CHURCH PENSION GROUP
Passionate About Our Purpose

2021 Annual Report

EVEN KEELED

A Message from Mary Kate Wold

Chief Executive Officer and President

Dear Friends:

The Church Pension Group (CPG) found new ways to fulfill our purpose in 2020. We saw evidence of struggle all around us, of course, but also many signs of hope. Our people worked diligently and with an ever-strong sense of mission to serve the Church. We are grateful that, through their efforts, our annual client experience score surpassed industry benchmarks, our investment performance exceeded our ambitious goals, and our financial results for the year made our commitment to strong fiscal discipline apparent.

Not all of our results can be quantified. This year's annual report features some of the intangibles we achieved in an unprecedented time—changes to products, programs, and services to provide stability amid uncertainty; ongoing outreach to keep stakeholders abreast of our work and our intentions; and opportunities seized to broaden our embrace and be even more inclusive in our conversations, such as through the expanded use of technology.

CPG exists to support the clergy and lay employees of The Episcopal Church in their calling to spread the gospel. We continued to live out our purpose this past year, while keeping an even keel during particularly turbulent times. As we look ahead, we will strive to remain a stable presence for the people and institutions we feel blessed to serve.

Bishop Mark D.W. Edington states in the series of essays he edited on the *post-pandemic Church,* "We shall be changed." I am privileged to be called to lead a century-old organization that is adapting to the evolving needs of our Church during this time of change. I thank you.

Faithfully,

Mary Kate Wold

Mary Kate Wold

Our Embrace

137,628
Client service interactions[4]

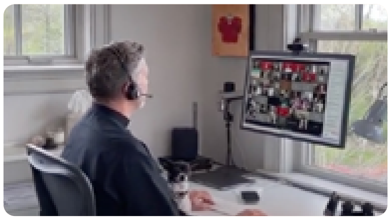
10,305
Episcopal institutions served by CPG[2]

6,421
Participants in conferences, webinars, and financial discussions hosted by CPG[4]

70,054
Chaplains to the Retired engagements[1]

More Fast Facts on page 24

Maintaining Stability



Leaders at CPG have thought a lot about the importance of providing stability for the people we serve, and stability requires continual action. Hear some of our colleagues describe what it takes to maintain an even keel.

Watch video at
youtu.be/KSOTCR0cSJw

Video Transcript

Patricia Favreau
Chief Communications Officer

Stability is about trustworthiness. It means our clients and our colleagues can trust us to keep our promises, to do the right thing, to act in their best interest.

Frank Armstrong
Chief Operating Officer

From the very beginning of the pandemic, at the Church Pension Group we put a stake in the ground to be very purposeful about staying connected, both with our clients and with each other. We weren't going to let physical distancing get in the way of staying connected. We quickly learned to be flexible and innovative in our approaches. We switched gears to offer virtual conferences and developed educational programs to fit a virtual setting.

The Rev. Clayton Crawley
Chief Church Relations Officer

We've used technology, in maybe not a new way, but a much deeper way. You got to hear voices you might not have heard when you were in person. That added a depth of inclusiveness that I know that we value, that we're going to work to include and continue as we move past this pandemic.

Frank Armstrong
Chief Operating Officer

Our clients trust that we have their best interest in mind, and that we have the expertise to effectively run our businesses. So they don't have to worry about it.

Patricia Favreau
Chief Communications Officer

I recently heard a bishop share a story about how the Church Pension Group made it possible for her to lean into her ministry, to take different jobs as a parish priest, all the way up to bishop, because she knew that we would always be there, support her when she needed us. That is what stability means for our clients.

The Rev. Clayton Crawley
Chief Church Relations Officer

CPG continued to be CPG, even in the face of this pandemic. We did our work, we are a stable presence, we allowed the church to do its work.

Patricia Favreau
Chief Communications Officer

The level of engagement that we've received from the Church has shown me that we continue to deliver things of value, that we understand their needs, and that we are meeting them in the best ways that we can.

Frank Armstrong
Chief Operating Officer

So we're grateful for our client's response to this and their partnership. It would have been a very lonely virtual road if we were walking it alone.

Patricia Favreau
Chief Communications Officer

We know more about the church and I think they know a lot more about us. And I'm really proud of that.

A Message from the CPF Board

Clear Purpose, Stable Course

Dear Friends:

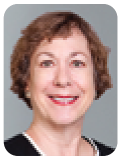
During the past year The Church Pension Fund Board of Trustees (CPF Board) has worked with the Church Pension Group (CPG) in navigating the choppy waters of a global pandemic and urgent cries for racial justice across the United States. We have been impressed by the organization's focus and its people's ability to get the right things done while adapting to new situations.

For the fiscal year ending March 31, 2021, CPG surpassed its ambitious goals for investment performance, client service, and financial management. Over the same period of time, its people adapted to the realities of remote work and leveraged technology to be in constant contact with their clients—and with the CPF Board.

We were pleased with the degree of transparency the organization offered to its stakeholders—in its constant outreach to individuals and institutions in its orbit, its newsletters and other bulletins, its weekly updates to the House of Bishops, and its regular check-ins with Church leadership.

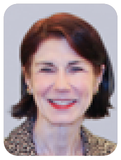
The CPG team has kept its eye on the horizon. It has remained faithful to its vision of providing clergy and lay employees of The Episcopal Church with the highest possible level of income in retirement consistent with exemplary financial stewardship and the evolving needs of the Church.

The Rt. Rev.
Thomas James Brown
Chair



Canon
Kathryn Weathersby McCormick
Vice Chair

The Rt. Rev.
Brian N. Prior
Vice Chair



Mary Kate Wold
Chief Executive Officer and President

The diverse perspectives and professional gifts that members of the CPF Board bring to the table at every meeting help ensure that CPG stays the course, especially in turbulent times. During the past year, the CPF Board spent additional, focused time engaging in guided conversations about diversity, equity, and inclusion. We are committed to doing the work that CPG and many organizations around the Church are doing to make sure all voices are heard and all members are respected.

It has been a difficult year but also a gratifying one. There is more work to be done; the pandemic is not over and the road to racial reconciliation is long. However, we are confident that CPG and the CPF Board will continue to do what we have been called to do for more than a century: We will support the people and institutions of The Episcopal Church so that they can focus on their ministry.

Faithfully,

Thomas Brown

The Rt. Rev. Thomas James Brown
Chair

Kathryn McCormick

Canon Kathryn Weathersby McCormick
Vice Chair

The Rt. Rev. Brian N. Prior
Vice Chair

Mary Kate Wold

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

Investments

Positioned for Long-Term Success

As we moved into the second year of coping with the impact of the coronavirus pandemic, the arrival of vaccines and increasing optimism about a return to normal life led to strong market returns in the US and around the globe.

The ability of The Church Pension Fund (CPF) to weather market fluctuations, historically and since early 2020, confirms that our investment portfolio is well positioned for long-term success. As of March 31, 2021, the value of CPF's portfolio was $17.3 billion, significantly higher than the $13 billion of the previous year.

Including results over the past year, CPF has generated an annualized return of 9.5% over 10 years, exceeding our investment goal of 6.2% and the market benchmark of 7.5%. Over three and five years, the results surpassed our investment goals by an annualized 5.4% and 4.8%, respectively, and have also exceeded market benchmarks.

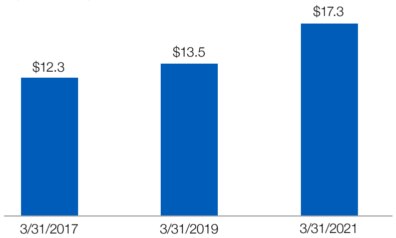
These strong returns during such volatile times stem from our disciplined, long-term strategy and a broadly diversified portfolio that is managed by external investment firms. These managers invest in a range of asset classes, including public and private equity, fixed income, and real estate. The portfolio is designed to ensure that it is able to generate sufficient returns to allow us to meet our future obligations.

This diversification has served us well, buffering some of the market instability and declines. Rebalancing the portfolio on an ongoing basis when the markets are fluctuating also allows CPF to be well positioned to capture value during these periods.

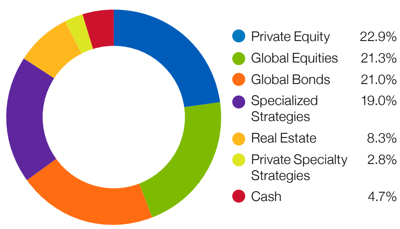
While we are cautious about expected returns for the next 10 years, our portfolio is very strong, and we will continue to manage it prudently going forward.

CPF's Total Investments

($ billions)

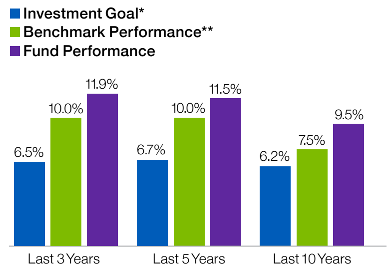


Asset Allocation



Investment Performance

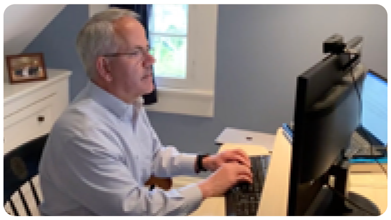
Annualized Total Returns in Percentage preliminary) for the period ending March 31, 2021



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

**The benchmark consists of 67% global stocks (Morgan Stanley Capital International All Country World Index) and 33% US bonds (Bloomberg Barclays Aggregate Bond Index).

Portfolio Performance



A diversified investment strategy executed through trusted long-term relationships helps us mitigate market risks and generate positive returns. At the same time, our approach to socially responsible investing allows us to have positive impacts on communities and companies while finding areas of alignment between Church values and economic values.

Watch video at
youtube.com/watch?v=-inULvtB-MM

Video Transcript

Roger Sayler
Chief Investment Officer

The investment goal of The Church Pension Fund is to generate sufficient returns so that we can pay benefits to retirees, both clergy and lay employees, for decades into the future. Diversification is a very important part of this strategy. We invest across a variety of different asset classes, such as real estate, public equity, fixed income, and private equity. In seeking very good returns the portfolio is invested globally. We recognize that many of the best investment opportunities may lie outside of the United States. All of this diversification that we have built into the portfolio helps us to mitigate the risk in the portfolio. However, we do need to recognize that any investment strategy has both risk and return. Diversification helps mitigate risk and we monitor and manage the risk very carefully. One important part of our investment strategy is socially responsible investing, which allows us to align these strategies in the portfolio with the values of the Church.

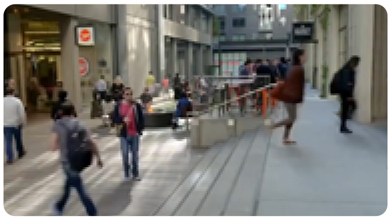
Christopher Rowe
Managing Director, Investments

At The Church Pension Fund we have a four-part approach to socially responsible investing: shareholder engagement, thought leadership, ESG (Environmental, Social, Governance) incorporation, and impact investing. We look to make investments that generate a strong investment return, but also have a positive impact on the environment, communities, and the lives of the poor and disadvantaged.

Alan Snoddy
Managing Director, Investments

A positive impact investment we've made recently is with SIMA. SIMA is a group that invests in microfinance investments, but this particular product was focused on off-grid solar, where individual homes can put a solar panel on their house and use it for lighting and in some cases cooking. The great thing about this is that it reduces the need for having kerosene propane in the house, which really helps from an environmental standpoint, but also improves the health and wellbeing of the residents, and it can be done at a price that is the same, or even less than using that more harmful material. In everything we do, we think about how we're working for the beneficiary to make sure that the retirement benefits are there for them, but we also want to make the beneficiaries proud in the types of investments we make and the positive impact we can have on the world.

Building Relationships



The lasting relationships we cultivate with investment managers are a vital part of our investment success. We look to work with firms that can deliver on a compelling investment strategy and whose values align with ours. Our 25-year relationship with Shorenstein is a case in point, with our investments helping to revitalize communities, create jobs, and protect the environment—all while delivering solid returns.

Watch video at
youtube.com/watch?v=nWN5UXBB88s

Video Transcript

Alan Snoddy
Managing Director, Investments, CPG

Shorenstein has been a great partner to The Church Pension Fund for over 25 years. And we couldn't be more proud to be their partner, particularly when you think about their role in being a good corporate citizen. The core values of The Church Pension Fund are reflected in this investment.

Glenn Shannon
Vice Chairman, Shorenstein

We're a family company rooted in San Francisco, very involved in the community here. And to be working for an organization that's trying to serve beneficiaries like The Church Pension Fund aligns nicely with what our company is trying to do. The Market Square project historically was the Western Furniture Mart. It was a unique piece of real estate in San Francisco. That had sat vacant for five years.

Bill Whitfield
General Manager, Shorenstein

I arrived here to this vacant building and it was a little bit of a battle zone coming into this neighborhood.

Thurmond Adams
Chief Engineer, Shorenstein

This particular area was sort of destitute and left unfinished.

Bill Whitfield
General Manager, Shorenstein

And we have residences next door now. The sidewalks are full of people coming and going to work and eating in restaurants and it was not that just a few years ago.

Tracy Everwine
Executive Director, Central Market Community Benefit District

They've taken an architectural gem and through adaptive reuse, they've turned it back into a resource for the community.

Bill Whitfield
General Manager, Shorenstein

A lot of the wood from some of the demolition on part of the building was used throughout the lobbies as reclaimed wood and it turned out to be beautiful. The marble that was used in bathrooms was also reused in some of our lobbies. In some cases, we made artwork out of some of the items that would otherwise have headed off to landfill—the old mailboxes and the old cladding that was around columns. You really get a feel for what the building used to be when you come into this newly refurbished and beautiful building.

Alan Snoddy
Managing Director, Investments, CPG

The real estate industry is one of the largest emitters of carbon. I think real estate should really be part of the solution and Shorenstein has been at the leading edge of thinking about environmental sustainability in their buildings for a lot longer than the industry has.

Tracy Everwine
Executive Director,
Central Market Community
Benefit District

And they've not only activated the inside, but they've activated the exterior of the building as well.

Bill Whitfield
General Manager,
Shorenstein

It certainly came to be the catalyst for the entire area.

Todd Rufo
Director, San Francisco
Office of Economic and
Workforce Development

Dolby, just down the street, brought their headquarters here. Square, Uber, Thumbtack are headquartered in this building in addition to Twitter. We've really seen a concentration of some of the most innovative technology companies locating right here on Central Market. If you went back 10 years, I don't think there's anybody who would have envisioned that we'd have this kind of investment.

Thurmond Adams
Chief Engineer, Shorenstein

As the Chief Engineer I oversee all the construction and maintenance that happens in the building. It's really a very busy and vibrant environment and certainly has planted a seed that businesses can move here and be a productive part of the neighborhood.

Todd Rufo
Director, San Francisco
Office of Economic and
Workforce Development

We have not seen displacement of local residents in the Tenderloin. In fact, we've seen this investment that's come in that actually has helped to revitalize the area. One of the most important factors was not just about creating jobs but creating jobs for residents so that it's a win-win for everybody.

Business Updates

Benefits

Better Resources

"Our benefits programs include pension options, health benefits, life insurance, disability coverage, alongside robust education and wellness support for eligible clergy and lay employees. We are focused and intentional as we continue to find new ways to meet the needs of those who serve The Episcopal Church."

– Frank P. Armstrong, Executive Vice President and Chief Operating Officer

In 2020, CPG significantly enhanced our resources and services:

Enhanced Health Plans

We continued to improve benefits and manage costs for participants in the Denominational Health Plan (DHP). We extended broader access to telemedicine and virtual visits through 2022. We also captured cost savings from lower healthcare utilization in 2020 and used them to offset price increases in 2021. *Read the DHP Annual Report.*

International Clergy Pensions

To protect the purchasing power of participants in the International Clergy Pension Plan (ICPP), we began performing a purchasing power analysis for plan beneficiaries, which we will undertake every three years. Subject to our analysis and CPF Board approval, eligible beneficiaries who have suffered a loss of purchasing power will receive a supplement to the discretionary cost-of-living adjustment (COLA).

We also began providing a monthly subsidy to help offset international banking fees, narrowed gaps in international disability benefits by closely mirroring the disability benefits offered in connection with The Church Pension Fund Clergy Pension Plan, and increased the Major Medical Supplement available to ICPP participants. Dedicated relationship

Clergy

14,087
Active (5,742) and retired (8,345) Episcopal clergy with CPG benefits[3]

Lay

21,504
Active (16,885) and retired (4,619) lay employees with CPG benefits[2]

More Fast Facts on page 24

management support and ongoing outreach continue to bring the needs of our international clients more sharply into focus and allow us to respond proactively.

Future Improvements

Over the past two years, we have been studying alternatives to the Medicare Supplement Health Plan we offer retirees. We have had robust conversations with the CPF Board about various options, opportunities, and risks, and we have landed on a new plan—UnitedHealthcare's Group Medicare Advantage—that we will implement on January 1, 2022.

The new plan will offer lower premiums and out-of-pocket costs, as well as improved client support. According to John Servais, Senior Vice President, Benefits Policy and Design, "Group Medicare Advantage will offer an even better experience with little-to-no provider or prescription disruption." The full rollout of our new Group Medicare Advantage Plan offering will begin this summer and will include many opportunities for our retirees to learn about it.

Educational Programming and Institutional Assistance

When the coronavirus pandemic grounded our Education & Wellness and institutional account management (IBAMS) teams, we utilized our phones, digital platforms, and an amazing group of Chaplains to the Retired to provide uninterrupted support to those individuals and institutions in need. Mary Kate Wold, our Chief Executive Officer and President; the Rev. Clayton Crawley, our Chief Church Relations Officer; and the IBAMS account specialists were in regular contact with bishops and administrators to make sure that we understood their needs and they understood the full range of CPG resources available to them.

The Education & Wellness team worked with expert vendors to create and host 22 new webinars for nearly 3,600 participants on topics related to financial, physical, and emotional wellness. They also launched a new podcast, "Choose Well," to provide people on-the-go with convenient access to wellness tips.

IBAMS convened hundreds of administrators in online conferences to keep them up to date on what is happening at CPG and to help administrators continue to do their jobs well while working remotely. We seized every opportunity we could to be present for the people and institutions we serve, and the feedback we have received has been overwhelmingly positive.

Broadening Our Embrace

Mary Kate Wold
Chief Executive Officer & President

Despite the lack of in-person connections, we actually broadened our reach: Using every tech tool at our disposal has allowed us to see even more faces and hear an even wider array of voices than usual.

Watch video at
youtu.be/QUWLVLjRj-4

Video Transcript

As we're more than a year into the pandemic now, we find ourselves asking how technology has enhanced our ability to reach out to our clients, and it's really been incredible. One of the important parts of my job and, in fact, one of the great joys of my job is interacting with the people whom we serve. We like being out with our clients. We like understanding their concerns and how we best serve them. So we have to pivot to technology.

Laurie Kazilionis
Senior Vice President,
Integrated Benefits Account
Management Services

Technology has been absolutely vital during this period. We can use every tool at our disposal: GoToMeeting, Zoom, any webinar, conferences, FaceTime, and the plain old phone. We've gone at it and haven't missed a beat.

Kathy Floyd
Senior Vice President,
Education & Wellness

We have found that our clients miss being in community. So, we have continued to do a lot of outreach. We have talked to them through our podcast, Choose Well, we've held webinars, CREDO Conversations was developed, our Next Stop Retirement program has been developed. So we have had a lot of innovative programming that the team has come up with.

Laurie Kazilionis
Senior Vice President, Integrated Benefits
Account Management Services

Our spring Benefits Partnership Conference had registrations of over 350, an absolutely wonderful opportunity to engage with clients. Typically, we have 100 to 120 who visit us in person and to be able to reach 350 virtually was a big win.

The Rev. Clayton Crawley
Chief Church Relations Officer

When we want to go back in person, we're going to keep that virtual component because it's meeting a need. It helped us be a servant to more people. It helped us broaden our reach across the Church and across our employees.

Mary Kate Wold
Chief Executive Officer & President

I'm happy to say that the feedback from our clients has been very positive during this time. And that's been wonderful because we miss being out with our clients and it's great to feel that they still feel connected and we feel connected. I've just been so impressed and so grateful and so proud of the people at CPG.

Steadfast Support

Bishop Craig Loya, Diocese of Minnesota, highlights the special assistance CPG has provided the clergy and lay employees of his diocese during the pandemic.

Watch video at
youtu.be/YrLQ-4PUgo8

Video Transcript

Bishop Craig Loya
The Episcopal Church in Minnesota

As Bishop of The Episcopal Church in Minnesota, I serve as the chief pastor for our 104 faith communities, which include about 96 congregations. We have about 19,000 members. Those are distributed in congregations and other institutions all over the state of Minnesota. Bishops provide important connective tissue for the life of a diocese. The best way to support and nurture the connective tissue of a diocese is to stay connected with people. That means, for me, a typical day consists of a lot of back-to-back meetings; meetings with our governing bodies, meetings with clergy and lay leaders and congregations, meetings with our team here in the diocesan offices. It's by connecting with people, both one-to-one and in groups, that I help nurture and sustain that connective tissue that's so important to the work we do.

Like everywhere, the pandemic has been incredibly hard and painful for us in Minnesota. COVID-19 disrupted all of our familiar ways of living and connecting. CPG's response to the pandemic has been a seamless provision of the services that they were already providing.

Just knowing that CPG was there was a tremendous source of support and reassurance. Knowing that if we ran into something that was really challenging, if we ran into a problem that we didn't have solutions for, CPG would be there and be responsive. CPG has helped provide a lot of assistance as both our diocese and many of our congregations were applying for PPP loans. They created resources that helped us analyze our payroll a little bit more accurately, and where to apply for the loans. There was a resource developed for deferring pension payments for congregations, which even if no one took advantage of that option, simply knowing it was there created a sense of safety and security during a really challenging and disruptive time.

I think really the heart of Christian discipleship is learning how to see our lives as a matter of stewardship. CPG serves the Church by stewarding our most precious and important resource, which is our lay and ordained leaders. By doing that in such an exemplary way, it enables all of us to be more faithful stewards with everything that has been entrusted to us.

A Reliable Guide

"Every year of my ministry, the Church Pension Group has been there and set me on my way to financial stability. CPG is crunching the data and preparing for the challenges ahead of us that we might not even see. The ways CPG has supported me have made space for me to think about the way I want to lead."

—**Bishop Jennifer Baskerville-Burrows,**
Diocese of Indianapolis, Indiana

Enhancing the International Clergy Pension Plan

"As a retiree, I am very satisfied with the pension enhancements CPF has granted. The monthly benefit enhancement due to hyperinflation in Venezuela and other Latin American countries and the wire fee subsidy have helped significantly."

—**The Rev. Canon Ramon Vesga Ardila,**
Canon to the Ordinary in the Diocese of Venezuela

Feeling the Warmth

"Any time I talk to CPG, I feel like I'm getting the warm embrace and love that I extend to others. It's the individual attention, the sense that I'm not a case number but a person. It allows me not to worry about myself and my wife, and it frees that time up to help others. It's what we want the Church to be."

—**The Rev. Canon Patrick Collins,**
Canon to the Ordinary in the Diocese of Easton, Maryland

Church Insurance Companies

Safety from Life's Storms

Christopher R. Rourke
Senior Vice President and General Manager of Church Insurance Companies

Christopher R. Rourke, who joined CPG as Senior Vice President and General Manager of Church Insurance Companies, was drawn to our expertise in and commitment to serving the special property and casualty protection needs of the Church. Here he explained the new opportunities that lie ahead:

How would you describe your business philosophy?

I believe in a balanced approach. On the one hand, we need to be a financially disciplined and sustainable business. On the other, we have to listen to our clients, understand their needs, and evolve to meet those needs. If we strike that balance, we can continue to be very successful.

What are some of your strategic priorities?

Since joining CPG, I have gained an appreciation for just how much weather-related claims affect our clients and our results. Making sure we have the right reinsurance programs in place is crucial to help protect against either a single large loss or a catastrophic event such as a hurricane. A longer-horizon priority is to improve our operating systems—not only to improve our efficiency but also to further enhance our client service model and provide access to more tools and resources.

How has the pandemic influenced your work?

We have discovered not only that we could be very productive and efficient while working remotely but also that we could gather many more people more easily in a timely way. For example, some of the virtual vestry meetings we have joined had attendance of more than double what it would normally be. While not a replacement for in-person meetings, these online sessions can be extremely helpful in supplementing our service to the Church.

What future opportunities do you envision?

I want us to always be looking for ways to better serve the Church in the future. That could be through new products and services focused specifically on the Church or through additional risk management resources. One clear way is to be proactive in educating our clients on emerging risks and providing the right solutions to meet their needs. Examples of this would be what we have recently done in the areas of cyber liability and malicious attack coverages.

Proper Protection

"The COVID-19 pandemic has been particularly challenging for children in South Memphis who face many poverty-related hurdles to remote learning, such as access to Wi-Fi. The Emmanuel Center, with the support of the Episcopal Diocese of West Tennessee, developed the Learning Pod program to provide access to online learning in a safe and supportive environment.

"Church Insurance helped make this program possible by ensuring that the St. Joseph's building was properly protected, allowing the diocese to make this space available to us."

—**Angie Johnson,**
Executive Director of the Emmanuel Center,
housed in St. Joseph's Episcopal Church in Memphis, Tennessee

Covering Empty Spaces

"We're extremely thankful to Church Insurance for their flexibility and guidance in lowering the cost to protect several unoccupied buildings in the diocese. Every penny we save helps to pay for important ministry programs like food pantries and shelters, and it gives us peace of mind to know that Church Insurance can quickly adapt to our rapidly changing coverage needs."

—**Haiko Cornelissen,**
Director of Real Estate at the Episcopal Diocese of Long Island, New York

Business Updates

Church Publishing Incorporated

Making the Best Waves

Airié Stuart
Senior Vice President and Publisher, Church Publishing Incorporated

New to Church Publishing Incorporated (CPI), Senior Vice President and Publisher Airié Stuart has brought a rich publishing background (including time at HarperCollins, Warner Books, and Macmillan) and a renewed focus on CPI's financial health.

The bulk of what CPI creates are books: They make up close to 70% of the business. Historical bestsellers include various editions of *The Book of Common Prayer* and *The Hymnal 1982.* Edwin H. Friedman's *A Failure of Nerve: Leadership in the Age of the Quick Fix,* widely used in seminary education, and Presiding Bishop Michael B. Curry's *Crazy Christians: A Call to Follow Jesus,* also top the list. The rest of the program includes electronic liturgical products, such as RitePlanning and RiteSong, church supplies, and lectionary inserts.

After conducting an extensive review of all of CPI's product lines, Airié sees "enormous potential in our books program—publishing high-quality content from thought leaders for a broad global audience." A new acquisition strategy focuses on deepening its reach through multiple markets (trade, church professional, and academic).

For the general reader, subjects such as leadership, inspiration, retirement, financial wellness, and social justice can enable growth and support the values we hold in common with the people we serve. "Scholarly works that advance Episcopal thought and theology, alongside our core liturgical and church resources, are also essential components of a deeper publishing strategy," Airié says.

CPI has begun refining its suite of digital resources as well, such as ebooks and subscription-based electronic products, and is revamping the eCP, an app based on The Book of Common Prayer. Other changes on the horizon supporting CPI's publishing strategy include global distribution, a robust print-on-demand program, and broader-reaching partnerships with booksellers and libraries. This multi-pronged approach to content and distribution will offer new ways of fulfilling the changing needs of the Church, and beyond.

Making waves not long after her arrival at CPG, Airié did not come to rock the boat so much as to steer it deftly through uncharted waters. “We have a unique opportunity to reach more people with meaningful content,” she says, “and make a difference in the world.”

The Book That Changed My Life

As a successful corporate executive many years ago, I sensed that I was being called to a new way of living. A friend gave me a copy of *Listening Hearts: Discerning Call in Community*. It changed my life. Church Publishing is now putting out the 30th anniversary edition. I’m surrounded by other books and resources from CPI, and I’m proud to be one of its 700 authors. Just as I found a lifeline to hold onto all those years ago, other listening hearts have found anchors in CPI’s bold, courageous offerings.

—**Westina Matthews,** PhD, adjunct professor at the Center for Christian Spirituality at General Theological Seminary in New York and author of *This Band of Sisterhood: Black Women Bishops on Race, Faith, and the Church*

The Church Pension Fund Board of Trustees

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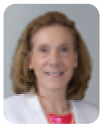
Episcopal Diocese of Kentucky
Louisville, Kentucky



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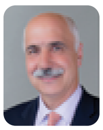
Partner, K&L Gates LLP
Seattle, Washington

Yvonne O'Neal 3, 4
Social Justice Advocate
Financial Consultant (retired)
New York, New York



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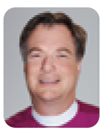
Boston, Massachusetts



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Seattle, Washington

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Rector, Saint Paul's Within the Walls
Convocation of Episcopal Churches in Europe
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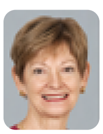

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Interim Dean, The Cathedral Church of All Saints
Episcopal Diocese of the Virgin Islands
St. Thomas, US Virgin Islands

Mary Katherine Wold, Esq. 1, 2, 4, 6, 7
CEO 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.

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Theodore J. Elias, Jr.
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*Includes officers of The Church Pension Fund and officers of affiliated companies, which include The Church Insurance Agency Corporation, The Church Insurance Company of Vermont, Church Life Insurance Corporation, The Episcopal Church Medical Trust, and Church Publishing Incorporated, between April 1, 2020, and March 31, 2021.

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Custodian
The Northern Trust Company

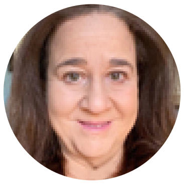
Independent Auditors
Ernst & Young LLP
Johnson Lambert LLP

Pension Actuary
Buck Global, LLC

Health Plan Actuary
Aon

Management Changes

Jocelyn Donat



Bringing more than 30 years of Human Resources-related experience in the financial services sector, Jocelyn Donat joined CPG as Senior Vice President, Human Resources, Operations and Compensation. Most recently, Jocelyn served as Senior Vice President, Human Resources, at Bank of America. Before this, she spent more than 20 years at JPMorgan Chase. Jocelyn received a BA from Colgate University and an MBA from Columbia University.

Christopher R. Rourke

Succeeding Bill Murray, Christopher R. Rourke joined CPG as Senior Vice President and General Manager of The Church Insurance Companies. Chris previously served as President of Berkley North Pacific Group, a commercial insurance provider, and as Vice President and Branch Manager of Acadian Insurance Group. He received his BS in Business Administration from the Villanova School of Business at Villanova University.

Airié Stuart

Voted one of the top 50 women in publishing by Book Business magazine in 2009, Airié Stuart joined CPG as Senior Vice President and Publisher of Church Publishing Incorporated, succeeding Mark Dazzo. She has held editorial positions at Harper Collins, Simon & Schuster, and Warner Books, and managerial positions at John Wiley & Sons and Macmillan, where she was Senior Vice President, Publisher, and head of the Americas. Airié received a BA from Cornell University and an MFA from Columbia University, and attended the MBA program at the Gabelli School of Business at Fordham University.

Karen Vitale

Karen Vitale joined CPG as Senior Vice President of Internal Audit and Chief Audit Executive. At PricewaterhouseCoopers, Karen served as Partner, Governance, Risk, Compliance, and Internal Audit, and was Chief Audit Executive and Vice President for one of the world's largest global hospitality companies. Karen received a BBA from Hofstra University, and is a Certified Public Accountant.

Fast Facts

Financial Strength

$17.3 billion
The Church Pension Fund's investment portfolio assets[2]

$420 million
Benefits paid to clergy and lay employees this fiscal year[1, 5]

$7.6 billion
Benefits paid to clergy since inception[6]

Our Embrace

137,628
Client service interactions[4]

10,305
Episcopal institutions served by CPG[2]

6,421
Participants in conferences, webinars, and financial discussions hosted by CPG[4]

70,054
Chaplains to the Retired engagements[1]

Lay

21,504
Active (16,885) and retired (4,619) lay employees with CPG benefits[2]

12,264
Active lay employees in defined contribution plans[2]

1,029
Active employees in the lay defined benefit plan[2]

Clergy

14,087
Active (5,742) and retired (8,345) Episcopal clergy with CPG benefits[3]

299
Ordinations[1]

49
Average age at ordination[2]

66
Average age at retirement[2]

Our Lines of Business

548
Institutions that received pandemic pension waivers[2]

90%
Portion of every premium dollar used to pay healthcare claims in the Denominational Health Plan[4]

90%
Share of US Episcopal churches insured by The Church Insurance Companies[2]

2,831
Products and titles offered by Church Publishing Incorporated[2]

[1]April 1, 2020, to March 31, 2021

[2]As of March 31, 2021

[3]As reported in the Actuarial Valuation Report dated March 31, 2021. The participant count in the report is as of December 31, 2020. It includes participants in The Church Pension Fund Clergy Pension Plan and The Church Pension Fund International Clergy Pension Plan.

[4]January 1, 2020, to December 31, 2020

[5]Includes pension and other benefits (medical supplement and life insurance) paid for clergy and dependents, lay employees, and CPG staff

[6]From The Church Pension Fund's 1917 inception through March 31, 2021

2020 Denominational Health Plan Annual Report

Download English PDF

Descarga PDF en Español

Affordability, robust provider access, meaningful plan choice, and compassionate service to the Church

Controlling the rising cost of healthcare is critical to the financial well-being of domestic dioceses, parishes, and other ecclesiastical institutions subject to the authority of The Episcopal Church. This Denominational Health Plan (DHP) Annual Report summarizes how the DHP helps participating groups do so.

Response to COVID-19

Beginning March 1, 2020, The Episcopal Church Medical Trust (Medical Trust), an affiliate of The Church Pension Fund, waived all member copayments, deductibles, and coinsurance for healthcare services relating to the evaluation and testing for the novel coronavirus through December 31, 2021. Additionally, the Medical Trust waived active member copayments, deductibles, and in-network coinsurance for healthcare services relating to the treatment of COVID-19 through December 31, 2021. The Medical Trust also waived member cost shares for services received through our vendor partners' telehealth platforms and removed plan exclusions to allow virtual visits with members' personal healthcare providers to be covered at the usual in-person office visit cost share. These provisions will continue at least through December 31, 2021.

The Medical Trust offered a 90-day hardship grace period allowing the deferral of payments for group health plan benefits without interest or penalty and suspended its standard cancellation policies for late or non-payment of group health plan premiums through June 30, 2020.

2020 in Review

Coalition Gains Strength

The DHP aggregates the purchasing power of dioceses. This results in lower rates overall for the healthcare benefits of participating groups. Despite 2020 being a challenging year for employers, the DHP improved on its ability to bargain for the Church by adding 71 new plan subscribers.

Since 2014, all domestic dioceses have been in the DHP. We support dioceses with annual benefits planning and have helped 82% of dioceses implement strategies to achieve parity in how they fund healthcare benefits for clergy and lay employees.

The dioceses decide which Church institutions beyond their parishes are required to participate in the DHP. This leaves some schools, camps, conference centers, and other Episcopal entities with the choice of working directly with the Medical Trust. Forty-nine of these other groups now represent 25% of DHP enrollment.

Health Benefit Support of Non-Domestic Episcopal Dioceses

Some healthcare expenses of eligible participants in non-domestic dioceses are not covered by public or private insurance. In 2020, The Church Pension Fund (CPF) made total grants of $22,159 from the Fund for Medical Assistance. These grants helped protect grantees' health with greater financial security.

Commitment to Cost Containment Renewed

To provide competitive levels of health coverage at the lowest rates possible, the Medical Trust employs multiple approaches:

Cost Increases Below Norms

From 2011 to 2020, US employers' premiums increased by an average of 7.1% to 9.9% annually. Over the same period, the average increase to Medical Trust employer groups was only 4.3% to 7.2%. For 2020, the Medical Trust delivered an average rate increase of 5.5% while maintaining a comprehensive array of plans and enhancing our benefits.

Implementing the SaveOnSP manufacturer copay assistance program contributed to our below-market increase. By focusing on certain specialty medications, the program was able to reduce costs for affected members while lowering annual plan costs by more than $1.5 million.

Improved Member Experience

In 2020, the increased utilization of the enhanced care management programs offered through Anthem (Health Guide) and Cigna (One Guide) resulted in a better member experience. In Anthem's care management programs alone, the number of engaged members increased by more than 600% from January to December 2020 to almost 1,300 members.

Reduced Cost Disparity Among Dioceses

In keeping with the 2012 General Convention Resolution B026, the Medical Trust continued to work toward decreasing disparity in healthcare costs between the highest-priced and lowest-priced dioceses:

- For the same plans, 73% of dioceses are within 10% of the average Medical Trust rates (an improvement over 2019, when 70% of dioceses were within this range). In other words, they fall somewhere between 10% below to 10% above that average rate.
- Rates paid by 25% of dioceses fall 10% or more below the average Medical Trust rate for the same plans. In most cases, this larger difference is driven by claims history and the need to remain competitive with local market premiums in those dioceses.
- Rates paid by only 2% of dioceses fall 10% or more above the average Medical Trust rate for the same plans. In most cases, the higher cost is driven by claims history, geographic location, and demographic risk of the clergy and lay employees in those dioceses.

2021

Participating groups and their members can expect the Medical Trust to continue to contain costs and improve benefits throughout 2021 by using these practices and initiatives to maintain comprehensive coverage and caring service:

- Offering a new hearing aid benefit to active members enrolled in the Anthem, Cigna, and Kaiser Permanente health plans
- Conducting a comprehensive evaluation and comparison of pharmacy plans and vendors (along with *the Church Benefits Association*), which resulted in the Medical Trust's decision to remain with Express Scripts
- Reevaluating the Employee Assistance Program to ensure that members have the resources to improve their mental health and work/life balance through accessible, high-quality services and providers
- Evaluating vendor diversity and inclusion policies while also creating a more equitable suite of employee health benefits, in part by soliciting the wisdom and experience of older adults, underrepresented ethnic groups, and others navigating particular challenges

Outlook

COVID-19 will certainly continue to have a major impact on healthcare in 2021. The instability of the COVID-19 pandemic is resulting in an unusually wide range of trend forecasts from the actuarial consulting community. The vaccine is becoming more widely available, while at the same time members who delayed preventive and other health services will begin receiving needed care. The pandemic has also put a spotlight on mental health, as people deal with not only the added stress but for many, social isolation. The recent surge in telemedicine has shown that online care visits have entered the mainstream, and work/life balance has shifted to integrate more flexible working hours, time off, and caregiver support.

Bolstered by the full implementation of our plan array strategy, the outlook for the DHP remains positive. Our members can choose among plans from Anthem and Cigna, as well as regional offerings from Kaiser, and continue to enjoy multiple advantages, including robust provider access, affordable coverage, and meaningful choice.

The future of national healthcare reform remains unsettled and contrasts with the stability that the DHP offers the Church. With an eye on healthcare reform, our focus will remain on cost-effective, comprehensive health benefits and compliance with applicable laws and best business practices.

Last, the Medical Trust's long-term strategy will focus on integrating a healthcare program designed to improve member engagement and health outcomes. The main priority of this effort in 2021 is to analyze implementing a robust advocacy and navigation solution that, in turn, should drive higher engagement by creating a single point of contact for our members.

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, 2021 and 2020
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

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Report of Independent Auditors

The Board of Trustees
The Church Pension Fund

We have audited the accompanying 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, 2021 and 2020, and the related combined statement of changes in net assets available for benefits for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial status of The Church Pension Fund, The Church Pension Fund Clergy Pension Plan, The Episcopal Church Lay Employees' Retirement Plan and The Staff Retirement Plan of The Church Pension Fund and Affiliates at March 31, 2021 and 2020, and the combined changes in their financial status for the years then ended in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

July 7, 2021

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, 2021 AND 2020

	2021	2020
ASSETS		
Investments, at fair value	$ 16,923,334,020	$ 12,691,738,970
Receivables and other assets:		
Receivable from brokers	70,846,982	29,520,425
Assessments receivable, less allowance for doubtful accounts (2021 – $753,000; 2020 – $1,407,000)	2,298,912	3,756,177
Accrued investment income and other assets	62,259,550	76,748,178
Cash and cash equivalents	714,909,707	578,258,306
TOTAL ASSETS	17,773,649,171	13,380,022,056
LIABILITIES		
International Clergy Pension Plan	201,443,700	195,708,914
Payable to brokers	123,765,153	54,287,824
Accrued expenses and other liabilities	152,132,678	153,246,738
Total liabilities	477,341,531	403,243,476
TOTAL NET ASSETS	$ 17,296,307,640	$ 12,976,778,580
COMPONENTS OF NET ASSETS		
Net assets with donor restrictions:		
Legacy and gift fund	$ 44,279,651	$ 32,915,086
Total net assets with donor restrictions	44,279,651	32,915,086
Net assets without donor restrictions:		
Legacy and gift fund	31,216,289	25,527,943
Total net assets without donor restrictions	31,216,289	25,527,943
Internally designated:		
Clergy Post-Retirement Medical Assistance Plan	877,209,124	1,279,766,354
Clergy Life Insurance Plan	343,918,170	357,221,161
Benefit Equalization Plan	59,800,405	67,699,590
Clergy Child Benefit Plan	11,483,560	12,246,024
Clergy Short-Term Disability Plan	4,874,528	5,037,452
Clergy Long-Term Disability Plan	102,242,417	105,303,056
Investment in affiliated companies	158,382,685	142,373,377
Available for benefits:		
Designated for assessment deficiency	1,207,708,856	1,724,402,412
Net assets available for benefits:		
The Clergy Plan	13,901,084,164	8,823,484,292
The Episcopal Church Lay Employees' Retirement Plan	236,116,417	165,524,173
Staff Retirement Plan of the Church Pension Fund and Affiliates	317,991,374	235,277,660
Total net assets available for benefits	14,455,191,955	9,224,286,125
Total internally designated	17,220,811,700	12,918,335,551
TOTAL NET ASSETS	$ 17,296,307,640	$ 12,976,778,580

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, 2021 AND 2020

	2021	2020
ADDITIONS (REDUCTIONS) TO NET ASSETS		
Assessments	$ 99,348,246	$ 98,479,244
Interest	87,265,485	117,405,065
Dividends and other income	16,068,930	38,649,837
Net appreciation (depreciation) in fair value of investments	4,641,040,392	(280,499,646)
Total additions (reductions) to net assets	4,843,723,053	(25,965,500)
DEDUCTIONS FROM NET ASSETS		
Benefits and expenses:		
Pensions and other benefits	360,216,926	353,982,091
Medical supplement	41,050,718	39,998,610
Life insurance	18,491,651	18,241,971
Total benefits	419,759,295	412,222,672
Investment management and custodial fees	34,290,804	38,247,772
General and administrative	97,599,465	87,136,136
Total benefits and expenses	551,649,564	537,606,580
Other (additions) deductions:		
International Clergy Pension Plan	(4,139,789)	25,605,955
Other liabilities (assets)	(23,315,782)	(10,725,207)
Increase (decrease) in total net assets	4,319,529,060	(578,452,828)
(INCREASE) DECREASE IN NET ASSETS		
Net assets with donor restrictions	(11,364,565)	454,163
Net assets without donor restrictions	(5,688,346)	(2,112,159)
Internally designated:		
Clergy Post-Retirement Medical Assistance Plan	402,557,230	(176,268,322)
Clergy Life Insurance Plan	13,302,991	(105,452,068)
Benefit Equalization Plan	7,899,185	(12,720,443)
Clergy Child Benefit Plan	762,464	(9,385,022)
Clergy Short-Term Disability Plan	162,924	(5,037,452)
Clergy Long-Term Disability Plan	3,060,639	(17,905,153)
Investment in affiliated companies	(16,009,308)	(21,138,552)
Assessment deficiency	516,693,556	(485,233,123)
Increase (decrease) in net assets available for benefits	5,230,905,830	(1,413,250,959)
Net assets available for benefits at beginning of year	9,224,286,125	10,637,537,084
NET ASSETS AVAILABLE FOR BENEFITS AT END OF YEAR	$ 14,455,191,955	$ 9,224,286,125

See accompanying notes to the combined financial statements.

1. ORGANIZATION

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

CPF began its operations on March 1, 1917. Subsequently, affiliates of CPF were formed as its activities expanded. Major affiliates and their years of formation include: Church Publishing Incorporated, 1918; Church Life Insurance Corporation, 1922; The Church Insurance Company, 1929; The Church Insurance Agency Corporation, 1930; The Episcopal Church Clergy and Employees' Benefit Trust, 1978; The Church Insurance Company of Vermont, 1999; Church Pension Group Services Corporation, 2002.

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, 2021 and 2020.

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 retired participants and their dependents, (2) the Lay Plan benefits for participants and their dependents, and, (3) the Staff Plan benefits for participants and their dependents. The master trust agreement names CPF as Trustee and The Northern Trust Company as Custodian.

Effective March 31, 2021, 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. Prior to March 31, 2021, The Church Pension Fund Clergy Pension Plan was funded, as necessary, to be at least equal to the actuarial liability of The Church Pension Fund Clergy Pension Plan benefits payable to retired participants 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, 2021 and 2020, the master trust assets included in the combined statements of net assets available for benefits, relating to the plan benefits described above, amounted to $5.4 billion and $4.2 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, including investments that can be withdrawn within 90 days from the balance sheet date. Level 2 inputs include (1) quoted prices for similar assets and liabilities in active markets, (2) quoted prices for identical or similar assets or liabilities in markets that are not active, (3) observable inputs other than quoted prices that are used in the valuation of the assets or liabilities (for example, interest rate and yield curve quotes at commonly quoted intervals), and, (4) inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

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

The carrying value of CPF’s investment in affiliated companies is determined using the equity method of accounting, which approximates fair value.

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

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.

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

Basis of Accounting

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

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.

Recently Adopted Accounting Standards

In August 2018, the FASB issued ASU 2018-13, *Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*, which amends Accounting Standards Codification ("ASC") 820, *Fair Value Measurement*. ASU 2018-13 modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. ASU 2018-13 is effective for all entities for fiscal years beginning after December 15, 2019, including interim periods therein. Early adoption was permitted for any eliminated or modified disclosures upon issuance of ASU 2018-13. For the year ended March 31, 2020, the combined entities elected to early adopt the modifications or elimination of ASU 2018-13 disclosures related to the rollforward of Level 3 fair value measurements and the policy for the timing of transfers between levels. The early adoption of these modifications did not have a material effect on the combined financial statements. For the year ended March 31, 2021, the standard was fully adopted with no additional required disclosures to the combined financial statements.

4. INVESTMENTS

The fair value of investments as of March 31, 2021 and 2020 summarized by general investment type are as follows:

	2021	2020
	(In Thousands)	
Common and preferred stocks	$ 957,729	$ 471,625
U.S. Treasury securities	670,773	1,005,006
Municipal securities	18,155	21,434
Corporate bonds	486,903	445,630
Foreign government securities	1,860	106,546
Limited partnership interests:		
Real estate	1,835,921	1,671,524
Private equity	4,145,804	2,312,900
Other alternative investments	3,530,864	2,639,366
Commingled funds	5,028,903	3,784,572
Affiliated companies, equity interest	246,422	233,136
Totals	$ 16,923,334	$ 12,691,739

As of March 31, 2021 and 2020, CPF was not exposed to any significant concentration of risk within its investment portfolio.

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

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

Municipal securities include direct investments in state and local governments.

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

Foreign government securities include government securities and structured debt securities.

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

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

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, and, (3) multi-strategy hedge funds that pursue multiple strategies and capture market opportunities. The redemption frequency is semi-annually and 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, 2021, none of the general partners or investment managers have exercised these suspension rights.

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

At March 31, 2021, CPF had open investment commitments to limited partnerships of $2.1 billion which are expected to be funded during future years. In this regard, from April 1, 2021 through April 30, 2021, CPF invested an additional $22.6 million in existing limited partnerships and made $45.2 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 include funds that invest in (1) long and short equity securities, or (2) debt or debt-related securities or claims associated with companies, assets or sellers whose financial conditions are stressed, distressed or in default. The redemption frequency is daily, monthly, quarterly, semi-annually and annually and the redemption notice period can be from 5 to 90 days; however, due to restrictions, the entire capital may not be redeemable within 90 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 $0.7 billion short and $0.6 billion long and the net amount of open fixed income futures contracts aggregated approximately $0.9 billion long and $0.5 billion long both at March 31, 2021 and 2020, respectively. Currency forward contracts aggregated approximately $0.4 billion and $0.2 billion at March 31, 2021 and 2020, 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 gains of $100 million and losses of $3 million for the years ended March 31, 2021 and 2020, respectively, and currency forward settlements resulted in losses of $27 million and losses of $37 thousand for the years ended March 31, 2021 and 2020, respectively, are recorded in the accompanying combined financial statements as a component of net appreciation in fair value of investments.

Affiliated Companies

All of the affiliated companies other than The Episcopal Church Clergy and Employees' Benefit Trust are wholly owned and/or controlled by CPF. The financial results of The Church Insurance Company and Church Life Insurance Corporation are prepared on a statutory basis of accounting prescribed by the New York State Department of Financial Services. This statutory basis of accounting results in a fair value of these companies that is not materially different from the fair value that would be required under GAAP. The other affiliates are reported on a GAAP basis of accounting. The primary activities and financial status of each of the major affiliates are described in the sections below for the years ended December 31, 2020 and 2019, except for Church Pension Group Services Corporation, which is described for the years ended March 31, 2021 and 2020.

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, 2021 and March 31, 2020, the fair value of the condominium office space was $88.1 million and $90.1 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.

Financial Summary	**December 31**	
	2020	**2019**
	(In Thousands)	
Assets	$ 241,437	$ 214,422
Liabilities	152,791	137,421
Capital and surplus	88,646	77,001
Earned premiums	60,095	60,654
Net income	9,473	14,104

[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)

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 consist primarily of individual and group life insurance and individual and group annuity products. Group life and group annuity premiums comprise the majority of the premium revenue. Church Life no longer writes new individual annuities or individual life. 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 2020	December 31 2019
	(In Thousands)	
Assets	$ 317,760	$ 305,287
Liabilities	247,246	241,817
Capital and surplus	70,514	63,470
Insurance in force	1,766,211	1,812,630
Earned premiums	43,672	35,725
Net income	7,221	7,027

Church Publishing Incorporated

Since 1918, Church Publishing Incorporated ("Church Publishing") has produced the official worship materials of The Episcopal Church. In addition to basic, gift, and online editions of prayer books and hymnals, Church Publishing publishes in the fields of liturgy, theology, church leadership, financial and spiritual wellness, evangelism, racial reconciliation, creation care ministry and mission and Anglican spirituality alongside a wide range of products and resources for parishes and individuals. This product portfolio includes church supplies, such as lectionary inserts, calendars, parish registers; and eProducts, including RitePlanning, RiteSong, and the eCP (electronic common prayer) app. Church Publishing also produces resources on behalf of the Office of General Convention and its Standing Commission on Liturgy and Music; the Church Annual (aka Redbook) and the Episcopal Clerical Directory. It also offers an array of faith formation materials. Mary Katherine Wold is the President and Francis P. Armstrong is Executive Vice President and Chief Operating Officer of Church Publishing.

4. INVESTMENTS (CONTINUED)

Financial Summary	December 31 2020	December 31 2019
	(In Thousands)	
Assets	$ 6,902	$ 6,729
Liabilities	12,004	11,159
Capital	(5,102)	(4,430)
Revenue	3,383	4,211
Net loss	(1,017)	(848)
Capital contribution received from CPF	–	–

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

Since 1978, The Benefit Trust has funded the welfare benefit plans that are offered by The Episcopal Church Medical Trust. The Episcopal Church Medical Trust provides eligible active and retired clergy and lay employees of the Episcopal Church and their dependents with a broad array of welfare benefit plan options and serves as the plan sponsor and administrator of such plans. The Episcopal Church Medical Trust offers a variety of self-funded plan offerings, providing comprehensive medical, behavioral health, prescription drug, vision and dental benefits. The Episcopal Church Medical Trust also offers a few fully insured health care plans, providing comprehensive medical and dental benefits. For retired participants, The Episcopal Church Medical Trust offers Medicare supplement plans, as well as Medicare HMOs in selected regions of the country. The Benefit Trust has entered into an agreement with UnitedHealthcare to offer a fully insured Group Medicare Advantage Plan effective January 1, 2022. The Benefit Trust also contracts with fully insured plans to provide group life and disability plans to eligible employers and their eligible employees.

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

Financial Summary	December 31 2020	December 31 2019
	(In Thousands)	
Assets	$ 97,703	$ 70,978
Liabilities	29,157	35,839
Accumulated surplus	68,546	35,139
Revenues	276,566	264,825
Net income	33,407	7,836

5. FAIR VALUE MEASUREMENTS

The following tables provide information about the financial assets measured at fair value by general type as of March 31, 2021 and 2020:

	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
	(In Thousands)			
March 31, 2021				
Common and preferred stock	$ 957,729	$ –	$ –	$ 957,729
U.S. Treasury securities	–	612,538	58,235	670,773
Municipal securities	–	18,155	–	18,155
Corporate bonds	–	486,903	–	486,903
Foreign government securities	–	1,860	–	1,860
Limited partnership interests:				
Real estate	–	–	1,835,921	1,835,921
Private equity	–	–	4,145,804	4,145,804
Other alternative investments	–	–	3,530,864	3,530,864
Affiliated companies	–	–	246,422	246,422
	$ 957,729	$ 1,119,456	$ 9,817,246	11,894,431
Investments measured at net asset value				
Commingled funds				5,028,903
Total assets at fair value				$ 16,923,334
March 31, 2020				
Common and preferred stock	$ 471,625	$ –	$ –	$ 471,625
U.S. Treasury securities	–	965,197	39,809	1,005,006
Municipal securities	–	21,434	–	21,434
Corporate bonds	–	445,630	–	445,630
Foreign government securities	–	106,546	–	106,546
Limited partnership interests:				
Real estate	–	–	1,671,524	1,671,524
Private equity	–	–	2,312,900	2,312,900
Other alternative investments	–	–	2,639,366	2,639,366
Affiliated companies	–	–	233,136	233,136
	$ 471,625	$ 1,538,807	$ 6,896,735	8,907,167
Investments measured at net asset value				
Commingled funds				3,784,572
Total assets at fair value				$ 12,691,739

5. FAIR VALUE MEASUREMENTS (CONTINUED)

The following table summarizes all additions to Level 3 assets by general type for the years ended March 31, 2021 and 2020:

	Level 3 Purchases/Additions March 31 2021	Level 3 Purchases/Additions March 31 2020
Limited partnership interests:		
Real estate	$ 264,999	$ 378,200
Private equity	378,429	265,331
Other alternative investments	517,770	845,375
Affiliated companies, equity interest	1,600	–
Total	$ 1,162,798	$1,497,906

There were no transfers into Level 3 for the year ended March 31, 2021 and 2020. There were no transfers out of Level 3 for the year ended March 31, 2021. Transfers out of Level 3 totaled $101 million during the year ended March 31, 2020.

Limited Partnership interests in real estate, private equity and other alternative investments with a fair value of $9.5 billion are primarily valued by using CPF's proportionate share of the limited partnership's equity value as derived from the financial statements provided by the investment managers. This requires a significant amount of judgment by management due to the absence of readily available quoted market prices and the long-term nature of the investments. There are no significant related unobservable inputs.

Affiliated companies with a fair value of $246.0 million as of March 31, 2021, 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 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 page 7).

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.

6. INTERNATIONAL CLERGY PENSION PLAN (CONTINUED)

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 $201.4 million and $195.7 million at March 31, 2021 and 2020.

7. NET ASSETS

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

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

Management engaged healthcare actuaries, Aon, to assist in estimating the liability for benefits under the Clergy Post-Retirement Medical Assistance Plan. Aon’s calculation is based on the current dollar amount of this discretionary subsidy, the expected participation rate for eligible plan members, and CPF’s goal of providing this discretionary subsidy to contribute towards medical costs. Effective January 1, 2022, medical and Rx coverage for most retired participants will be offered through a fully insured plan, UnitedHealthcare’s Group Medicare Advantage Plan, which will result in enhanced retiree medical benefits and services at a lower cost. As a result, the subsidy in 2022 and thereafter is also expected to decrease and has been reflected in the underlying assumptions utilized to determine the estimated liability for the year ended March 31, 2021, resulting in a decrease in the estimated liability of $358 million. As of March 31, 2021 and 2020, the participation rate is 80% and is based on current and historical experience. The calculation also uses an increased medical inflation rate assumption for future years. Additionally, it uses an interest rate to discount these estimated payments, which is the same as the discount rate used in calculating the accumulated plan benefit obligations for the Qualified Plans.

7. NET ASSETS (CONTINUED)

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

The Benefit Equalization Plan represents the estimated liability for the benefit provided to those participants in The Church Pension Fund Clergy Pension 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 Church Pension Fund Clergy Pension Plan.

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

The following charts summarize the activities of the Net Assets described above for the years ended March 31, 2021 and 2020:

	Beginning of Year	Contributions and Investment Gains (Losses)	Benefits and Expenses Paid	Change in Assumptions	Benefits Accumulated and Other	End of Year
			(In Thousands)			
March 31, 2021						
Legacy and Gift Fund with donor restrictions	$ 32,915	$ 11,150	$ (56)	$ –	$ 271	$ 44,280
Legacy and Gift Fund without donor restrictions	25,527	8,241	(2,281)	–	(271)	31,216
Clergy Post-Retirement Medical Assistance Plan	1,279,766	–	(41,051)	(427,300)	65,794	877,209
Clergy Life Insurance Plan	357,221	–	(18,391)	(11,000)	16,088	343,918
Benefit Equalization Plan	67,700	–	(1,988)	(9,000)	3,088	59,800
Clergy Child Benefit Plan	12,246	–	(754)	(8)	–	11,484
Clergy Short-Term Disability Plan	5,037	–	(1,148)	–	986	4,875
Clergy Long-Term Disability Plan	105,303	–	(1,571)	(9,000)	7,510	102,242
Total	$ 1,885,715	$ 19,391	$ (67,240)	$ (456,308)	$ 93,466	$ 1,475,024

7. NET ASSETS (CONTINUED)

	Beginning of Year	Contributions and Investment Gains (Losses)	Benefits and Expenses Paid	Change in Assumptions	Benefits Accumulated and Other	End of Year
			(In Thousands)			
March 31, 2020						
Legacy and Gift Fund with donor restrictions	$ 33,369	$ (363)	$ (91)	$ –	$ –	$ 32,915
Legacy and Gift Fund without donor restrictions	23,416	(399)	(108)	–	2,618	25,527
Clergy Post-Retirement Medical Assistance Plan	1,103,498	–	(39,999)	170,000	46,267	1,279,766
Clergy Life Insurance Plan	251,769	–	(17,999)	112,000	11,451	357,221
Benefit Equalization Plan	54,979	–	(1,880)	9,000	5,601	67,700
Clergy Child Benefit Plan	2,861	–	(732)	–	10,117	12,246
Clergy Short-Term Disability Plan	–	–	–	–	5,037	5,037
Clergy Long-Term Disability Plan	87,398	–	(855)	11,000	7,760	105,303
Total	$ 1,557,290	$ (762)	$ (61,664)	$ 302,000	$ 88,851	$ 1,885,715

The significant assumptions utilized to estimate the liabilities include the discount rate and mortality table assumptions consistent with the assumptions utilized to calculate the accumulated benefit obligation for The Church Pension Fund Clergy Pension Plan (described on page 21). For the Clergy Post-Retirement Medical Assistance Plan, the other significant assumption included is the current and expected subsidy to provide for medical costs, as well as the participation rate.

For the year ended March 31, 2021, the Clergy Post-Retirement Medical Assistance Plan decreased by $427 million due to changes in assumptions, primarily driven by a $358 million decrease due to expected lower medical costs under the Group Medicare Advantage Plan (described on page 18) and a $55 million reduction due to a change in the discount rate. There were no other significant changes to assumptions.

For the year ended March 31, 2020, the Clergy Post-Retirement Medical Assistance Plan increased by $170 million due to changes in assumptions, primarily driven by a $179 million increase due to a change in the discount rate.

For the year ended March 31, 2020, the Clergy Life Insurance Plan increased by $112 million due to changes in assumptions, primarily driven by a $42 million increase due to a change in the discount rate and a $69 million increase due to a change in the assessment rate used to calculate the liability.

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 2021 and 2020, had a fair value of $88.1 million and $90.1 million, respectively.

8. ACCUMULATED PLAN BENEFIT OBLIGATIONS

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

Accumulated plan benefit obligations are the estimated 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. In 2019, the Staff Plan was amended to reflect the change in actuarial equivalence basis used to calculate the joint and survivor and certain and life options as well as the early retirement reduction factors for non-grandfathered, terminated participants. Effective February 2021, the Clergy Plan's actuarial equivalence basis used to calculate all lifetime forms of payment was updated. Effective February 2021, the Lay Plan's actuarial equivalence basis used to calculate joint and survivor and certain and life options and the early retirement reduction factors for grandfathered members who retire before age 60 was updated.

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

- Discount rate: 3.250% and 3.000% per annum for the years-ended March 31, 2021 and 2020, respectively, compounded annually and developed considering annualized yields for long-term government and long-term high-quality corporate bonds that reflect the duration of the pension obligations.

  For the year ended March 31, 2021, the impact of the change in the discount rate resulted in a decrease in the accumulated benefit obligations of $214.0 million for Clergy Plan, $7.8 million for the Lay Plan and $9.6 million for the Staff Plan.

- Cost-of-living adjustment:

  – Clergy Plan – 2.5% per annum for the year ended March 31, 2021 and 3% per annum for the year ended March 31, 2020;

  – Lay Plan and Staff Plan – 0% per annum for the years ended March 31, 2021 and 2020.

  The impact of this change on the Clergy Plan was a decrease in the accumulated plan benefit obligation of $398 million for the year ended March 31, 2021. CPF Board of Trustees grants cost-of-living adjustments at its discretion. The decision is made annually.

8. ACCUMULATED PLAN BENEFIT OBLIGATIONS (CONTINUED)

- Vesting for the years ended March 31, 2021 and 2020:
  - 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 you become eligible for disability retirement, whichever occurs first.
  - Staff Plan: After five year 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, 2021 and 2020:
  - 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 years ended March 31, 2021 and 2020:
  - Clergy Plan: The RP-2014 Employee White-Collar Mortality Table was used for participants and the RP-2014 Healthy Annuitant White-Collar Mortality Table was used for retirees, spouses and beneficiaries. Special mortality tables were used for disability retirements.
  - Lay 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.

8. ACCUMULATED PLAN BENEFIT OBLIGATIONS (CONTINUED)

Improvement in mortality was projected from 2006 on a fully generational basis for the years ended March 31, 2021 and 2020 using Scale MP- 2020 and Scale MP-2019, respectively. This update decreased the accumulated plan benefit obligation for the Clergy Plan by $104 million, for the Lay Plan by $2.1 million and for the Staff Plan by $2.1 million for the year ended March 31, 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 as of March 31, 2021 and 2020 are summarized as follows:

	Clergy Plan	Lay Plan	Staff Plan
		(In Thousands)	
March 31, 2021			
Vested benefits:			
Actuarial present value of accumulated plan benefit obligations for retired participants and their dependents	$ 4,537,584	$ 120,954	$ 97,950
Actuarial present value of accumulated plan benefit obligations for participants not yet retired and their dependents	1,960,379	109,337	122,433
Nonvested benefits	138,347	2,582	15,228
Total	$ 6,636,310	$ 232,873	$ 235,611
March 31, 2020			
Vested benefits:			
Actuarial present value of accumulated plan benefit obligations for retired participants and their dependents	$ 4,943,380	$ 120,833	$ 81,861
Actuarial present value of accumulated plan benefit obligations for participants not yet retired and their dependents	2,242,625	116,007	134,860
Nonvested benefits	159,843	3,906	16,690
Total	$ 7,345,848	$ 240,746	$ 233,411

The amount designated for assessment deficiency represents the actuarial present value of the estimated amount to be paid out in benefits in excess of the estimated amount to be received in assessments in connection with the Clergy Plan, the Lay Plan and the Staff Plan. The assumptions used to estimate the assessment deficiency are consistent with the assumptions used in the estimates of the actuarial present value of the accumulated plan benefit obligations.

8. ACCUMULATED PLAN BENEFIT OBLIGATIONS (CONTINUED)

For the year ended March 31, 2021 and 2020, the impact of the change in the discount rate assumption resulted in a decrease of $154 million and an increase of $544 million for the Clergy Plan, respectively.

The net increase (decrease) in the actuarial present value of the accumulated plan benefit obligations of the Clergy Plan, the Lay Plan and the Staff Plan for the years ended March 31, 2021 and 2020 is summarized as follows:

	Clergy Plan	Lay Plan	Staff Plan
	(In Thousands)		
March 31, 2021			
Actuarial present value of accumulated plan benefit obligations at beginning of year	$ 7,345,848	$ 240,746	$ 233,411
(Decrease) increase during the year attributable to:			
Plan amendments	(2,450)	(978)	–
Actual benefit adjustment vs. expected	(84,037)	–	–
Change in actuarial assumptions	(715,561)	(9,901)	(11,574)
Benefits accumulated	208,643	7,802	13,496
Increase for interest due to decrease in the discount period	215,439	7,031	6,904
Benefits paid	(331,572)	(11,827)	(6,626)
Net (decrease) increase	(709,538)	(7,873)	2,200
Actuarial present value of accumulated plan benefit obligations at end of year	$ 6,636,310	$ 232,873	$ 235,611
March 31, 2020			
Actuarial present value of accumulated plan benefit obligations at beginning of year	$ 6,555,295	$ 213,387	$ 190,387
Increase (decrease) during the year attributable to:			
Plan amendments	–	–	3,103
Actual benefit adjustment vs. expected	(63,175)	–	–
Change in actuarial assumptions	749,974	22,463	27,923
Benefits accumulated	183,370	7,033	11,066
Increase for interest due to decrease in the discount period	247,736	8,073	7,256
Benefits paid	(327,352)	(10,210)	(6,324)
Net increase	790,553	27,359	43,024
Actuarial present value of accumulated plan benefit obligations at end of year	$ 7,345,848	$ 240,746	$ 233,411

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 million, $5 million and $10 million, respectively, during the year ended March 31, 2021 and $84 million, $5 million and $9 million, respectively, during the year ended March 31, 2020.

The funding positions of the Clergy Plan, the Lay Plan and the Staff Plan as of March 31, 2021 and 2020 are summarized as follows:

	Clergy Plan	Lay Plan	Staff Plan
		(In Thousands)	
March 31, 2021			
Net assets available for pension benefits after amount designated for assessment deficiency	$ 13,901,084	$ 236,116	$ 317,991
Actuarial present value of accumulated plan benefit obligations	6,636,310	232,873	235,611
Surplus	$ 7,264,774	$ 3,243	$ 82,380
March 31, 2020			
Net assets available for pension benefits after amount designated for assessment deficiency	$ 8,823,494	$ 165,524	$ 235,278
Actuarial present value of accumulated plan benefit obligations	7,345,848	240,746	233,411
Surplus (deficit)	$ 1,477,646	$ (75,222)	$ 1,867

10. EXPENSES

During the years ended March 31, 2021 and 2020, CPGSC provided certain services, primarily personnel, general and administrative expense processing and facilities related, to CPF on a cost-reimbursement basis and billed $116.5 million and $106.6 million, respectively, for such services.

The executive compensation philosophy is established by the Compensation, Diversity and Workplace Values Committee of the Board of Trustees. The total remuneration of certain key officers of CPGSC is approved by the Compensation, Diversity and Workplace Values Committee of the Board of Trustees. In addition, the total remuneration paid to the Chief Executive Officer and President is approved by the 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, 2021, was as follows:

Mary Katherine Wold, Chief Executive Officer and President	$	1.8 million
Roger A. Sayler, Executive Vice President and Chief Investment Officer	$	1.8 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. The first 6% of their contribution is matched 75% by CPGSC. Total employer-matching contributions under this plan were $2.1 million and $2.0 million for the years ended March 31, 2021 and 2020, respectively.

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, 2021 and 2020, CPF and its affiliates recorded expenses of $1.3 million for these benefits and interest expense net of interest income. This obligation is estimated at $25.4 million and $25.1 million as of March 31, 2021 and 2020, respectively. For measuring the expected post-retirement healthcare benefit obligation, average annual rates of increase in the per capita claims cost for 2021 and 2020 were assumed to be 6.5% and 7%, respectively. The increases in medical costs are assumed to decrease annually to 4.75% in 2025 and remain at that level thereafter. The weighted average discount rates used in determining the expected post-retirement benefit obligation was 3.250% at March 31, 2021. Management performs a valuation every three years as the impact of doing the valuation annually is immaterial. If the healthcare cost trend rate were increased by 1%, the accumulated post-retirement benefit obligation as of March 31, 2021 would increase by approximately $0.4 million.

11. LINE OF CREDIT

On December 30, 2019, CPF entered into an Unsecured Revolving Line of Credit with The Northern Trust Company, which provides $100.0 million of committed and an additional $100.0 million of uncommitted available credit. On December 28, 2020, CPF amended the terms and included an increase of $150 million of uncommitted available credit to allow for more liquidity flexibility. The total credit facility is $350 million as of March 31, 2021. Advances under the Unsecured Revolving Line 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 27, 2021. 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 on the average daily amount of committed principal undrawn equal to fifteen one-hundredths of one percent (0.15 of 1%) of such amount per annum.

At March 31, 2021, The Church Pension Fund 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 year ended March 31, 2021.

12. SUBSEQUENT EVENTS

Management has performed an evaluation of subsequent events through July 7, 2021, which is the date the combined financial statements were available to be issued.

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