CHURCH PENSION GROUP
Passionate About Our Purpose

The Sum of Our Parts

2023 Annual Report

Table of Contents

A Message from Chief Executive Officer and President **Mary Kate Wold**

Dear Friends:

We at CPG are grateful for another year of service to The Episcopal Church and for the opportunity to respond to the needs of those who serve it. Our hope is that the whole of our offerings is greater than the sum of our benefits, products, and resources—that we have continued to provide peace of mind and a framework for stability.

This report summarizes some of the impacts we have had over the past year as we continued to support the clergy—whether deacons or priests—and lay employees of the Church in their calling to spread the gospel.

We provided financial stability in the form of employee benefits, and financial education to help clergy and lay employees understand those benefits. We identified risks and helped restore Church buildings that had been damaged by natural disasters or other occurrences. And we published new liturgical and ministry-supportive resources

All of this has strengthened our ties to the Church and has helped us be a source of reassurance in uncertain economic and social times. Finances are strained for many, and we remain committed to providing the highest possible level of support as cost-effectively as we can.

As an employer, we reinforced clarity and commitment to organizational health with our team at CPG because we know that diversity, equity, and inclusion; strong alignment about our most important work; and thoughtful execution of our strategic plan result in a higher level of service for those who depend on us.

I frequently talk about our strategic plan when I am invited to speak to audiences around the Church. I want everyone to understand how intentional we are about getting the right work done professionally, compassionately, and consistently so that we continue to earn the trust of everyone we serve.

In our first full year back in our offices after the COVID-19 pandemic, we were glad to be in fellowship with each other and to be out and about with many of you. We are grateful to be meeting in person again and to have new online tools to bring us closer to our stakeholders. We look forward to being in touch over the upcoming year.

Faithfully,

Mary Kate Wold

Mary Kate Wold

Mary Kate Wold speaks with Presiding Bishop Michael B. Curry about CPG's support of the evolving Church during his tenure.

Watch video at *youtu.be/MQuC-TyJSvg*

15,455

Number of people who participated in CPG-sponsored events and financial discussions[4]

[4] January 1, 2022, to December 31, 2022

A Message from The Church Pension Fund **Board of Trustees**

Dear Friends:

The Church Pension Fund Board of Trustees (CPF Board) had a busy and productive year. We discussed the results of CPF's stress testing and confirmed that CPF is in a strong but cautious position. We reviewed CPG's enterprise risks and mitigation plans, which demonstrated that the organization is ready for what may lie ahead. We expressed confidence in CPG's performance in three critical areas: investment portfolio management, financial discipline, and focus on client service.

We also continued important work such as onboarding seven new trustees and discussing the ways that diversity, equity, and inclusion enhance our efforts.

Many of us had the opportunity to speak with clergy and lay leaders of various Church bodies about the work of CPG. These conversations validated CPG's work and its commitment to understanding and responding to evolving needs.

The law requires the CPF Board, as fiduciaries, to act exclusively in the best interest of CPF and in ensuring that CPF manages its benefit plans with a focus on the financial interests of plan participants and their beneficiaries. The CPG team works hard to make sure we understand client needs and how CPG is responding to them.

It is an honor to serve on the board of an organization that does such good work for the Church we hold so dearly. Thank you for your trust in us. We look forward to continuing to earn it.

Faithfully,

Kathryn McCormick

Canon Kathryn McCormick
Chair

Rosalie S Ballentine

Canon Rosalie Simmonds Ballentine, Esq., DHL
Vice Chair

The Rt. Rev. Brian N. Prior
Vice Chair

Mary Kate Wold

Mary Kate Wold, Esq.
Chief Executive Officer and President
The Church Pension Fund

10,111

Episcopal institutions served by CPG[2]

[2] *As of March 31, 2023*

New Trustees Elected at the 80th General Convention

The Rt. Rev. David A. Álvarez, MDiv, PsyD
Bishop, Episcopal Diocese of Puerto Rico (retired)
Carolina, Puerto Rico
Member, Investment and Audit Committees

The Rev. Brendan Barnicle, DMin
Rector, St. Francis of Assisi Episcopal Church
Wilsonville, Oregon
Member, Investment and Finance Committees,
Board of Directors of Church Life Insurance Corporation

The Rt. Rev. Ian T. Douglas, PhD
Bishop, The Episcopal Church in Connecticut (retired)
Vineyard Haven, Massachusetts
Member, Investment and Benefits Policy Committees

The Rev. Amy Haynie
Rector, Saint Nicholas' Episcopal Church
Midland, Texas
Member, Audit and Benefits Policy Committees

The Very Rev. Cynthia Briggs Kittredge, ThD
Dean and President/CEO, Seminary of the Southwest
Austin, Texas
Member, Audit and Finance Committees

The Rev. Gawain F. de Leeuw, DMin, OA
Vicar and Priest-in-Charge, Holy Trinity Church Inwood
New York, New York
Member, Audit and Finance Committees

John McCray-Goldsmith
Managing Director, Wells Fargo Investment Portfolio
San Francisco, California
Member, Investment and Audit Committees

Navigating the Numbers

Investments

The Church Pension Fund (CPF) works with third-party asset managers to make investments that, collectively, are designed to generate sufficient returns to pay benefits and related expenses for decades to come. Our outside managers seek opportunities across a variety of asset classes including public and private equity, fixed income, real estate, hedge funds, and specialty strategies.

As of March 31, 2023, the value of CPF's portfolio was $17 billion, compared to $18.4 billion the prior fiscal year. Challenges to the financial markets in the first three fiscal quarters of 2022 put pressure on the portfolio. Nevertheless, we consider our financial condition to be strong.

Over the past 10 years, CPF generated an annualized return of 8.4%, exceeding our investment goal of 7.1% and the market benchmark of 6.0%. We use the investment goal as a performance reference point for periods of 10 years or longer. Over shorter periods, we utilize market benchmarks.

CPF has been able to deliver strong returns over time because we have a well-diversified portfolio, a long-term orientation, and a team of investment professionals focused on CPF's purpose and vision. The team has experience with different market environments and takes a disciplined, rigorous approach to investing rooted in time-tested principles.

To generate required rates of returns, some market risk is necessary. The Investment team has worked closely with the CPF Board to establish investment guidelines designed to achieve the desired expected return without unnecessary risk for the portfolio. We remain vigilant about recognizing and managing risks and are poised to maintain the financial strength of CPF to meet our obligations for decades to come.

Chief Investment Officer Roger Sayler provides an update on the performance of The Church Pension Fund and reflects on his years of service in advance of his retirement.

Watch video at *youtu.be/B9AkY1yaG-8*

$17 billion

Church Pension Fund investment portfolio assets[2]

Michael Hood was named Executive Vice President, Chief Investment Officer, and Managing Director in July 2023 following the retirement of Roger Sayler, who served in the role for nine years. *Learn more.*

[2] *As of March 31, 2023*

Considering Environmental, Social, and Governance Issues

Christopher Rowe, Managing Director, Investments, describes how analyzing investments through an environmental, social, and governance (ESG) lens aligns with both our values and our fiduciary responsibilities.

CPF's expertise is in selecting investment managers, not choosing individual investments. In picking managers, we evaluate their decision-making process: What information do they use and how do they analyze it?

We believe ESG issues can materially affect investment opportunity and risk. We also recognize that, depending on the investment, the impact of ESG considerations may vary.

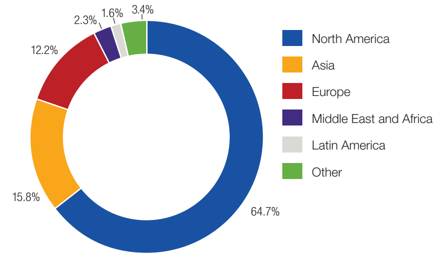
There is an overlap between the ESG issues that investors consider and many Church values. Many managers for CPF's various portfolios incorporate ESG issues into their analysis and invest trillions of dollars in assets for CPF and other clients. By focusing on ESG issues, these managers significantly spotlight economic values that are also Church values. Because of that overlap, there has been criticism of ESG that begins with a flawed assumption that all ESG issues are "non-financial." While some are not financial, some certainly are. Investors who ignore ESG issues—whether strictly financial or not—might miss factors that could be important to their investment decision.

We expect managers to effectively analyze all material investment criteria, including those related to ESG. By hiring investment managers with a superior approach to evaluating all significant opportunities and risks, we generate long-term returns for CPF beneficiaries and support Church values.

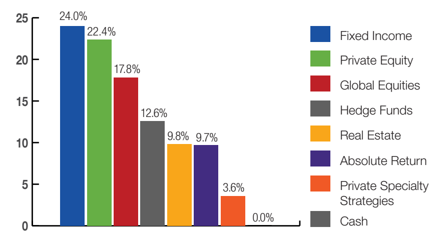
Investment Overview

(as of 03/31/2023)

Regional Asset Allocation

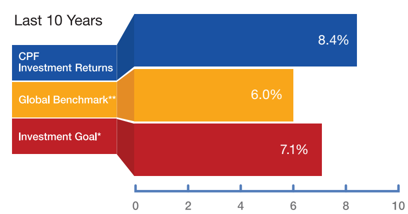


Asset Class Exposure



Annualized Investment Returns

For the period ending March 31, 2023



** Investment Goal is CPI-U +4.5%*
*** Benchmark is MSCI ACWI 67%/Barclays Agg 33%*

CPG in Action

Business Update: Benefits

Over the past year, we have enhanced a variety of benefits consistent with General Convention resolutions and our ongoing commitment to providing a high level of benefits as cost-effectively as possible. We offered increased lay employee maternity benefits to employers, raised the lifetime fertility benefit for our self-insured plans to a combined maximum of $50,000 for medical and pharmacy services, and rolled out Hinge Health, a new online physical therapy program that is already serving hundreds of members.

Our pharmacy and Group Medicare Advantage (GMA) programs delivered the cost savings we expected and introduced members to new, value-added services. For example, 28% of our GMA participants are benefitting from home visits, and more than 4,000 meals have been delivered as part of the post-hospital discharge support program.

While our ongoing cost-containment efforts kept the average medical plan rate renewal increase below 4%, we also continue to have fruitful conversations with the Denominational Health Plan (DHP) Task Force that was created by the 80th General Convention. The task force is studying aspects of the DHP to determine if there are ways to deliver competitive healthcare at more affordable rates. The *Denominational Health Plan Annual Report* offers greater insight into our most recent accomplishments and our plans to pursue additional opportunities.

As the employee benefits landscape evolves, we remain committed to keeping pace. Our move to web self-service has been well-received, and we plan to add new features in the years ahead. While we continue to look for ways to make it easier for our members to manage their benefits, we will stay focused on containing healthcare costs.

Chief Operating Officer Frank Armstrong provides updates on CPG's businesses and operations including the DHP Taskforce.

Watch video at *youtu.be/yBUYqHYMzWE*

$432 million

Benefits paid to clergy and lay employees this fiscal year[1,5]

100%

US dioceses that participate in the Denominational Health Plan[2]

90%

Share of US Episcopal churches insured by Church Insurance Companies[2]

1 April 1, 2022, to March 31, 2023
2 As of March 31, 2023
5 Includes pension and other benefits (e.g., medical supplement, life insurance, etc.) paid for clergy, lay employees, and their dependents

Spotlight on Lay Employees

We are making an intentional effort to track lay employee compensation patterns. Our first ever *Lay Employment and Compensation Report* provides an overview of the demographic, geographic, and compensation differences among those enrolled in The Church Pension Fund retirement plans. We are also working to raise awareness among lay employees about the many benefits, products, and services available to them. (See graphic on right.)

Business Update: Property and Casualty Insurance

Offering affordable property and casualty insurance that provides adequate coverage to a wide range of Episcopal churches and institutions is a delicate balancing act for Church Insurance Companies. We help clients manage the cost of coverage by educating them about proactive steps they can take to keep their properties in good condition, so the likelihood of loss is reduced.

Insurance coverage is only one of the tools institutions can use to protect their buildings and people. We partner with all our clients to help them see what they can do to reduce the financial impact of a storm or other occurrence. For example, we provide checklists in advance of major weather events to help clients easily take precautions.

Our hands-on approach to support and service likely explains why, year after year, we retain close to 98% of our clients, which is substantially higher than the industry standard. Numbers like this give us confidence that our approach is working, and we plan to continue it as we explore even better ways to communicate and serve.

Property and casualty insurance costs are increasing industry wide due to more frequent and severe weather-related events. We also are seeing steep increases in construction costs that could affect future premiums. Church properties and Church Insurance are not immune to these trends. Most clients can expect to see increases to premiums in the coming year. But they will experience an increase in service and support as well.

This year, Church Insurance began the process of upgrading billing, claims, data, and other systems. Once complete, the new processes will enable easier and faster communication with our clients and will help our agents collect property details in real time before and during walkthroughs of Church-owned properties.

We also increased our focus on education so every client and potential client understands the importance of coverage, the cost of coverage, and the tradeoffs they can make to ensure appropriate coverage with rates and deductibles that they can afford. Lower premiums are not always the answer, particularly when they come with higher deductibles that can be impossible to fund when surprise disasters strike.

Benefits Support for Lay Employees

Benefits
- Lay DC Plan
- Lay DB Plan
- Retirement Savings Plan (RSVP)

Insurance
- Disability
- Life

Events
- Retirement workshops and webinars
- Benefits education programs
- Financial literacy and wellness

Account Management
- Web self-service
- One-on-one client support
- Retirement tools

eLearning
- Finance and retirement
- Health and well-being
- Benefits

Financial Guidance
- Fidelity Investments
- Financial education specialists

Healthcare
- Active and retiree plans
- Medical, Rx, vision, dental
- Additional participant benefits

Cyber risk is another topic that we have continued to address through client education and policy coverage. With plate and pledge donations now increasingly digital, it is critical that institutions understand how to protect donor information from privacy breaches and identity theft.

Our Church properties and people play important roles in the communities they serve. Church Insurance exists to help the Church identify, understand, and manage risks to both. We look forward to continuing to serve in the years ahead as ongoing and emerging risks require expert insight, education, collaboration, and coverage.

Prepared to Swoop In

"The Diocese of Southwest Florida had 22 churches damaged by Hurricane Ian. Church Insurance was immediately on the ground providing contractors and insurance payments to these congregations, which gave peace of mind. Church Insurance focused on our buildings so we could focus on our people.

"I am convinced that without Church Insurance and their quick response to the hurricane, many of these 22 churches would be facing closure. Instead, they continue to serve their communities and are looking forward to the day that they can return to worship in their beautiful sanctuaries."

—Michael Booher, Chief Financial Officer, Diocese of Southwest Florida

Florida's Central Gulf Coast Diocesan Administrator Dwight Babcock discusses the support of The Church Insurance Companies and how it has helped his diocese manage the impacts of climate change.

Watch video at *youtu.be/tqj9ItQCvN8*

Business Update: Publishing

Airié Stuart, Senior Vice President and Publisher of Church Publishing Incorporated (CPI), talks about what drives her to bring the principles and values of The Episcopal Church to the widest possible audience.

When I became the head of Church Publishing, I saw an opportunity to grow the impact of a progressive Christian publisher whose purpose is, put simply, to do good in the world. I had run a multi-market publishing company, and I knew that CPI had powerful potential to reach multiple audiences on topics of importance to The Episcopal Church.

Since I joined in 2020, a new editorial strategy focused on market-specific content has expanded our impact. The editorial team's goal is to maximize thought leadership, support the inspiring work of scholars, champion important voices, and develop content creators on a wide variety of topics that appeal to Episcopal readers and beyond. New titles are generating attention and positive reviews across a range of media. We have been able to expand the visibility of our work around the country and sow seeds around the world. A recent webinar we hosted on practical guidance to begin the work of reparations is a good example of how a book can facilitate dialogue and address the needs of the Church.

We are excited about the future of Church Publishing, and the role it can play in supporting clergy and lay employees of The Episcopal Church in their calling to spread the gospel, and in introducing other audiences to scholarly, professional, and general interest topics such as theology, spirituality, social justice, and leadership.

In the effort to expand our reach and serve a wider audience of readers, we have built a new mechanism to deliver our content on demand to people all over the world, and we have established new relationships with booksellers and libraries. Our commitment to growing access includes offering translated work and ensuring the widest possible readership. Recent publications of the new Spanish and French translations of *The Book of Common Prayer,* and a globally available bilingual selections edition, are a focus for us in this regard. We look forward to building our international impact.

We are extremely appreciative of the feedback and support we receive from our community. We are committed to listening and learning every day.

1,040

Products and titles offered by Church Publishing Incorporated[2]

[2] *As of March 31, 2023*

Author's Corner: Kwok Pui-lan

The Archbishop of Canterbury has honored Kwok Pui-lan for her contributions to Asian feminist and postcolonial theology. Having embraced the Anglican faith in her native Hong Kong while it was still under British rule, she focuses her research on the colonial legacy of the Anglican Church and its implications in the 21st century. Her forthcoming book, *The Anglican Tradition from a Postcolonial Perspective* (from Seabury Books, an imprint of Church Publishing), is the first book by a non-Western Anglican female scholar about the challenges facing the Anglican Communion.

"I think that it is important to understand where we are by looking back from the lessons of history. Without knowing the past, we will not have the insights and wisdom to envision the future," Professor Kwok says.

KwokPui-lan is Dean's Professor of Systematic Theology at Emory University. She is a former president of the American Academy of Religion and author or editor of more than 20 books in Chinese and English.

The Church Pension Fund
Board of Trustees

Canon Kathryn McCormick[1, 4, 5]
Chair, The Church Pension Fund Board of Trustees
Canon for Administration & Finance,
Episcopal Diocese of Mississippi (retired)
Jackson, Mississippi

The Very Rev. Samuel G. Candler[2, 5, 7, 8]
Dean, The Cathedral of Saint Philip
Episcopal Diocese of Atlanta
Atlanta, Georgia

Canon Rosalie Simmonds Ballentine, Esq., DHL[1, 3, 5, 7, 8]
Vice Chair, The Church Pension Fund Board of Trustees
Attorney, Law Office of Rosalie Simmonds Ballentine, PC
St. Thomas, US Virgin Islands

The Rt. Rev. Clifton Daniel III[3, 6]
Dean, The Cathedral Church of
Saint John the Divine (retired)
Fort Lee, New Jersey

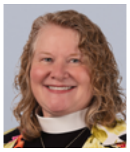
The Rt. Rev. Brian N. Prior[1, 4, 5]
Vice Chair, The Church Pension Fund Board of Trustees
Assisting Bishop, Episcopal Diocese of Alabama
Assisting Bishop, Episcopal Diocese of Olympia
Spokane Valley, Washington

The Rt. Rev. Ian T. Douglas, PhD[2, 4]
Bishop, The Episcopal Church in Connecticut (retired)
Vineyard Haven, Massachusetts

The Rt. Rev. David A. Álvarez, MDiv, PsyD[2, 3]
Bishop, Episcopal Diocese of Puerto Rico (retired)
Carolina, Puerto Rico

Delbert C. Glover, PhD[1, 3, 6]
Vice President, DuPont (retired)
Washington, DC

The Rev. Brendan Barnicle, DMin[2, 6, 7]
Rector, St. Francis of Assisi Episcopal Church
Wilsonville, Oregon



The Rev. Amy Haynie[3, 4]
Rector, Saint Nicholas' Episcopal Church
Midland, Texas

The Rt. Rev. Diane M. Jardine Bruce, DMin, DD[1, 4, 5]
Bishop Provisional,
Episcopal Diocese of West Missouri
Kansas City, Missouri

The Rt. Rev. Julio Holguín[4, 6]
Bishop, Episcopal Diocese
of the Dominican Republic (retired)
Santo Domingo, Dominican Republic

The Very Rev. Cynthia Briggs Kittredge, ThD[3, 6]
Dean and President/CEO, Seminary of the Southwest
Austin, Texas

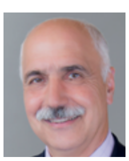
Ryan K. Kusumoto[1, 5, 6]
President and CEO, Parents And Children Together
Honolulu, Hawaii

The Rev. Gawain F. de Leeuw, DMin, OA[3, 6]
Vicar and Priest-in-Charge, Holy Trinity Church Inwood
New York, New York

John McCray-Goldsmith[2, 3]
Managing Director, Wells Fargo Investment Portfolio
San Francisco, California

Sandra Ferguson McPhee, Esq.[1, 4, 5]
Attorney, Law Offices of Sandra Ferguson McPhee
Kennebunk, Maine

Yvonne O'Neal[3, 6]
Social Justice Advocate
Financial Consultant (retired)
New York, New York



Solomon S. Owayda[1, 2, 3]
Founding Partner, Mozaic Capital Advisors
Boston, Massachusetts

The Rt. Rev. Gregory H. Rickel[2, 4]
Assisting Bishop, Diocese of Southeast Florida
VIII Bishop of Olympia (resigned)
Ft. Lauderdale, Florida

The Rev. Austin K. Rios[2, 6]
Rector, St. Paul's Within the Walls Episcopal Church
Convocation of Episcopal Churches in Europe
Rome, Italy

Canon Anne M. Vickers[2, 6]
Canon for Finance and Administration,
Episcopal Diocese of Southwest Florida (retired)
Tampa, Florida

The Hon. Linda E. Watt[3, 4]
US Ambassador (retired)
Former Chief Operating Officer,
Domestic and Foreign Missionary Society
Weaverville, North Carolina

The Very Rev. Sandye A. Wilson[2, 4]
Dean, The Cathedral Church of All Saints
Episcopal Diocese of the Virgin Islands
St. Thomas, US Virgin Islands

Mary Katherine Wold, Esq.[1, 2, 4, 6, 7]
Chief Executive Officer and President,
The Church Pension Fund
New York, New York

[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

Church Pension Group
Officers & Principal Advisors

CPG's executive leadership team works with the CPF Board in determining the strategic direction of the organization, which drives the efforts of all officers and their units.

Church Pension Group Officers*

Chief Executive Officer and President
Mary Katherine Wold

Executive Vice Presidents
Francis P. Armstrong
The Rev. Clayton D. Crawley
Theodore J. Elias, Jr.
Patricia S. Favreau
Nancy L. Sanborn
Roger A. Sayler
Ellen M. Taggart

Senior Vice Presidents
The Rev. Patrick S. Cheng
Jeffrey Cianci
Jocelyn Donat
Kathleen Floyd
Steven J. Follos
TraceyAnn L. Harvey
Martin Hossfeld
Laurie Kazilionis
Margarita Monegro
Elliot Orol
Matthew J. Price
William Psinakis
C. Curtis Ritter
Ann Robinson
Christopher Rourke
John Servais
Airié Stuart
Karen Vitale
Renee D. Ward

Managing Directors
John Angelica
Sharon Chiu
Brian Jandrucko
Rhonda Kershner
Vikram Kuriyan
Eric Mason
Stephen T. Poulos
Sajith Ranasinghe
Christopher Rowe
Robert Smulowitz
Alan Snoddy
Mark Valery
June Yearwood

Vice Presidents
Rezina Ali
James Almy
Carolyn Bendana
Nancy Bryan
Deborah Burnette
Renee Cajigal-Delgado
Sean Chatterton
Anthony Cota
Gerald Delk
Edward A. Feliciano
Robert Flannery
Camille Fredrickson
John Gallo

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, Church Pension Group Services Corporation, and Church Publishing Incorporated, between April 1, 2022, and March 31, 2023.

Max Giacomazzi
Angela L. Harris
Kenneth Jacobson
Stacie Joh
Alan Johnson
Linda A. Knowlton
Lisa LaRocca
Lianne Limoli
William M. Lodico
Jeffrey Lyngaas
Kirk Mason
Debbie Massi
Danette Patterson
Louanne Piccerill
Pat Rasile
Shawn Rawa
Tobias Ruffin
Jack Rutledge
John Scheffler
Andrew Scherer
Beena Shaffie
Paul W. Stephens
Andrea W. Still
Wilson Townsend II
Timothy Vanover
Joyce Flournoy Wade
Lisa Yoon

Assistant Vice Presidents

Aloyse Brown
Rachel Christmas Derrick
Darryl Gaskins
Michael Guardiola
Laurie Harwell
Maria Herrera
Jill Hoffman
Reid Howard
Jeanne-Marie Istivan-Scanlon
Adam Knapp
William Lamb
Michelle Langone
Rose Lawson
Anita Manbodh
Jeannette Marsh
Marie McGurk
Alicia McKinney
Romit Mukherjee
Parul Parmar
The Rev. Laura Queen
Stephen Tihor
Janet Todd
Tressa Violetto
Isabella White
Karen Yuen

Alan F. Blanchard, *President Emeritus*
David R. Pitts, *Chair Emeritus*

Principal Advisors

Custodian
The Northern Trust Company

Independent Auditors
Ernst & Young LLP
Johnson Lambert LLP

Pension Actuary
Buck Global, LLC

Health Plan Actuary
Aon

Those We Serve

13,928

Active (5,607) and retired (8,321) clergy participants in defined benefit plans[3]

2,849

Active (936) and retired (1,913) lay participants in a defined benefit plan[2]

2,088

Active clergy participants in defined contribution plans[6]

12,631

Active lay participants in defined contribution plans[6]

23,412

Active (18,828) and retired (4,584) lay participants with CPG benefits[6]

10,111

Episcopal institutions served by CPG[2]

Steadfast Support

$432 million

Benefits paid to clergy and lay employees[1,5]

$216 million

Medical claims paid by The Episcopal Church Medical Trust for self-insured plans[4]

1,289

Pandemic pension assessment waivers granted[2]

15,455

Number of people who participated in CPG-sponsored events or financial discussions[4]

4,855

Visits to retirees by Chaplains to the Retired[4]

Financial Strength

$17.0 billion

The Church Pension Fund's investment portfolio assets[2]

Our Lines of Business

100%

Domestic dioceses that participate in the Denominational Health Plan

90%

Share of US Episcopal churches insured by The Church Insurance Companies[2]

1,040

Products and titles offered by Church Publishing Incorporated[2]

[1] April 1, 2022, to March 31, 2023

[2] As of March 31, 2023

[3] As reported in the Actuarial Valuation Report dated March 31, 2023. The participant count in the report is as of December 31, 2022.

[4] January 1, 2022, to December 31, 2022

[5] Includes pension and other benefits (e.g., medical supplement, life insurance, etc.) paid for clergy, lay employees, and their dependents

[6] As of December 31, 2022

Denominational Health Plan
Annual Report

Since its inception, the *Denominational Health Plan (DHP)* has offered valuable healthcare coverage to members. *The Episcopal Church Medical Trust (Medical Trust),* which administers the DHP, has delivered on its responsibilities to manage overall healthcare costs, work with The Episcopal Church to achieve parity in cost sharing between clergy and lay employees, and reduce healthcare premium disparity among dioceses. While the DHP continues to meet its objectives, the Medical Trust recognizes that healthcare can create financial burdens and remains focused on addressing costs.

The Medical Trust continues to provide broad access to high-quality benefits and consistent service, balancing compassionate care with financial stewardship for the Church.

Download English PDF

Descarga PDF en Español

Background

The General Convention of The Episcopal Church passed Resolution A177 in 2009, followed by Resolution B026 in 2012, requesting that the Medical Trust administer a national healthcare plan and provide an annual status report. These resolutions

- established the DHP for all domestic dioceses, parishes, missions, and other ecclesiastical organizations or bodies subject to the authority of this church, covering clergy and lay employees who are scheduled to work a minimum of 1,500 hours annually;
- required dioceses to ensure parity in cost sharing between clergy and lay employees; and
- requested that the Medical Trust continue to reduce the disparity of health care premiums among dioceses.

In addition, Resolution 2018-C023 requested that the Medical Trust strive to make available at least two national health insurance carriers in each diocese.

Task Force to Advise the Church on the Denominational Health Plan

The 80th General Convention of The Episcopal Church passed Resolution D034, requiring a Task Force to Advise the Church on the Denominational Health Plan (DHP Task Force) to review the structure and offerings of the DHP and report back to the

81st General Convention with a list of options to reduce healthcare costs across the Church, with a full explanation of the reasoning, costs, and benefits of each option.

Church Pension Group (CPG) supported the creation of this Task Force, which includes CPF Board Chair Kathryn McCormick and CPG Chief Operating Officer Frank Armstrong among its members. CPG is excited to collaborate with the Church as it further discusses, studies, and discerns the issues and opportunities to consider for providing healthcare to clergy and lay employees.

Value of the DHP

The DHP provides features that are not typically offered in US corporate plans or state-based healthcare exchanges:

- **Meaningful choice –** The DHP allows dioceses greater flexibility in choosing options from the array offered by the Medical Trust. This includes a mix of platinum, gold, and silver plans, and a choice between two pharmacy plan designs.
- **Comprehensive benefits –** In addition to comprehensive medical and pharmacy benefits, the DHP includes an Employee Assistance Plan (EAP) along with vision, hearing aid, travel medical assistance, health advocacy, and optional dental plans.
- **Broad, comprehensive networks –** The DHP continues to offer plans with broad, comprehensive national networks (Anthem and Cigna), plus a regional plan (Kaiser). Other US employers, and certainly state-based exchanges, offer smaller provider networks and stricter utilization management. Although these plans are lower in premium cost, there is a meaningful tradeoff in participant choice, access, and benefits.

COVID-19 Response and Outlook

The effects of COVID-19 continued to have a major impact on US healthcare and the DHP. In 2022, the Medical Trust paid $4.4 million in COVID-19 claims.[1]

While the nation emerged from the pandemic in 2022, the Medical Trust continued to bear significant costs related to COVID-19 claims, including ongoing testing, vaccinations, and acute and chronic "long COVID" treatment.

Controlling Healthcare Costs

The Medical Trust recognizes that healthcare can create financial burdens, and it remains committed to providing the lowest possible contributions while maintaining competitive coverage for its members.

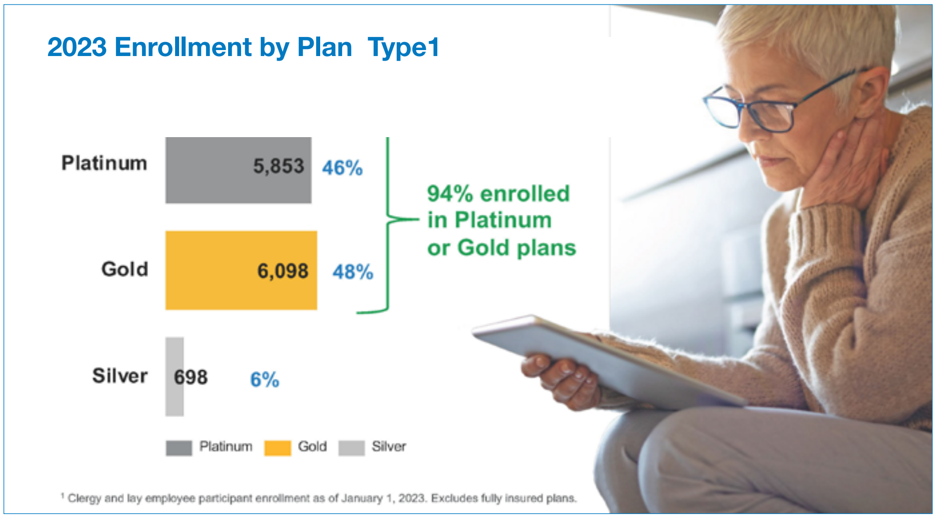
Cost increases for the Church continue to be on the lower end of annual national trends. The Medical Trust delivered an average annual increase of 4.4% for 2023, compared to an estimated national trend of 5.6% to 8%[2]. This is especially noteworthy because DHP claim costs have historically been about 20% higher than the average US employer. These higher claim costs are driven by three main factors:

- *Older population* – The median age of participants covered by the DHP is 52, compared to 42 across the broader US population. Older members are more likely to utilize healthcare services, including treatment for chronic conditions, leading to higher claims costs.

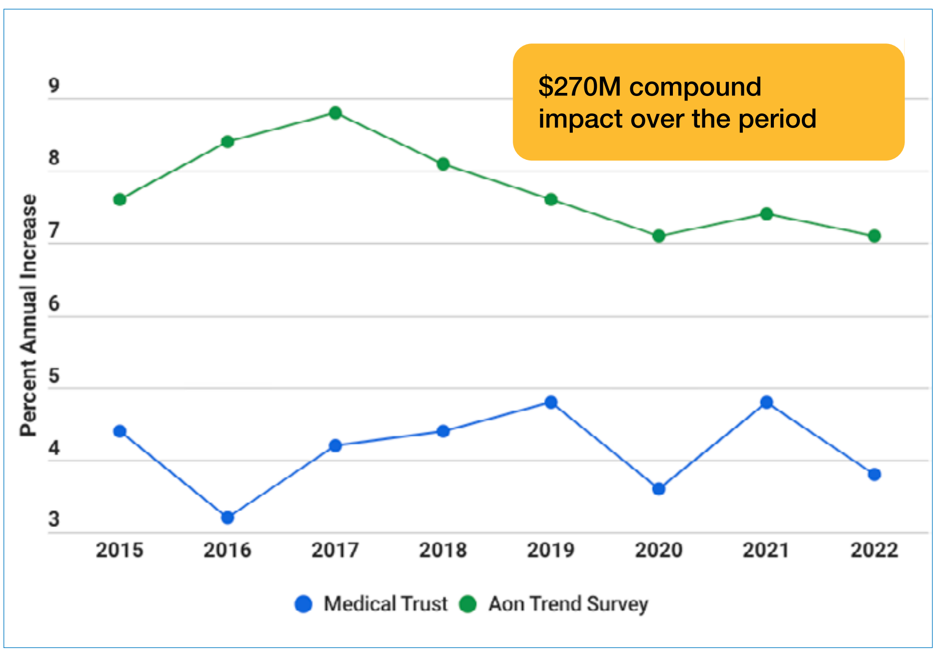
Despite higher claims costs, the Medical Trust's efforts to manage overall costs and mitigate annual increases has kept DHP cost increases on the lower end of national trends.

[1] *Does not include COVID-19 claims paid by government or public health entities.*
[2] *Custom comparison includes companies from charities and nonprofit, higher education sectors.*

- *More generous plans* – As US employers generally shift to coverage with higher member out-of-pocket costs, 94% of DHP members are enrolled in our most generous plans, which feature the lowest member out-of-pocket cost share.
- *Higher specialty prescription cost* – The specialty percent of pharmacy plan costs for the DHP is 64.5% compared to 59.4% for peers in the Church Benefits Association.



Since the DHP's inception, annual average cost increases have ranged from 4% to 6%, versus 7% to 9% for other large employers during the same period. The chart below shows this comparison since 2015, which results in a $270 million compounded impact.



Lower administrative costs. In 2022, 93%+ of contributions went toward paying claims, and the remaining portion went toward fixed administrative costs to health plans (access to national networks, claims processing, member service, etc.) and internal operations (plan sponsor and administrative responsibilities, billing and collections, call center, etc.). The DHP allows the Church to provide healthcare to clergy and lay employees similarly to US corporate employers by removing certain costs typically borne by employers (state premium taxes, commission fees, and risk/profit margin).

Lower costs compared to state-based individual exchanges. In 2022, overall Medical Trust contributions were about 8% lower than average premiums for similar plans (i.e., broad network access and out-of-network benefit option) available on the exchanges for a similar demographic and geographic profile. It is important to note that most plans offered on the exchanges have narrow networks and in-network only options, which reduces costs by restricting access to a select number of physicians and hospitals. Medical Trust health plans also offer additional benefits not offered by exchange plans such as vision, hearing aid coverage, and advocacy services.

Economies of scale help contain costs. The DHP aggregates the purchasing power of Episcopal employers, which lowers overall healthcare rates for participating groups. In 2022, the DHP held steady on its ability to bargain for the Church by maintaining 13,000 active clergy and lay employees in its healthcare plans.

Consultations with CPG professionals guide benefits administration. Since 2014, all domestic dioceses participate in the DHP and receive support from the Medical Trust for annual benefits planning and strategies to achieve parity in funding healthcare benefits for clergy and lay employees.

Multiple cost-saving initiatives. Over the course of the DHP, the Medical Trust has implemented various measures to maintain low annual increases without raising out-of-pocket costs and/or watering down access or care for members, including

- continued participation in prescription drug purchasing coalition with other denominations;
- implementation of the SaveOnSP manufacturer copay assistance program;
- implementation and promotion of the Medicare Secondary Payer Small Employer Exception Plans;
- requirement of appropriate utilization management to ensure optimal outcomes and use of evidence-based treatments; and
- partnership with another denomination on a request for proposal (RFP) for an employee assistance plan (EAP) vendor, which resulted in lower costs and enhanced service.

Reducing Cost Disparity

Resolution 2012-B026 reaffirmed the Denominational Health Plan and encouraged the Medical Trust to explore alternative strategies to arrive at a more equitable sharing of healthcare costs across the Church.

The DHP works to minimize cost disparities among dioceses. For example, without the DHP, geographic and demographic factors alone would result in a much wider cost disparity between dioceses, with many dioceses likely experiencing increases as high as 40% or more above current average rates.

Analysis by an external consultant confirmed that the Medical Trust—given the age, gender, family size, geography, and plan value—is 3% more efficient compared to the marketplace. While Resolution B026 limits our ability to be as competitive in all dioceses and the Medical Trust may not be the least expensive plan for every diocese, the DHP has achieved the intent of the resolution by reducing cost disparities among dioceses.

As represented in the graph below, disparity in healthcare costs between the highest-priced and lowest-priced dioceses remained relatively flat for 2022:

- For the same plans, 73% of dioceses fall between approximately 10% above or below the average Medical Trust rates (down by 1% since 2021). The Medical Trust strives to keep most dioceses within this range.

- Rates paid by 27% of dioceses fall 10% or more below the average Medical Trust rate for the same plans (up by 1%). This is mostly driven by the need to remain competitive with local market premiums in those dioceses as well as member demographics, geographic cost of healthcare, and claims history.

Reduce Cost Disparity – Current Distribution*

Difference from Average Rate	Current Distribution
-31%+	0
-21% to -30%	6
-11% to -20%	22
-10 to +10%	74
11% to 20%	0
21% to 30%	0
31% +	0
Total	**102**

** Figures exclude the Diocese of Hawaii since plan is fully insured as required by state law*

Fund for Medical Assistance for Nondomestic Dioceses

In 2022, The Church Pension Fund granted a total of $83,200 from the Fund for Medical Assistance to pay for healthcare expenses not covered by public or private insurance for eligible participants in nondomestic dioceses. These grants provide greater financial security to protect the health of those who receive them.

Benefit Changes and Enhancements

Changes to Prescription Drug Cost Sharing

Over the last three years, analysis shows that Medical Trust member cost share for non-specialty drugs has decreased by 15% due to fixed copays. To account for these additional costs to the plan, effective January 1, 2023, the Standard Rx options are coinsurance-based (versus copay-based) with maximum amounts to protect members from excessive costs and minimums to drive plan savings. The Premium Rx option continues to be based on copays; however, copay amounts for non-generic drugs increased. Additionally, all prescription drug plan designs added a new cost sharing tier for specialty drugs.

Changes to How Specialty Drugs Are Covered

With typical benefit plans, some specialty drugs are covered by the medical channel of the plan, while others are covered by the pharmacy channel. This leads to confusion about how to access the specialty medication and poses cost containment challenges. With our Anthem and Cigna medical plans, certain specialty drugs are now excluded from the medical benefit and are instead covered exclusively within the Express Scripts pharmacy benefit. This “medical channel management” results in more consistent clinical coverage criteria, better management of healthcare services, and cost savings.

New Services for Musculoskeletal Health (effective October 2022)

Treatment of musculoskeletal conditions is one of the Medical Trust's top claim costs. The Medical Trust added the following new services for Anthem and Cigna members to help reduce costs and increase quality of care:

- *Hinge Health* – This program provides convenient digital solutions for musculoskeletal pain or injuries with no member cost sharing. Members have access to a personal care team, including physical therapists and health coaches, virtual physical therapy sessions, and wearable technology that gives live feedback and tailors exercise recommendations to the member's individualized care plan.
- *Expert Second Opinion* – Hinge Health provides a medical expert review for back, knee, or hip surgeries. A second opinion option for major medical treatments and costly surgeries can lead to better patient outcomes and help control costs.

Additional Plan Enhancements

The following benefit enhancements were effective January 1, 2023:

- The lifetime benefit maximum for fertility benefits is a combined $50,000 for medical and prescription drugs (previously a lifetime benefit maximum of $10,000 for medical and $10,000 for prescriptions). This provides greater choice to members in how they use their benefit.
- The benefit for hearing aid devices increased to a maximum of $3,000 every three years. Additionally, there is no longer a per ear maximum (previously $1,500 per ear).
- The annual allowance for frames and contact lenses increased to $200 (previously $150).
- Medical Trust plans now cover travel vaccines for personal travel.

The Way Forward

In addition to its ongoing efforts to enhance benefits while containing costs, the Medical Trust is exploring opportunities that could improve member benefits and/or further manage costs, including:

Healthcare Navigator

Poor healthcare decisions can lead to higher costs and be detrimental to the health and well-being of members. A navigator serves as a single point of contact for members and helps them to overcome barriers, engage more effectively with providers, and experience better health outcomes. As part of this initiative, the Medical Trust is examining *Social Determinants of Health* to identify ways we can help members achieve positive outcomes.

We embarked on an RFP process in 2023 and are planning to go live with the Healthcare Navigator in 2025.

Pharmacy Benefit RFP

As part of the purchasing coalition of the *Church Benefits Association,* an organization dedicated to best practices at denominational boards and benefit plans, the Medical Trust is engaged in an RFP for pharmacy benefit management services. The goal is to obtain competitive financial offers and evaluate vendors who will provide high-quality service to the Medical Trust and its members.

In Summary

The outlook for the DHP remains positive. The DHP continues to provide valuable benefits with a broad array of nationwide networks at a cost that is difficult to match for the level of benefits our members receive.

We continue to monitor the healthcare environment, current trends, inflation, and supply chain issues that may have an impact on costs. We remain focused on providing comprehensive, cost-effective health benefits, improving member engagement and health outcomes, and complying with applicable laws and best business practices.

The Denominational Health Plan in a Snapshot*

1 Affordable Healthcare

- Medical Trust helps ensure that contributions are sufficient to fund health claims.
- Medical Trust closely watches industry trends to control costs.
- Medical Trust plans avoid commissions.
- More than 90% of every premium dollar is used to pay healthcare claims.
- Episcopal employers are relieved of many administrative burdens.

2 Comprehensive Coverage

- Medical, behavioral health, pharmacy, vision, dental, hearing
- Tailored packages, portable plans, broad access to health-care providers
- Range of pricing options (platinum, gold, silver plans)
- Variety of rate tiers (single, family, etc.)

3 Robust Cost Containment

- Average age in DHP is 52* vs. 42 national average
- Despite demographics, costs are lower than expected
- Medical Trust average rate increases: single-digit range
- Below-market increases amid benefit enhancements
- Continued reduction in healthcare cost disparity between highest- and lowest-priced dioceses

**As of May 31, 2023*

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

Combined Financial Statements
Years Ended March 31, 2023 and 2022
Report of Independent Auditors

Ernst & Young LLP

Building a better working world

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

TABLE OF CONTENTS

Ernst & Young LLP
One Manhattan West
New York, NY 10001-8604

Tel: +1 212 773 3000
ey.com

Report of Independent Auditors

Board of Trustees of
The Church Pension Fund

Opinion

We have audited the 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, 2023 and 2022, and the related combined statements of changes in net assets available for benefits for the years then ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the net assets available for benefits 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, 2023 and 2022, and the changes in its net assets available for benefits for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent 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 and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Building a better
working world

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Ernst & Young LLP

July 20, 2023

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

COMBINED STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
MARCH 31, 2023 AND 2022

	2023	2022
ASSETS		
Investments, at fair value	$ 16,533,799,498	$ 18,009,509,832
Receivables and other assets:		
Receivable from brokers	32,925,628	101,080,704
Assessments receivable, less allowance for doubtful accounts (2023 – $465,000; 2022 – $537,000)	2,324,059	2,605,999
Accrued investment income and other assets	74,329,048	61,369,665
Cash and cash equivalents	747,000,696	729,363,573
TOTAL ASSETS	$ 17,390,378,929	$ 18,903,929,773
LIABILITIES		
International Clergy Pension Plan	$ 180,409,297	$ 205,445,911
Payable to brokers	32,508,290	106,812,448
Accrued expenses and other liabilities	175,933,058	222,723,756
Total liabilities	388,850,645	534,982,115
TOTAL NET ASSETS	$ 17,001,528,284	$ 18,368,947,658
COMPONENTS OF NET ASSETS		
Net assets with donor restrictions:		
Legacy and gift fund	$ 47,211,762	$ 49,647,417
Total net assets with donor restrictions	47,211,762	49,647,417
Net assets without donor restrictions:		
Legacy and gift fund	32,858,297	34,734,020
Total net assets without donor restrictions	32,858,297	34,734,020
Internally designated:		
Clergy Post-Retirement Medical Assistance Plan	1,040,842,731	968,208,654
Clergy Life Insurance Plan	269,790,865	312,802,668
Benefit Equalization Plan	58,579,848	75,660,412
Clergy Child Benefit Plan	12,088,400	12,065,162
Clergy Short-Term Disability Plan	4,280,039	4,599,549
Clergy Long-Term Disability Plan	94,742,471	102,761,462
Designated for assessment deficiency	625,865,116	1,190,444,653
Investment in affiliated companies	149,898,577	170,403,469
Available for benefits:		
Net assets available for benefits:		
The Clergy Plan	14,016,094,626	14,822,517,319
The Episcopal Church Lay Employees' Retirement Plan	269,462,049	265,794,998
Staff Retirement Plan of the Church Pension Fund and Affiliates	379,813,503	359,307,875
Total net assets available for benefits	14,665,370,178	15,447,620,192
Total internally designated	16,921,458,225	18,284,566,221
TOTAL NET ASSETS	$ 17,001,528,284	$ 18,368,947,658

See accompanying notes to the combined financial statements.

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

COMBINED STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
YEARS ENDED MARCH 31, 2023 AND 2022

	2023	2022
ADDITIONS (REDUCTIONS) TO NET ASSETS		
Assessments	$ 100,996,991	$ 98,848,223
Interest	127,826,020	89,693,079
Dividends and other income	46,506,969	33,420,853
Net (depreciation) appreciation in fair value of investments	(1,060,008,098)	1,393,529,932
Total (reductions) additions to net assets	(784,678,118)	1,615,492,087
DEDUCTIONS FROM NET ASSETS		
Benefits and expenses:		
Pensions and other benefits	390,801,781	368,119,216
Medical supplement	30,737,341	39,224,567
Life insurance	18,987,181	18,419,444
Total benefits	440,526,303	425,763,227
Investment management and custodial fees	38,925,354	40,529,321
General and administrative	105,428,750	99,079,788
Total benefits and expenses	584,880,407	565,372,336
Other (additions) deductions:		
International Clergy Pension Plan	(22,408,964)	(302,134)
Other liabilities (assets)	20,270,206	(22,218,134)
Change in total net assets	(1,367,419,767)	1,072,640,019
OTHER CHANGES IN NET ASSETS		
Net assets with donor restrictions	2,435,656	(5,367,766)
Net assets without donor restrictions	1,875,723	(3,517,731)
Internally designated:		
Clergy Post-Retirement Medical Assistance Plan	(72,634,077)	(90,999,530)
Clergy Life Insurance Plan	43,011,803	31,115,502
Benefit Equalization Plan	17,080,564	(15,860,007)
Clergy Child Benefit Plan	(23,238)	(581,602)
Clergy Short-Term Disability Plan	319,510	274,979
Clergy Long-Term Disability Plan	8,018,991	(519,045)
Investment in affiliated companies	20,505,284	(12,020,785)
Assessment deficiency	564,579,537	17,264,203
Total changes in net assets available for benefits	(782,250,014)	992,428,237
Net assets available for benefits at beginning of year	15,447,620,192	14,455,191,955
NET ASSETS AVAILABLE FOR BENEFITS AT END OF YEAR	$ 14,665,370,178	$ 15,447,620,192

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 Church Insurance Company of Vermont, 1999; Church Pension Group Services Corporation, 2002.

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 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.

2. DESCRIPTION OF THE PLANS (CONTINUED)

The Church Pension Fund Clergy Pension 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. The Qualified Plans qualify as church plans under Section 414(e) of the Internal Revenue Code (the "Code"). 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.

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 under section 501(a) of the Code. 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, 2023 and 2022.

CPF maintains a master trust with an undivided ownership interest in the portion of CPF's assets allocable to (1) The Church Pension Fund Clergy Pension Plan benefits for vested 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 attributable to The Church Pension Fund Clergy Pension Plan is funded, as necessary, to be at least equal to the actuarial liability of the benefits payable under that plan to vested participants (retired and not yet retired) and their dependents. The portion of the master trust (1) attributable to the Lay Plan is funded by assessments paid by participating employers, and (2) attributable to the Staff Plan is funded at the discretion of CPF.

2. DESCRIPTION OF THE PLANS (CONTINUED)

The assets in the master trust can only be used to pay the plan benefits described above and certain plan expenses. As of March 31, 2023 and 2022, the master trust assets included in the combined statements of net assets available for benefits, relating to the plan benefits described above, amounted to $6.2 billion and $6.0 billion, respectively.

3. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

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 and balances with CPF 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.

A. Summary of Significant Accounting Principles

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

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.

3. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

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. 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 –Significant unobservable inputs; for example, investments in limited partnerships, 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 equity 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.

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.

Basis of Accounting

The combined financial statements are prepared based on the accrual basis of accounting.

3. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

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 restriction 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 identified for a specific purpose.

Reclassification

Certain amounts reported in the prior year financial statements have been reclassified to conform to the current year's presentation. Under Note 7, *Net Assets*, an additional category was added for the "Change in the Discount Rate." Previously, this was included in the category "Changes in Other Assumptions." The assessment deficiency is described under Note 7, *Net Assets* as it is an internally designated net asset. Previously, this was included under Note 8, *Accumulated Plan Benefit Obligations*.

Recently Adopted Accounting Standards

In February 2016, the FASB issued ASU 2016-02, *Leases (ASC Topic 842)*, which requires lessees to recognize a right-of-use (ROU) asset and a lease liability for all leases with terms of more than 12 months. A ROU is a lessee's right to use the underlying asset for the lease term. CPF adopted ASC Topic 842 effective April 1, 2022. Among other requirements, lessees are required to identify leases as either operating or finance and to recognize the following for all leases (with the exception of short-term leases) as of the date of adoption: 1) a lease liability, which is the lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and 2) a ROU asset, which is an asset that represents the lessee's ROU, or control of the use of a specified asset for the lease term. On adoption, CPF elected to utilize the year of adoption modified retrospective approach and recorded a cumulative-effect adjustment to the opening balance of Net Assets Available for Benefits of $0. CPF also elected to apply all practical expedients applicable to CPF in the updated guidance for transition for leases in effect at adoption, including using hindsight to determine the lease term of existing leases, the option to not reassess whether an existing contract is a lease or contains a lease and whether the lease is an operating or finance lease. As a result of such adoption, CPF recognized a ROU asset of $0.7 million and a lease liability of $0.7 million on April 1, 2022.

4. INVESTMENTS

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

	2023	2022
	(In Thousands)	
Common and preferred stocks	$ 798,828	$ 988,222
U.S. treasury securities	755,086	553,672
Municipal securities	18,944	18,161
Corporate bonds	399,013	391,450
Foreign government securities	181	1,387
Limited partnership interests:		
Real estate	2,172,472	2,140,452
Private equity	3,781,383	4,489,373
Other alternative investments	3,013,231	3,275,510
Commingled funds	5,362,122	5,895,563
Affiliated companies, equity interest	232,539	255,720
Totals	$ 16,533,799	$ 18,009,510

As of March 31, 2023 and 2022, CPF was not exposed to any significant concentration of risk within its investment portfolio.

Common and preferred stocks consist primarily of 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 consist primarily of investment securities issued by a corporate entity at a stated interest rate payable on a particular future date, such as bonds, convertible bonds, and collateralized mortgage obligations.

Foreign government securities include government securities and debt securities.

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

Real estate limited partnerships primarily include investments across all major property types including commercial properties, such as office, retail, hotel and land, residential properties and real and other assets such as energy, timber and royalties.

4. INVESTMENTS (CONTINUED)

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, (3) multi-strategy hedge funds that pursue multiple strategies and capture market opportunities and (4) fixed income funds. The redemption frequency is semi-annually and/or annually, and the redemption notice period can be from 90 to 360 days.

Certain 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, 2023, there were no significant general partners or investment managers that 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, 2023, CPF had open investment commitments to limited partnerships of $2.4 billion which are expected to be funded during future years. In this regard, from April 1, 2023 through April 30, 2023, CPF invested an additional $19.2 million in existing limited partnerships and made $48.2 million in 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 primarily include funds that invest in (1) long and short equity securities, (2) debt or debt-related securities, or (3) corporate bonds and other fixed income securities. The redemption frequency is daily, bi-monthly, monthly or quarterly, and the redemption notice period can be from 5 to 180 days; however, due to restrictions, the entire investment may not be redeemable within 180 days.

4. INVESTMENTS (CONTINUED)

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. Currency forward contracts are used to hedge foreign currency risk. Such futures and forward contracts trade on recognized exchanges and with recognized counterparties, respectively. Margin requirements are met by pledging cash and cash equivalents. The net amount of the open equity futures contracts aggregated approximately $0.3 billion short and $0.8 billion short and the net amount of open fixed income futures contracts aggregated approximately $1.3 billion long at March 31, 2023 and 2022. Currency forward contracts aggregated approximately $0.4 billion and $0.5 billion at March 31, 2023 and 2022, respectively.

The amounts of these instruments are indications of the open transactions and do not represent the level of market, foreign exchange, or credit risk to the portfolio. Since some of the futures and forwards 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, foreign exchange rates, or in the value of equity markets.

With respect to credit risk, futures and forward 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. Futures settlements resulted in losses of $27 million and $100 million for the years ended March 31, 2023 and 2022, respectively, and currency forward settlements resulted in gains of $15 million and losses of $17 million for the years ended March 31, 2023 and 2022, respectively. These transactions 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 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, 2022 and 2021, except for Church Pension Group Services Corporation, which is described for the years ended March 31, 2023 and 2022.

4. INVESTMENTS (CONTINUED)

Church Pension Group Services Corporation

Church Pension Group Services Corporation (CPGSC) provides certain services, primarily personnel, general and administrative processing 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, 2023 and March 31, 2022, the fair value of the condominium office space was $82.6 million and $85.4 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. 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 company, The Church Insurance Company of Vermont (CICVT) and through its product partners. 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 provide captive manager services. CIS is currently inactive. Mary Katherine Wold is the President and Francis P. Armstrong is Executive Vice President and Chief Operating Officer of each of The Church Insurance Companies.

---

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

4. INVESTMENTS (CONTINUED)

Financial Summary	December 31 2022	December 31 2021
	(In Thousands)	
Assets	$ 245,322	$ 250,234
Liabilities	172,493	160,971
Capital and surplus	72,829	89,263
Earned premiums	53,215	55,918
Net (loss) income	(6,430)	4,608

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. Church Life's insurance products historically included individual and group life insurance and individual and group annuity products. Group life and group annuity premiums comprise the majority of the premium revenue. Effective April 1, 2022, Forrest T. Jones ("FTJ") administers the individual life and individual annuity products on behalf of Church Life. Effective July 1, 2022, the group annuity contract between Church Life and CPF was terminated. All contract balances related to the group annuity were settled as of June 30, 2022. This resulted in a decrease to Church Life's assets and related liabilities by $94.3 million. Mary Katherine Wold is the President and Francis P. Armstrong is Executive Vice President and Chief Operating Officer of Church Life.

Financial Summary	December 31 2022	December 31 2021
	(In Thousands)	
Assets	$ 209,405	$ 309,408
Liabilities	141,334	231,557
Capital and surplus	68,071	77,851
Insurance in force	1,686,408	1,686,619
Earned premiums	30,924	36,438
Net (loss) income	(4,401)	7,377

4. INVESTMENTS (CONTINUED)

Church Publishing Incorporated

Church Publishing Incorporated (Church Publishing), established in 1918, is a multi-market publisher of church resources and official liturgical works for The Episcopal Church, trade books for general readers, and scholarly works. Subjects include leadership, social justice, inspiration, theology, financial wellness, Christian education, and others. Alongside the books program, Church Publishing provides a suite of electronic resources (RiteSong, RitePlanning, RiteFormation), lectionary inserts, and Christian calendars. Mary Katherine Wold is the President, and Francis P. Armstrong is Executive Vice President and Chief Operating Officer.

Financial Summary	December 31 2022	December 31 2021
	(In Thousands)	
Assets	$ 4,902	$ 5,665
Liabilities	9,010	9,051
Capital	(4,108)	(3,386)
Revenue	3,557	3,835
Net loss	(818)	(962)
Capital contribution received from CPF	500	2,600

5. FAIR VALUE MEASUREMENTS

The following tables provide information about the financial assets measured at fair value by general type as of March 31, 2023 and 2022:

	Assets at Fair Value Level 1	Level 2	Level 3	Total
		(In Thousands)		
March 31, 2023				
Common and preferred stock	$ 798,828	$ –	$ –	$ 798,828
U.S. treasury securities	–	714,676	40,410	755,086
Municipal securities	–	18,944	–	18,944
Corporate bonds	–	399,013	–	399,013
Foreign government securities	–	181	–	181
Limited partnership interests:				
Real estate	–	–	2,172,472	2,172,472
Private equity	–	–	3,781,383	3,781,383
Other alternative investments	–	–	3,013,231	3,013,231
Affiliated companies	–	–	232,539	232,539
	$ 798,828	$ 1,132,814	$ 9,240,035	11,171,677
Investments measured at net asset value				
Commingled funds				5,362,122
Total assets at fair value				$ 16,533,799

5. FAIR VALUE MEASUREMENTS (CONTINUED)

	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
	(In Thousands)			
March 31, 2022				
Common and preferred stock	$ 988,222	$ –	$ –	$ 988,222
U.S. treasury securities	–	494,581	59,091	553,672
Municipal securities	–	18,161	–	18,161
Corporate bonds	–	391,450	–	391,450
Foreign government securities	–	1,387	–	1,387
Limited partnership interests:				
Real estate	–	–	2,140,452	2,140,452
Private equity	–	–	4,489,373	4,489,373
Other alternative investments	–	–	3,275,510	3,275,510
Affiliated companies	–	–	255,720	255,720
	$ 988,222	$ 905,579	$ 10,220,146	12,113,947
Investments measured at net asset value				
Commingled funds				5,895,563
Total assets at fair value				$ 18,009,510

The following table summarizes all additions to Level 3 assets by general type for the years ended:

	Level 3 Purchases/Additions	
	March 31	
	2023	2022
	(In Thousands)	
Limited partnership interests:		
Real estate	$ 309,058	$ 368,383
Private equity	270,038	430,836
Other alternative investments	478,042	589,153
Affiliated companies, equity interest	500	1,000
Total	$ 1,057,638	$ 1,389,372

There were no transfers into Level 3 for the years ended March 31, 2023 and 2022. There were no transfers out of Level 3 for the years ended March 31, 2023 and 2022.

Limited Partnership interests in real estate, private equity and other alternative investments with a fair value of $9.0 billion as of March 31, 2023, 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.

5. FAIR VALUE MEASUREMENTS (CONTINUED)

Affiliated companies with a fair value of $233 million as of March 31, 2023, are valued by using the underlying financial statements of these companies. 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 and other ancillary benefits 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 all ICPP plans are held by CPF and are not part of the master trust (see Note 2).

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.

CPF also has administrative and investment agreements with The Episcopal Church of Liberia, Iglesia Anglicana de México, the Diocese of Puerto Rico (for the provision of retirement benefits for their lay employees only), and each of the five dioceses of the Iglesia Anglicana de la Region Central de America (IARCA). Each of these dioceses sponsors its own retirement plan.

The liabilities for these plans totaled $180.4 million and $205.4 million at March 31, 2023 and 2022, 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 or interest 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.

7. NET ASSETS (CONTINUED)

	Beginning of Year	Contributions and Investment Gains (Losses)	Expenses Paid and Other	End of Year
	(In Thousands)			
March 31, 2023				
Legacy and Gift Fund with donor restrictions	$ 49,647	$ (2,407)	$ (28)	$ 47,212
Legacy and Gift Fund without donor restrictions	34,734	(1,699)	(177)	32,858
Total	$ 84,381	$ (4,106)	$ (205)	$ 80,070
March 31, 2022				
Legacy and Gift Fund with donor restrictions	$ 44,280	$ 5,420	$ (53)	$ 49,647
Legacy and Gift Fund without donor restrictions	31,216	3,878	(360)	34,734
Total	$ 75,496	$ 9,298	$ (413)	$ 84,381

Internally Designated Net Assets

The Clergy Post-Retirement Medical Assistance Plan represents the estimated liability for a discretionary benefit that CPF has provided to eligible participants in the Clergy Plan and their eligible spouses to subsidize some or all of the cost to purchase medical and dental coverage. CPF has reserved the right, in its discretion, to change or discontinue this discretionary benefit.

Management engaged healthcare actuaries, Aon, to assist in estimating the liability for benefits under the Clergy Post-Retirement Medical Assistance Plan. The discount rate was 5.03% and 3.89% as of March 31, 2023 and 2022, respectively. The mortality table assumption is the same as utilized to calculate the accumulated benefit obligations for the Clergy Plan (see Note 8). Other significant assumptions included for this plan are the current and expected subsidy to provide for medical costs and the participation rate, which was 80% as of March 31, 2023 and 2022.

Effective January 1, 2022, medical and prescription drug coverage for most retired participants in the Clergy Plan is offered through a fully insured plan, UnitedHealthcare's Group Medicare Advantage 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.

7. NET ASSETS (CONTINUED)

The 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 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.

The Clergy Short-Term Disability Plan represents the estimated liability for the short-term disability benefit provided to eligible active clergy in the Clergy 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 Clergy Plan.

The amount designated for Clergy Plan 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 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.

No specific assets are designated to fund the Clergy Post-Retirement Medical Assistance Plan, the Clergy Life Insurance Plan, the Benefit Equalization Plan, the Clergy Child Benefit Plan, the Clergy Short-Term Disability Plan, the Clergy Long-Term Disability Plan payments or the Clergy Assessment Deficiency. These assets are internally designated for these purposes.

The significant assumptions utilized to estimate the liabilities include the discount rate and mortality table assumptions. The Clergy Life Insurance Plan, the Benefit Equalization Plan, the Clergy Child Benefit Plan, the Clergy Short-Term Disability Plan, the Clergy Long-Term Disability Plan and the Clergy Assessment Deficiency apply the same discount rate and mortality table assumptions as those utilized to calculate the accumulated benefit obligations for the Clergy Plan (see Note 8).

7. NET ASSETS (CONTINUED)

The following charts summarize the changes in the Net Assets described above for the years ended:

	Beginning of Year	Benefits Paid	Change in Discount Rate	Changes in Other Assumptions	Benefits Accumulated and Other	End of Year
			(In Thousands)			
March 31, 2023						
Clergy Post-Retirement Medical Assistance Plan	$ 968,209	$ (30,737)	$ (222,700)	$ 229,100	$ 96,971	$ 1,040,843
Clergy Life Insurance Plan	312,803	(18,940)	(41,109)	(482)	17,519	269,791
Benefit Equalization Plan	75,660	(2,457)	(9,659)	(939)	(4,025)	58,580
Clergy Child Benefit Plan	12,065	(888)	–	–	911	12,088
Clergy Short-Term Disability Plan	4,600	(964)	–	–	644	4,280
Clergy Long-Term Disability Plan	102,761	(2,115)	(13,710)	1,144	6,662	94,742
Assessment Deficiency	1,190,445	–	(472,615)	(19,683)	(72,282)	625,865
Total	$ 2,666,543	$ (56,101)	$ (759,793)	$ 209,140	$ 46,400	$ 2,106,189

For the year ended March 31, 2023, the Clergy Post-Retirement Medical Assistance Plan increased by $73 million as outlined in the table above. The $229 million increase to the liability under Changes in Other Assumptions includes a $233 million increase related to the increase in the expected subsidy (increase in medical costs), offset by insignificant changes in other assumptions.

	Beginning of Year	Benefits Paid	Change in Discount Rate	Changes in Other Assumptions	Benefits Accumulated and Other	End of Year
			(In Thousands)			
March 31, 2022						
Clergy Post-Retirement Medical Assistance Plan	$ 877,209	$ (39,616)	$ (120,200)	$ 260,000	$ (9,184)	$ 968,209
Clergy Life Insurance Plan	343,918	(18,330)	(28,954)	(502)	16,671	312,803
Benefit Equalization Plan	59,800	–	(2,785)	–	18,645	75,660
Clergy Child Benefit Plan	11,484	(734)	–	–	1,315	12,065
Clergy Short-Term Disability Plan	4,875	(282)	–	–	7	4,600
Clergy Long-Term Disability Plan	102,242	(2,169)	(115)	–	2,803	102,761
Assessment Deficiency	1,207,709	–	(337,779)	242,621	77,894	1,190,445
Total	$ 2,607,237	$ (61,131)	$ (489,833)	$ 502,119	$ 108,151	$ 2,666,543

For the year ended March 31, 2022, the Clergy Post-Retirement Medical Assistance Plan increased by $91 million as outlined in the table above. The $260 million increase to the liability under Changes in Other Assumptions includes a $267 million increase related to the increase in the expected subsidy (increase in medical costs), offset by insignificant changes in other assumptions.

7. NET ASSETS (CONTINUED)

For the years ended March 31, 2022, the Assessment Deficiency decreased by $17 million as outlined in the table above. The $243 million increase to the liability under Changes in Other Assumptions includes a $233 million increase related to the impact of the change in the COLA assumption.

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 2023 and 2022, had a fair value of $82.6 million and $85.4 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 (taking into account assumptions for death, disability, withdrawal or retirement) between the valuation date and the expected date of payment.

Accumulated plan benefit obligations are the estimated discounted present value of the 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. There were no significant plan amendments impacting the accumulated plan benefit obligations as of March 31, 2023 and 2022, other than the cost-of-living-adjustment (described further below).

- Discount rate:

The discount rate is 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 using the cashflows of the plans.

For the years ended March 31, 2023 and 2022, the discount rate was calculated using a yield curve based on high quality fixed income securities and the cashflows of each of the defined benefit plans. Prior to March 31, 2022, the discount rate was calculated using a high-quality bond index yield, adjusted for the difference in the duration between the bond index yield and the combined cashflows of the plans.

8. ACCUMULATED PLAN BENEFIT OBLIGATIONS (CONTINUED)

The change in the discount rates and the related impact of the change in the discount rates on the accumulated benefit obligations as of March 31 are as follows:

	Discount Rate as of March 31			Decrease to the Accumulated Benefit Obligations as of March 31	
	2023	2022	2021	2023	2022
Plan					
Clergy Plan	5.02%	3.89%	3.25%	$ (830,457)	$ (514,811)
Lay Plan	4.96	3.82	3.25	(27,247)	(16,053)
Staff Plan	4.98	3.84	3.25	(35,778)	(21,000)

For the year ended March 31, 2022, the decrease to the accumulated benefit obligations for the Clergy Plan, Lay Plan, and Staff Plan (in the table above) includes $305 million, $11 million and $14 million, respectively, for the change in the discount rate methodology.

- Cost-of-living adjustment (COLA):

	Cost-of-living-adjustment as of March 31		
	2023	2022	2021
Plan			
Clergy Plan	3.00%	3.00%	2.50%
Lay Plan	–	–	–
Staff Plan	–	–	–

For the year ended March 31, 2023, there was no change to the COLA assumption. For the year ended March 31, 2022, the COLA assumption was increased from 2.5% to 3.0% due to current economic outlook, resulting in an increase of $330 million in the accumulated benefit obligations of the Clergy Plan.

CPF Board of Trustees grants COLA at its discretion. The decision is made annually.

As of January 1, 2023, a 8.7% COLA was granted for retiree benefits compared to the 3.0% assumed COLA, resulting in an increase of $269 million in the accumulated benefit obligations of the Clergy Plan as of March 31, 2023.

As of January 1, 2022, a 5.9% COLA was granted for retiree benefits compared to the 2.5% assumed COLA, resulting in an increase of $155 million in the accumulated benefit obligations of the Clergy Plan as of March 31, 2022.

8. ACCUMULATED PLAN BENEFIT OBLIGATIONS (CONTINUED)

- Vesting for the years ended March 31, 2023 and 2022:

  – Clergy Plan: After five years of credited service or at age 65 or older while an active participant.

  – Lay Plan: After five years of credited service, at age 55 or older while an active participant, or the date the participant becomes eligible for disability retirement, whichever occurs first.

  – Staff Plan: After five years of credited service, or at age 65 or older while an active participant after completing 12 full calendar months of service as a regular full-time or regular part-time employee.

- Retirement for the years ended March 31, 2023 and 2022:

  – 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 55 with at least 5 years credited service; compulsory, at age 72.

  – Lay Plan: Normal, at age 65 and after; early, with reduced benefits at age 55.

  – Staff Plan: Normal, at age 65 and after; early, with no reduction at age 55 if combined years and months of credited service and age equals or exceeds 85; otherwise, early with a reduced benefit at age 55 with at least 5 years of credited service.

- Mortality for the year ended March 31, 2023:

  – Clergy Plan: The Pri-2012 Employee White-Collar Mortality Table was used for participants, the Pri-2012 Retiree White-Collar Mortality Table was used for retirees, and the Pri-2012 Contingent Survivor Mortality Table was used for retirees' spouses and beneficiaries. Special mortality tables were used for disability retirements.

  – Lay Plan: The Pri-2012 Employee Total Mortality Table was used for participants, the Pri-2012 Retiree Total Mortality Table was used for retirees, the Pri-2012 Contingent Survivor Table was used for retirees' spouses and beneficiaries and the Pri-2012 Disable Retiree Mortality Table was used for disability retirements.

  – Staff 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.

8. ACCUMULATED PLAN BENEFIT OBLIGATIONS (CONTINUED)

- Mortality for the year ended March 31, 2022:
  - Clergy Plan: 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 Plan: 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 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.

For the year ended March 31, 2023, the impact of the change in mortality table decreased the accumulated plan benefit obligations for the Clergy Plan by $122 million, and for the Lay Plan by $1.3 million. There were no changes to the mortality table for the Staff Plan.

For the years ended March 31, 2023 and 2022, the improvement in mortality was projected on a fully generational basis using Scale MP-2021.

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 are summarized as follows:

	Clergy Plan	Lay Plan	Staff Plan
	(In Thousands)		
March 31, 2023			
Vested benefits:			
Actuarial present value of accumulated plan benefit obligations for retired participants and their dependents	$ 4,447,425	$ 111,374	$ 98,033
Actuarial present value of accumulated plan benefit obligations for participants not yet retired and their dependents	1,492,407	85,385	97,301
Nonvested benefits	105,060	1,844	11,822
Total	$ 6,044,892	$ 198,603	$ 207,156

8. ACCUMULATED PLAN BENEFIT OBLIGATIONS (CONTINUED)

	Clergy Plan	Lay Plan	Staff Plan
	(In Thousands)		
March 31, 2022			
Vested benefits:			
Actuarial present value of accumulated plan benefit obligations for retired participants and their dependents	$ 4,684,066	$ 118,270	$ 97,064
Actuarial present value of accumulated plan benefit obligations for participants not yet retired and their dependents	1,866,567	101,877	117,388
Nonvested benefits	132,383	2,399	14,302
Total	$ 6,683,016	$ 222,546	$ 228,754

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 is summarized as follows for the years ended:

	Clergy Plan	Lay Plan	Staff Plan
	(In Thousands)		
March 31, 2023			
Actuarial present value of accumulated plan benefit obligations at beginning of year	$ 6,683,016	$ 222,546	$ 228,754
(Decrease) increase during the year attributable to:			
Plan amendments	–	–	–
Actual benefit adjustment vs. expected*	269,299	–	–
Change in actuarial assumptions	(955,899)	(28,649)	(36,269)
Benefits accumulated	153,295	7,781	14,998
Increase for interest due to decrease in the discount period	253,075	8,286	8,614
Benefits paid	(357,894)	(11,361)	(8,941)
Net increase (decrease)	(638,124)	(23,943)	(21,598)
Actuarial present value of accumulated plan benefit obligations at end of year	$ 6,044,892	$ 198,603	$ 207,156

* This represents the impact of the actual COLA granted vs. the COLA assumed for valuation purposes

8. ACCUMULATED PLAN BENEFIT OBLIGATIONS (CONTINUED)

	Clergy Plan	Lay Plan	Staff Plan
		(In Thousands)	
March 31, 2022			
Actuarial present value of accumulated plan benefit obligations at beginning of year	$ 6,636,310	$ 232,873	$ 235,611
(Decrease) increase during the year attributable to:			
Plan amendments	–	–	–
Actual benefit adjustment vs. expected*	155,407	–	–
Change in actuarial assumptions	(164,649)	(15,446)	(21,004)
Benefits accumulated	182,455	8,768	14,937
Increase for interest due to decrease in the discount period	210,251	7,391	7,524
Benefits paid	(336,758)	(11,040)	(8,314)
Net increase (decrease)	46,706	(10,327)	(6,857)
Actuarial present value of accumulated plan benefit obligations at end of year	$ 6,683,016	$ 222,546	$ 228,754

* This represents the impact of the actual COLA granted vs. the COLA assumed for valuation purposes

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 Church Pension Fund Clergy Pension 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 $85.3 million, $4.7 million and $11 million, respectively, during the year ended March 31, 2023 and $84.0 million, $4.6 million and $9.8 million, respectively, during the year ended March 31, 2022.

9. FUNDING (CONTINUED)

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

	Clergy Plan	Lay Plan	Staff Plan
	(In Thousands)		
March 31, 2023			
Net assets available for pension benefits after amount designated for assessment deficiency	$ 14,016,095	$ 269,462	$ 379,813
Actuarial present value of accumulated plan benefit obligations	6,044,892	198,603	207,156
Surplus	$ 7,971,203	$ 70,859	$ 172,657
March 31, 2022			
Net assets available for pension benefits after amount designated for assessment deficiency	$ 14,822,517	$ 265,795	$ 359,308
Actuarial present value of accumulated plan benefit obligations	6,683,016	222,546	228,754
Surplus	$ 8,139,501	$ 43,249	$ 130,554

10. RELATED-PARTY TRANSACTIONS

During the years ended March 31, 2023 and 2022, CPF paid The Episcopal Church Clergy and Employees' Benefit Trust ("ECCEBT") contributions of $30.7 million and $39.2 million, respectively, towards the cost of medical coverage for eligible retired clergy and their eligible spouses. There were no amounts due to ECCEBT at March 31, 2023 and 2022, in connection with this coverage.

During the years ended March 31, 2023 and 2022, CPGSC provided certain services, primarily personnel, general and administrative expense processing and facilities related, to CPF on a cost-reimbursement basis and billed $122.1 million and $120.9 million, respectively, for such services.

10. RELATED-PARTY TRANSACTIONS (CONTINUED)

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 Board of Trustees. 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, 2023, was as follows:

Mary Katherine Wold, Chief Executive Officer and President	$ 2.0 million
Roger A. Sayler, Executive Vice President and Chief Investment Officer	2.1 million

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. Employee contributions of up to 6% of salary are matched 75% by CPGSC. Total employer-matching contributions under this plan were $2.3 million for both years ended March 31, 2023 and 2022.

CPGSC also provides healthcare, disability and life insurance benefits for eligible active and retired employees. CPGSC accrues the cost of providing these benefits during the active service period of the employee. For each of the years ended March 31, 2023 and 2022, CPF and its affiliates recorded expenses of $1.5 million and $1.4 million, respectively, for these benefits. This obligation is estimated at $25.8 million as of March 31, 2023 and 2022. Management performs a valuation every three years as the impact of doing the valuation annually is immaterial. As of the latest valuation date of March 31, 2022, for measuring the expected post-retirement healthcare benefit obligation, average annual rates of increase in the per capita claims cost for 2022 were assumed to be 6.0%. The increases in medical costs are assumed to decrease annually to 4.75% in 2025 and remain at that level thereafter.

11. LINE OF CREDIT

CPF maintains unsecured loan agreements for both committed and uncommited lines of credit with The Northern Trust Company. The total credit facility is $350 million as of March 31, 2023, of which $100.0 million is committed and $250.0 million is uncommitted. Advances under these lines of credit may be repaid and redrawn, in accordance with the terms of the loan agreements, with all amounts outstanding due in full on or before December 25, 2023. Advance requests must first be made under the committed line of credit; once committed principal is fully drawn, the principal available under uncommitted line of credit can be drawn. The commitment fee is payable on the average daily amount of committed principal undrawn and is equal to fifteen one-hundredths of one percent (0.15 of 1%) of such amount per annum.

At March 31, 2023 and 2022, CPF did not have any amounts outstanding under the Unsecured Revolving Line of Credit and has yet to borrow any amounts and therefore no interest expense has been incurred for the years ended March 31, 2023 and 2022.

12. COMMITMENTS AND CONTINGENCIES

The Church Pension Fund invests in various securities as part of its ongoing operations. 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, changes in the values of investment securities may occur in the near term and such changes could materially affect the amounts reported in the combined financial statements. World events, including inflation, are increasingly affecting economic and global financial markets. There continues to be uncertainty surrounding the duration and the broader impact of these events on the global economy and the ultimate impact cannot be determined at this time.

13. SUBSEQUENT EVENTS

Management has performed an evaluation of subsequent events through July 20, 2023, which is the date the combined financial statements were available to be issued.

EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

ey.com