2018, had a fair value of $93.4 million and $96.0 million, respectively.

8. Accumulated Plan Benefit Obligations

Buck Global, 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 is recognized during the years in which such amendments become effective. Effective January 1, 2018, the Clergy Plan and the Lay Plan were amended and restated to address the needs of an evolving Church, promote consistency among participants, simplify communication and improve our ability to administer these plans while maintaining financial sustainability.

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

- Interest rate: 3.875% per annum for the years-ended March 31, 2019 and 2018, 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, 2019 and 2018; Lay Plan and Staff Plan – 0% per annum for the years ended March 31, 2019 and 2018. 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, 2019 and 2018:
  - 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, 2019 and 2018 using Scale MP-2018 and Scale MP-2017, 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, 2019 and 2018 are summarized as follows:

March 31, 2019 (in thousands)	Clergy Plan	Lay Plan	Staff Plan
Vested benefits:			
Actuarial present value of accumulated plan benefit obligations for retired participants and their dependents	$ 4,474,479	$ 107,152	$ 69,358
Actuarial present value of accumulated plan benefit obligations for participants not yet retired and their dependents	1,956,453	102,859	107,062
Nonvested benefits:	124,363	3,376	13,967
Total	$ 6,555,295	$ 213,387	$ 190,387

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

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, 2019 and 2018 is summarized as follows:

March 31, 2019 (in thousands)	Clergy Plan	Lay Plan	Staff Plan
Actuarial present value of accumulated plan benefit obligations at beginning of year	$ 6,517,324	$ 215,473	$ 192,092
Increase (decrease) during the year attributable to:			
Plan amendments	(12,271)	–	(313)
Change in actuarial assumptions	(19,992)	(7,647)	(10,869)
Benefits accumulated	139,955	7,200	9,814
Increase for interest due to decrease in the discount period	246,478	8,162	7,297
Benefits paid	(316,199)	(9,801)	(7,634)
Net increase (decrease)	37,971	(2,086)	(1,705)
Actuarial present value of accumulated plan benefit obligations at end of year	$ 6,555,295	$ 213,387	$ 190,387

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

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 participants' compensation as defined under the Lay Plan. The assessments for the participants in the Staff Plan are 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 $85 million, $5 million and $9 million, respectively, during the year ended March 31, 2019 and $83 million, $5 million and $10 million, respectively, during the year ended March 31, 2018.

The funding positions of the Clergy Plan, the Lay Plan and the Staff Plan as of March 31, 2019 and 2018 are summarized as follows:

March 31, 2019 (in thousands)	Clergy Plan	Lay Plan	Staff Plan
Net assets available for pension benefits after amount designated for assessment deficiency	$10,207,974	$185,258	$ 244,305
Actuarial present value of accumulated plan benefit obligations	6,555,295	213,387	190,387
Surplus (Deficit)	$ 3,652,679	$ (28,129)	$ 53,918

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

10. Expenses

During the years ended March 31, 2019 and 2018, CPGSC provided certain services, primarily personnel and facilities related, to CPF on a cost-reimbursement basis and billed $91.5 million and $120 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 review 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, 2019, was as follows:

Mary Katherine Wold, Chief Executive Officer and President	$1,647,900
Roger A. Sayler, Executive Vice President and Chief Investment Officer	$1,285,914

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 contribution is matched 75% by CPGSC. Total employer-matching contributions under this plan were $2.0 million and $2.0 million for the years ended March 31, 2019 and 2018, 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, 2019 and 2018, 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 $25.0 million and $24.0 million as of March 31, 2019 and 2018, respectively. For measuring the expected post-retirement healthcare benefit obligation, average annual rates of increase in the per capita claims cost for 2019 and 2018 were assumed to be 8.0%. 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 3.875% at March 31, 2019 and 2018, respectively. If the healthcare cost trend rate were increased by 1%, the accumulated post-retirement benefit obligation as of March 31, 2019 would increase by approximately $0.6 million.

11. Subsequent Events

Management has performed an evaluation of subsequent events through June 27, 2019, which is the date that the combined financial statements were available to be issued. No significant subsequent events were identified.

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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, which comprise the combined statements of net assets available for benefits as of March 31, 2019 and 2018, 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 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 at March 31, 2019 and 2018, and the combined changes in their financial status for the years then ended in conformity with U.S. generally accepted accounting principles.

Ernst + Young LLP

June 27, 2019

Management Changes

Daniel Kasle

Daniel Kasle retired as our Executive Vice President, Chief Financial Officer, and Treasurer in April 2019, after 17 years of service at CPG. Throughout his tenure, he had been instrumental in facilitating financial discipline across the organization in support of our vision to provide the highest possible level of financial security to our clergy and lay employee plan participants.

Ellen Taggart

Ellen Taggart succeeded Daniel Kasle as Executive Vice President, Chief Financial Officer, and Treasurer. Ellen had served as CPG's Senior Vice President of Strategic Planning and as Vice President of our Project Management Office since 2004. Formerly a Senior Vice President of Finance and Chief Financial Officer at Dun & Bradstreet, she worked for 17 years with businesses across the United States, Europe, Latin America, and the Asia-Pacific region. Ellen is now responsible for overseeing our corporate risk management process and leading our enterprise-wide project management program and information technology services department, in addition to directing our corporate financial management.

The Rev. Clayton Crawley

Taking on a newly-created role, the Rev. Clayton Crawley was appointed Executive Vice President and Chief Church Relations Officer. He now works with the Rev. Canon Anne Mallonee, Executive Vice President and Chief Ecclesiastical Officer, to strengthen CPG's ties with the Domestic and Foreign Missionary Society, General Convention, and other groups and stakeholders around the Church.

Previously, Clayton had led CPG's technology program and served as Chief Information Officer. Before joining CPG in 1999, he was the Associate Rector of All Saints' Episcopal Church, Palo Alto, California. He currently serves as a non-stipendiary priest at St. Bartholomew's Parish in New York City. A 1994 graduate of the Church Divinity School of the Pacific, Clayton has more than 25 years of ordained ministry experience.

Martin Hossfeld

Succeeding Clayton Crawley as Chief Information Officer, Martin Hossfeld is now responsible for information technology and support. Formerly our Senior Vice President and Chief Technology Officer, Martin joined CPG after many years at Oracle Consulting. His past experience also includes management consulting and continuing education in Europe and Asia.

Joan Bauer

In February 2019, Joan Bauer retired as our Senior Vice President of Auditing after a 19-year career at CPG. Joan was succeeded by Lou Carusillo, who is now our Senior Vice President of Internal Audit.

TraceyAnn Harvey

TraceyAnn Harvey was promoted to Senior Vice President of Client Services. In this role, she leads the client experience team in providing compassionate, professional, and trustworthy service to the people we serve.

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Francis P. Armstrong
The Rev. Clayton D. Crawley
Maria E. Curatolo
Patricia S. Favreau
Daniel A. Kasle**
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Alan F. Blanchard, President Emeritus
David R. Pitts, Chair Emeritus

**Includes officers of The Church Pension Fund and officers of affiliated companies, which include The Church Insurance Agency Corporation, The Church Insurance Company of Vermont, Church Life Insurance Corporation, The Episcopal Church Medical Trust, and Church Publishing Incorporated, between April 1, 2018 and March 31, 2019.*

***Effective April 2019: Daniel Kasle retired as Executive Vice President, Chief Financial Ofcer, and Treasurer; Ellen Taggart was promoted to that position; TraceyAnn Harvey was promoted to Senior Vice President of Client Services; and Pat Rasile was promoted to Vice President, Strategy and Project Management.*

Principal Outside Advisors

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The Northern Trust Company

Independent Auditors
Ernst & Young LLP

Pension Actuary
Buck Global, LLC

Health Plan Actuary
Aon Hewitt

The Church Pension Fund Board of Trustees

1 Member of Executive Committee
2 Member of Investment Committee
3 Member of Audit Committee
4 Member of Benefits Policy Committee
5 Member of Compensation, Diversity, and Workplace Values Committee
6 Member of Finance Committee
7 Member of Board of Directors of Church Life Insurance Corporation
8 Member of Board of Directors and Audit and Principal Officer Oversight Committee of Church Life Insurance Corporation
9 Consecrated as Bishop of the Diocese of Maine on June 22, 2019