2013

The Church Pension Group Annual Report

Statistical Highlights

Cumulative Clergy Pension Plan Operations

	Since Inception (1917)
Assessments and original pledges received	$ 2,315,219,213
Investment income and gains (net of expenses and other deductions)	12,196,242,237
Total income	$14,511,461,450
Benefits paid for clergy and dependents	$ 4,620,428,158
Transfers to restricted and unrestricted net assets	$ 2,296,103,463

Clergy Pension Plan Participant Statistics

	2013	2010	2007
Active Participants†			
Number			
Male	4,344	4,704	5,077
Female	2,480	2,500	2,331
Total	6,824	7,204	7,408
Participants' Average Age	53.9	53.6	53.3
Average Compensation	$66,675	$64,871	$62,546
Those Receiving Benefits			
Retirees			
Normal Retirement	3,624	3,379	3,165
Early Retirement	3,553	3,219	2,947
Disability Retirement	459	441	420
Total	7,636	7,039	6,532
Average Annual Pension Benefit	$29,888	$29,023	$26,387
Average Age	74.6	74.1	73.6
Surviving Spouses			
Number	2,578	2,565	2,535
Average Benefit	$20,249	$19,096	$17,206
Average Age	78.8	78.5	77.8

†Those for whom payments made into the plan. Participant statistics as of December 31, 2012
Source: Buck Consultants, LLC Actuarial Reports

Ordinations by Calendar Year

	2012	2009	2006
Number of Individuals Ordained*	291**	369	534
Average Age at Ordination	48.8	50.1	48.3

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

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

A Message from Mary Kate Wold

Dear Friends,

The past year provided many blessings for the Church Pension Group (CPG). The U.S. economy continued to improve, and the Dow and S&P 500 returned to levels last seen prior to the 2008 financial collapse.

These and other trends, coupled with our commitment to fiscal stewardship, translated into strong results for the Church Pension Fund (CPF). Total CPF assets grew 5% to $10.7 billion, and CPF distributed nearly $340 million to beneficiaries in our defined benefit plans during the fiscal year. At a time when many other pension plans have been forced to cut benefits, I am pleased to report that CPF has continued to achieve impressive investment success, which enables us to cover CPF's significant liabilities.

This does not mean, however, that we can rest on our laurels. I am always mindful of our collective responsibility to look for ways to improve — to make it as easy as possible for our clients to understand and access the full range of benefits we provide. To this end, earlier this year, I decided to integrate several aspects of our business in order to bring a holistic, consistent and efficient approach to fulfilling our clients' needs and to streamline our operations for the benefit of those we serve.

We also began looking forward to the 2017 centennial of CPF as an opportunity to reflect upon our unique role and responsibilities. If we have learned anything in nearly a century of serving the Episcopal Church, it is that the only way to ensure we will be here continuing to serve the Church for another 100 years is to keep our minds set on our mission and our fiduciary responsibilities.

Our mission is to be the trusted provider of comprehensive, cost-effective retirement, health and life insurance benefits to the Episcopal Church, its clergy and its lay employees. In fulfilling that mission, we remain true to our values of *fiscal stewardship, compassion, adaptability, service* and *mutual respect*. These values informed our actions throughout the year, resulting in the significant accomplishments highlighted in the following pages, as well as the strength in investment and risk management, client service and education that CPG's employees strive to provide each day. I urge you to read on to learn more.

I am fortunate to lead a great team of talented, dedicated individuals committed to serving those who serve the Church.

Faithfully,

Mary Kate Wold

Mary Kate Wold
CEO and President

Dear Friends,

We are pleased to report that CPF's Assets Available for Benefits under The Church Pension Fund Clergy Pension Plan (Clergy Pension Plan) increased to $10 billion as of March 31, 2013, and total CPF assets rose to $10.7 billion. The Clergy Pension Plan remains fully funded, and we continue to monitor the funding status of The Episcopal Church Lay Employees' Retirement Plan (Lay Defined Benefit Plan), which is improving. During the past fiscal year, CPG paid out nearly $340 million in pension and related benefits for clergy and lay employees. Under the leadership of CEO and President Mary Kate Wold, CPG continues its nearly century-long tradition of professional, compassionate and trustworthy service to the Church.

Important Benefit Change — Revision to Credited Service Calculation for Clergy

Recognizing the changing nature of parish and diocesan work and the long-term needs of clergy currently serving in lower-paying or part-time positions, the CPF Board of Trustees voted that clergy earning at least $18,200 annually are to receive a full year of credited service in the Clergy Pension Plan.

Lay Employee Pension System Reaffirmed by General Convention

In July 2012, the 77th General Convention reaffirmed the Lay Employee Pension System (LPS), including the original implementation date, and extended the period for schools only to achieve the full employer base and matching contributions until January 2018, along with a specific schedule for doing so. As of January 1, 2013, 100% of dioceses are participating in a CPF-sponsored lay pension plan for their eligible lay employees, as are approximately 85% of congregations. We continue to have conversations with the remaining congregations to assist them with implementation plans.

Denominational Health Plan Reaffirmed by General Convention

The 77th General Convention also reaffirmed the Denominational Health Plan (DHP), including the original implementation date, and extended the period for achieving parity in cost-sharing for healthcare benefits between eligible clergy and lay employees until December 31, 2015. As of January 1, 2013, 98 of 101 dioceses participate with The Episcopal Church Medical Trust (Medical Trust) for their healthcare benefits, and we estimate that more than 94% of eligible employees participate in the DHP. We expect 100% diocesan participation in the DHP by December 31, 2013 for the Medical Trust's 2014 plan year.

Commitment to Our Values

Many organizations provide their members with benefits, services and education, but not all do so with singular focus on their members' financial and personal well-being. As Mary Kate Wold mentioned in her introductory letter to this Report, CPG is a mission-driven organization, and its values are the bedrock upon which every decision is based, including our commitment as fiduciaries to protect the financial strength of CPF.

As you will see in the following pages, CPG's accomplishments — the more significant ones listed in this Report as well as others not mentioned — reflect the foundational values we espouse.

Significant Accomplishments

Fiscal Stewardship

Above all else, CPG is committed to meeting its financial obligations — promises on which thousands of clergy, lay employees and surviving spouses rely — today and far into the future. To do so, we must continually monitor the economic landscape, search for prudent investment opportunities, manage risk wisely and maintain strict cost disciplines. This focus allows us to provide a solid, cost-effective portfolio of benefits.

A Prudent Approach to Spending

CPF is in solid financial condition. As said elsewhere in this Report, total CPF assets grew to $10.7 billion in the fiscal year ending March 31, 2013. Notwithstanding this, the CPF Board and executive management must use caution when making decisions that impact CPF's financial condition as CPF's liabilities are significant and in perpetuity. Over the past fiscal year, guided by our commitment to fiscal stewardship, the CPF Board considered in depth many issues that impact the benefits offered by or through CPF. Our prudent approach to fiscal management helped us navigate the turbulent economic climate of the past few years without reducing benefits for those we serve, and we believe it will continue to support CPF's financial strength in the years ahead.

Compassion

We are called by God to love our neighbors as ourselves. At CPG, that means always seeking to understand the needs and expectations of those we serve in order to provide valuable benefits and services. We listen, learn, inform and act out of this caring concern and respect for others.

Response to Hurricane Sandy: In late October 2012, Hurricane Sandy devastated parts of the Caribbean and large swaths of the East Coast of the United States, particularly New Jersey and New York. Fortunately, no injuries to clergy or lay employees were reported to us in the aftermath of the storm. However, many churches experienced property damage. Mere hours after the storm had passed, claims specialists from the Church Insurance Agency Corporation were in the field, assessing damage and bringing much-needed peace of mind to clergy, lay employees and parishioners who were not only dealing with the destruction of their own churches and homes, but were also working tirelessly to bring comfort, help and hope to their communities. As of March 2013, Church Insurance had paid nearly $11 million in Sandy-related claims to over 220 churches, schools and institutions.

Sadly, our brothers and sisters in the Diocese of Haiti, still recovering from the 2010 earthquake there, were struck hard by Hurricane Sandy. In light of the country's ongoing hardship, CPF waived the obligation for churches in the Diocese of Haiti to pay pension assessments through the end of 2013.

Adaptability

CPG has successfully weathered nearly 100 years' worth of economic and social change by remaining firmly rooted in its values, yet flexible in its approach to challenges. Our experience and knowledge of the past provide wisdom and insight necessary to prepare us for a secure future.

Ongoing Conversations with Clergy: In many congregations, the job of the cleric is evolving from a full-time position to a part-time arrangement. Mary Kate Wold has launched a series of ongoing conversations with clergy around the Church in order to more deeply understand the financial challenges the clergy face, particularly those who serve in a part-time or bi-vocational capacity.

Cost-Containment in the Denominational Health Plan (DHP): As participation in the DHP climbed to over 94% of the eligible population as of January 1, 2013, the Medical Trust became better able to address medical coverage cost disparities among participating dioceses. The Medical Trust undertook a cost-compression approach that removed some of the highest rates from the pool of participants. At a time when many employers and employees outside of the Church faced rising health insurance costs, the collective purchasing of benefits through the Medical Trust has already driven cumulative cost-containment leading to a savings of almost 10%, or more than $60 million, to the Church. These savings have been passed directly to the Church through lower annual rate increases for participating dioceses. To put this in perspective, from 2010 to 2013, U.S. employers' health insurance premiums increased an average of 7% to 12% annually, while the Medical Trust's increases averaged 4% to 6% annually. The Medical Trust will continue to explore other opportunities for reducing the variances in healthcare rates around the country.

Disaster Recovery: In the wake of Hurricane Sandy, CPG's headquarters in Manhattan was without power and phone service and we were forced to close the office for a full week. Fortunately, our disaster recovery plans ensured the security of our databases, and many employees were able to work remotely from their homes to provide necessary client services.

Service

CPG serves those who serve the Church. It is our job and our privilege to provide our clients with information and tools that are accessible, understandable and comprehensive so they can make knowledgeable decisions.

Creation of an Integrated Benefits Account Management and Sales (IBAMS) Team: In order to provide a dedicated point of service to diocesan, parish and institutional employers around the Church on all employee benefits-related issues, CPG created a new department called Integrated Benefits Account Management and Sales. Six regional account specialists, located around the country, are assigned territories consisting of a number of dioceses. Supported in their efforts by the New York-based team, they provide high levels of business-to-business service to administrators in their territories for all employee benefits offered by CPG.

Wellness Summits: CPG hosted nine diocesan Wellness Summits this past year. Conducted with the support of the diocesan bishops, these summits offered educational sessions, strategies and techniques designed to improve the physical and mental health of the over 700 clergy and lay employees who attended.

Dedicated Phone Line for Administrators: In response to the complex and growing needs of administrators throughout the Church, the CPG Client Engagement Call Center inaugurated a dedicated service team staffed by representatives specially trained to help administrators with all benefits-related questions and requests.

Encouraging Plan Participants to Save For Retirement: We are pleased to report that 3,216 new participants joined The Episcopal Church Lay Employees' Defined Contribution Plan (Lay DC Plan) and 474 new participants joined The Episcopal Church Retirement Savings Plan (RSVP Plan) during the fiscal year. All participants had a cumulative total of employee and employer contributions of nearly $38 million in the Lay DC Plan and over $21 million in the RSVP Plan during this same period.

Participation in the 2012 General Convention: CPG had an active presence at General Convention. Specialists were on hand to assist the Church Pension Fund Committee and other legislative committees. In the exhibit hall, CPG staff provided attendees from around the Church with the latest information on the Lay Employee Pension System and the Denominational Health Plan, offered financial planning tools for clergy and lay employees, and explained the CREDO and Planning For Tomorrow programs. They also answered general questions and provided individual financial, retirement and wellness consultations to all who requested them. We also had the privilege of hosting multiple receptions, including for our international partners.

Mutual Respect

At CPG, we respect and celebrate the variety of experiences, talents, outlooks and faiths we bring to work each day. By contributing and accepting our unique gifts with assurance and openness, we know we can achieve more together than we ever could alone.

Celebrating This Value Internally at CPG

Diversity and mutual respect are woven into the fabric of the CPG culture. We continue to demonstrate our commitment to diversity within the company in various ways: through our annual staff events and programs including the Diversity Council, Diversity Day and professional networking groups; through our support of organizations sponsored by our employees that serve diverse communities and causes; through our Minority Supplier Program; and through recruiting efforts that include partnering with INROADS, The National Black MBA Association and the Robert Toigo Foundation.

Ongoing Training for Service Staff

Serving our clients' needs with understanding and respect is at the core of everything we do at CPG. One of the ways that we deliver on this commitment is the Client Engagement team's rigorous ongoing staff training program. Using a variety of learning methods — eLearning, instructor-led training, observation, simulation and performance assessments — we work to ensure that our employees have a deep understanding of CPG's diverse clients, products and services so they can deliver service professionally and accurately.

Investment Performance

The CPF portfolio had another strong year with Assets Available for Benefits under the Clergy Pension Plan increasing to $10 billion as of March 31, 2013.

The U.S. economy maintained positive growth in the past year with inflation remaining low and unemployment declining. Overseas economies remained weak with Europe still in recession and Japan experiencing only modest growth. The U.S. stock market had another good year with the S&P 500 nearing an all-time high. Foreign markets also performed well though still lagging the United States. Interest rates rose slightly in the United States but remain low by historical standards.

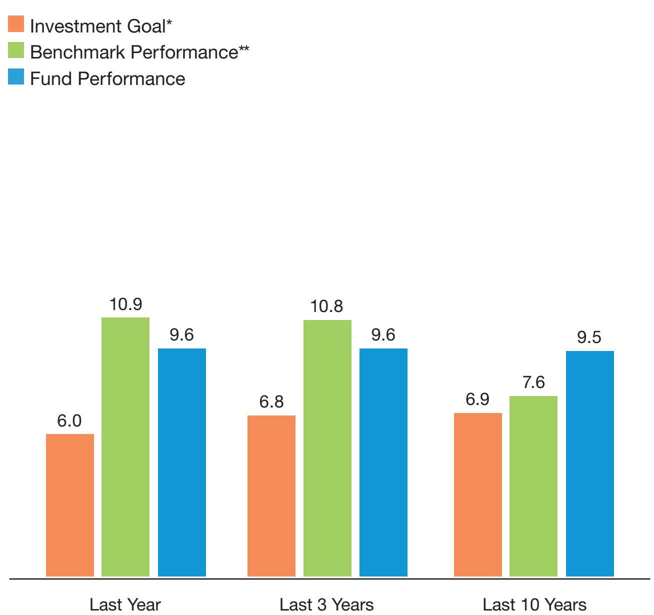
The CPF portfolio benefitted from these favorable financial market trends in fiscal 2013. All public market asset classes outperformed their respective benchmarks. However, private equity and real estate did not keep pace with public markets.

The left-hand exhibit below shows the performance of the portfolio over three time periods ending March 31, 2013. It compares portfolio performance with two key benchmarks: a passive composite of 67% S&P 500 and 33% Barclays Capital bonds and CPF's investment goal of 4.5% over inflation. CPF performance was very good compared with the investment goal. However, it lagged the passive benchmark reflecting returns in private investments. On a more meaningful longer term basis, CPF outperformed both benchmarks on a ten-year basis with both public and private investments performing well.

As shown in the right-hand exhibit, the Clergy Pension Plan is in a strong financial condition, with Additional Funds exceeding Required Reserves by nearly $1.6 billion.

Investment Performance for Periods Ending March 31, 2013

Annualized Total Return in Percent

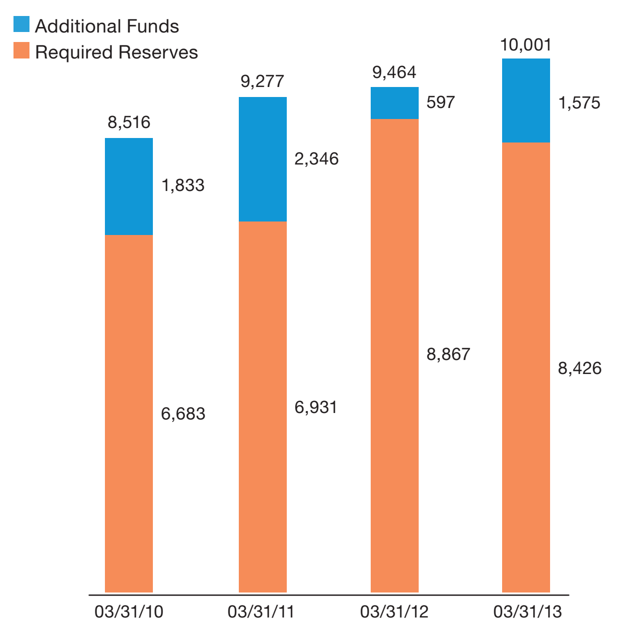


*Investment Goal is a return of 4.5% over inflation.

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

Assets Available for Benefits* The Clergy Pension Plan

Dollars in Millions



*Total assets excluding non-benefit liabilities, assets commingled for investment purposes, legacy and gift funds, and investments in affiliated companies.

Looking ahead, uncertainties continue regarding the strength of economies around the world. The United States is still relatively strong but unemployment remains high. European economies and Japan appear to have bottomed but the strength and sustainability of the recoveries are problematic. On the positive side, inflation remains low worldwide and corporate profits are strong, especially in the United States. CPF is in a strong financial condition which should allow us to take advantage of investment opportunities if markets become unsettled.

Board Changes

In July 2012, the 77th General Convention elected seven experienced clergy and lay professionals from around the Church to serve six-year terms as new members of the CPF Board of Trustees. We are happy to welcome:

Canon Rosalie Simmonds Ballentine
Attorney, Law Office of
Rosalie Simmonds Ballentine, P.C.
St. Thomas, Virgin Islands

Ryan K. Kusumoto
Vice President of Administration
Goodwill Industries of Hawaii
Honolulu, Hawaii

The Rt. Rev. Diane M. Jardine Bruce, D. Min.
Bishop Suffragan of Los Angeles

Canon Kathryn Weathersby McCormick
Canon for Administration & Finance
Diocese of Mississippi

Gordon B. Fowler, Jr.
CEO and Chief Investment Officer
Glenmede Trust Company
Bryn Mawr, Pennsylvania

Solomon Owayda
Managing Director
Siguler Guff & Company, L.P.
Arlington, Massachusetts

Delbert C. Glover, Ph.D.
Vice President (retired)
E.I. DuPont de Nemours Company
Providence, Rhode Island

In June 2013, the CPF Board accepted the resignation of fellow trustee **James E. Bayne** of the Diocese of Dallas. A former executive at Exxon-Mobil and long active in the Church at the parish, diocesan and national levels, Jim has served on the CPF Board of Trustees since 1999. During his long and productive tenure, he served as Chair of the Finance Committee, a member of the Retirement Programs, Diversity and Workplace Values and the CEO Selection Committees, and a director of Church Life Insurance Corporation. We thank Jim for his faithful service and will miss his wise counsel. We wish him and his wife June every blessing for the future.

At its June meeting, the CPF Board elected **Kevin B. Lindahl, J.D.** to fill the vacancy left by Jim Bayne's retirement. Kevin is General Counsel of the Fire and Police Pension Association, an organization with a $4 billion investment portfolio that administers pension and disability programs for public safety officers throughout Colorado. He also serves as a trustee of Colorado Episcopal Foundation and a volunteer director of youth programs at his local parish where he previously served as Finance Chair. We are delighted to welcome Kevin to the CPF Board and look forward to working with him.

Management Changes

In February 2013, Mary Kate Wold instituted a new organizational structure designed to increase efficiency, collaboration and communication at CPG. In this new structure, all client-facing and client-serving functions (including benefits, education and customer service) were consolidated and streamlined under a newly created position of Chief Operating Officer. Executive Vice President Jim Morrison has assumed this new role.

New Home Office

The work of CPG has expanded over the past 20 years in response to General Convention resolutions and the needs of our constituents, and our office at 445 Fifth Avenue is no longer suited to our needs. Therefore, in 2012, CPG purchased new office space at 19 East 34th Street in Manhattan from the New York Public Library. We took advantage of the downturn in the market to purchase the space at a price well below the market level of the last decade. In addition, the New York Public Library is leasing CPG's space at 445 Fifth Avenue, providing us with an excellent not-for-profit tenant and with incremental cash flow for the investment portfolio. CPG specialists teamed with architects and engineers to create an environment in our new space that meets LEED-certified level of sustainability and cost-efficiency in water and energy use, building materials and environmental quality. The first wave of employees moved to the new headquarters in late June, and all are expected to be settled in by May 2014.

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

Faithfully,

Wayne P. Wright

The Rt. Rev. Wayne P. Wright, D.D.
Chair

Barbara B. Creed

Barbara B. Creed
Vice Chair

Robert H. Johnson

The Rt. Rev. Robert H. Johnson, D.D.
Vice Chair

Mary Kate Wold

Mary Kate Wold
CEO and President

Officers of the CPF Board and CEO and President

(seated) The Rt. Rev. Wayne P. Wright, D.D., Mary Kate Wold
(standing) Barbara B. Creed, The Rt. Rev. Robert H. Johnson, D.D.

Combined Statements of Net Assets Available for Benefits

March 31	2013	2012
Assets		
Investments, at fair value:		
Equity securities, other than affiliated companies	$1,978,182,465	$1,830,409,829
Fixed income securities	2,736,729,670	2,574,424,055
Real estate and private equity	2,953,953,776	2,845,742,156
Alternative investments	1,952,235,532	2,016,575,137
Mortgage loans	59,694,438	56,927,973
Affiliated companies, equity interest	208,187,201	122,673,105
Short-term securities	31,813,773	29,346,413
Total Investments, at fair value	9,920,796,855	9,476,098,668
Receivables and Other Assets:		
Receivable from brokers	32,327,967	53,783,329
Notes receivable		
Assessments receivable, less allowance for doubtful accounts (2013–$2,576,000; 2012–$2,506,000)	3,032,544	4,464,625
Accrued investment income and other assets	73,715,444	73,608,817
Home office building and improvements, less accumulated depreciation (2013–$14,038,000; 2012–$13,197,000)	14,597,108	21,733,073
Cash and Cash Equivalents	654,592,689	537,035,469
Total Assets	10,699,062,607	10,166,723,981
Liabilities		
International Clergy Pension Plan	145,829,203	146,384,627
Payable to brokers	83,316,619	115,652,120
Accrued expenses and other liabilities	167,086,830	164,771,625
Total Liabilities	396,232,652	426,808,372
Total Net Assets	$10,302,829,955	$9,739,915,609
Components of Net Assets		
Restricted Net Assets:		
Permanently Restricted Legacy and Gift Fund	$ 21,283,337	$ 19,605,418
Temporarily Restricted Legacy and Gift Fund	14,489,740	13,826,146
Total Restricted Net Assets	35,773,077	33,431,564
Unrestricted Net Assets:		
Designated for Major Medical Supplement Fund	975,039,049	1,189,477,800
Designated for Life Insurance Benefit Fund	224,232,415	221,200,753
Designated for Supplemental Pension Fund	23,457,957	49,845,183
Designated for investment in affiliated companies	116,579,889	122,673,105
Available for benefits:		
Designated for assessment deficiency	1,104,684,437	1,180,685,349
Net assets available for benefits:		
The Clergy Pension Plan	7,594,929,829	6,741,883,683
The Episcopal Church Lay Employees' Retirement Plan	121,527,320	110,461,636
Staff Retirement Plan of The Church Pension Fund and Affiliates	106,605,982	90,256,536
Total net assets available for benefits	7,823,063,131	6,942,601,855
Total Unrestricted Net Assets	10,267,056,878	9,706,484,045
Total Net Assets	$10,302,829,955	$9,739,915,609

See accompanying notes to financial statements.

Combined Statements of Changes in Net Assets Available for Benefits

Years Ended March 31	2013	2012
Additions to Net Assets		
Assessments	$ 97,730,341	$ 94,997,461
Interest	102,082,244	102,828,864
Dividends and other income	37,769,832	39,670,391
Net gain on real estate and private equity investments	250,053,435	269,524,911
Net gain on alternative investments	194,972,203	25,941,400
Net realized and unrealized investment gains on equity and fixed income securities	325,800,916	139,658,960
Total Additions to Net Assets	1,008,408,971	672,621,987
Deductions from Net Assets		
Benefits and Expenses:		
Pensions and other benefits	295,875,076	287,052,218
Medical supplement	28,288,106	26,346,863
Life insurance	14,350,441	13,685,196
Total benefits	338,513,623	327,084,277
Investment management and custodial fees	30,966,178	29,493,334
General and administrative	63,570,373	64,867,049
Enterprise-wide projects	2,163,720	3,342,680
Total Benefits and Expenses	435,213,894	424,787,340
Other Deductions:		
International Clergy Pension Plan	(1,818,978)	35,916,450
Other Liabilities	12,099,709	49,180,866
Increase in Total Net Assets	562,914,346	162,737,331
Decrease (Increase) in Restricted and Unrestricted Net Assets		
(Increase) in Restricted Net Assets	(2,341,513)	(797,927)
Decrease (increase) in Major Medical Supplement Fund	214,438,751	(251,463,272)
(Increase) in Life Insurance Benefit Fund	(3,031,662)	(37,512,349)
Decrease (increase) in Supplemental Pension Fund	26,387,226	(6,468,306)
Decrease in investment in affiliated companies	6,093,216	4,440,114
Decrease (increase) in assessment deficiency	76,000,912	(478,578,499)
Increase (Decrease) in Net Assets Available for Benefits	880,461,276	(607,642,908)
Net Assets Available for Benefits at Beginning of Year	6,942,601,855	7,550,244,763
Net Assets Available for Benefits at End of Year	$7,823,063,131	$6,942,601,855

See accompanying notes to financial statements.

Notes to Financial Statements

1. Organization

The Church Pension Fund (the "Fund") is a not-for-profit corporation chartered in 1914 by the Legislature of the State of New York. The Fund 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, the Fund has elected to be examined by the New York State Department of Financial Services.

The Fund began its operations on March 1, 1917. Subsequently, affiliates of the Fund were formed as its activities expanded. Major affiliates and their years of formation include: Church Publishing Incorporated, 1918; Church Life Insurance Corporation, 1922; The Church Insurance Company, 1929; The Church Insurance Agency Corporation, 1930; The Episcopal Church Clergy and Employees' Benefit Trust, 1978; The Church Insurance Company of Vermont, 1999; CREDO Institute, Inc., 2001; Church Pension Group Services Corporation, 2002; and The Church Insurance Company of New York, 2007.

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

2. Description of the Plans

The Fund is the plan sponsor and the administrator of The Fund's Clergy Pension Plan (the "Clergy Plan"), The Episcopal Church Lay Employees' Retirement Plan (the "Lay Plan") and The Staff Retirement Plan of The Church Pension Fund and Affiliates (the "Staff Plan") (collectively referred to as the "Qualified Plans"). The following is a brief description of the Clergy Plan, the Lay Plan and the Staff Plan for general information purposes only. Participants in these plans should refer to the plan documents of their respective plan for more complete information. In the event of a conflict between this brief description and the terms of the plan documents, the terms of the plan documents shall govern.

The Clergy Plan is a defined benefit plan providing retirement, death and disability benefits to eligible clergy of the Episcopal Church. The Lay Plan is a defined benefit plan providing retirement, death and disability benefits to eligible lay employees of participating employers of the Episcopal Church. The Staff Plan is a defined benefit plan providing retirement and death benefits to eligible employees of the Fund and certain affiliates. The respective assets of these defined benefit plans are pooled, solely for investment purposes, for the benefit of all participants. As church plans, the Qualified Plans are exempt from Titles I and IV of the Employee Retirement Income Security Act of 1974 and, therefore, are not subject to Pension Benefit Guaranty Corporation requirements or guarantees. These plans have long been recognized as exempt from federal income taxes. The Fund and certain of its affiliates are also exempt from certain federal, state and local income taxes. The Qualified Plans may be terminated by the Fund at any time. Upon termination of any of these plans, the Fund has the obligation to distribute the plan assets in accordance with the terms of the applicable plan documents.

The Qualified Plans qualify as church plans under Section 414(e) of the Internal Revenue Code (the "Code"). The Lay Plan and the Staff Plan have received determination letters from the Internal Revenue Service, most recently in 2009, stating that the plans are qualified under Section 401(a) of the Code and, therefore, the related master trust is exempt from taxation under Section 501(a) of the Code. The Qualified Plans are required to operate in conformity with the Code to maintain its qualification. The Qualified Plans administrator believes the Qualified Plans are being operated in compliance with their applicable requirements of the Code and, therefore, believes that the Qualified Plans, as amended, are qualified and the related trust is tax exempt.

Accounting principles generally accepted in the United States require the Fund and the Qualified Plans to evaluate uncertain tax positions taken by the Fund and the Qualified Plans. The financial statement effects of a tax position are recognized when the position is more likely than not, based on the technical merits, to be sustained upon examination by the Internal Revenue Service. There were no uncertain tax positions taken by the Fund and the Qualified Plans as of March 31, 2013 and 2012.

The Fund maintains a master trust with an undivided ownership interest in the portion of the Fund's assets allocable to (1) the Clergy Plan benefits for retired participants and their dependents, (2) the Lay Plan benefits for participants and their dependents, and (3) the Staff Plan benefits for participants and their dependents. The master trust agreement names the Fund as trustee and the Northern Trust Company as custodian.

The portion of the master trust (1) attributable to the Clergy Plan is funded, as necessary, to at least equal to the actuarial liability of the Clergy Plan benefits for retired participants and their dependents on an annual basis, (2) attributable to the Lay Plan is funded by assessments paid by participating employers, and (3) attributable to the Staff Plan is funded at the discretion of the Fund. As of March 31, 2013 and 2012, the master trust assets, which are included in the combined statements of net assets available for benefits, relating to the plan benefits described above, amounted to $3.2 billion and $1.4 billion, respectively.

3. Basis of Presentation and Summary of Significant Accounting Principles

Basis of Presentation

The accompanying financial statements have been prepared on a combined basis for the Fund and the Qualified Plans in accordance with accounting principles generally accepted in the United States ("GAAP"). All inter-plan balances have been eliminated in these combined financial statements.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the financial statements and accompanying notes.

The fair value of investments and accumulated plan benefit obligations represent the most significant estimates and assumptions. Actual results could differ significantly from these estimates and assumptions.

Summary of Significant Accounting Principles

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

i) Investments – Investments are stated at fair value. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the financial statements.

Fair values of financial instruments are determined using valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Fair values are generally measured using quoted prices in active markets for identical assets or other inputs, such as quoted prices for similar assets that are observable, either directly or indirectly. In those instances where observable inputs are not available, fair values are measured using unobservable inputs for the asset. Unobservable inputs reflect management's own assumptions about the assumptions that market participants would use in pricing the asset or liability and are developed based on the best information available in the circumstances. Fair value estimates derived from unobservable inputs are significantly affected by the assumptions used, including the discount rates and the estimated amounts and timing of future cash flows. The derived fair value estimates cannot be substantiated by comparison to independent markets and are not necessarily indicative of the amounts that would be realized in a current market exchange.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as follows:

Level 1 — Unadjusted quoted prices in active markets for identical assets.

Level 2 — Other inputs that are observable for the asset, either directly or indirectly, including investments measured at net asset values ("NAV") which can be withdrawn within 90 days from the balance sheet date.

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

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

The fair value of mortgage loans is determined by the discounted cash flow method, taking into account prepayment risk.

The carrying value of affiliated companies is determined using the equity method of accounting which approximates fair value.

Investments with original maturities of one year or less are classified as short-term securities and are carried at cost, which approximates fair value.

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

ii) Home Office Building and Improvements – The investment in the organization's home office building and improvements is carried at cost less accumulated depreciation. The home office building and improvements are depreciated on a straight-line basis over their estimated useful lives which range from 10 years to 40 years.

iii) Cash and Cash Equivalents – Cash and cash equivalents represent short-term highly liquid investments with original maturities of three months or less and are carried at cost, which approximates fair value.

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

v) Net Assets – Net assets are classified as unrestricted, temporarily restricted and permanently restricted. Unrestricted net assets are net assets that are not subject to donor-imposed restrictions. All gifts, grants and bequests are considered unrestricted unless specifically restricted by the donor. Temporarily restricted net assets are net assets that are subject to donor-imposed restrictions either for use during a specified time period or for a particular purpose. When a donor-imposed restriction is fulfilled or when a time restriction ends, temporarily restricted net assets are reclassified to unrestricted net assets. Permanently restricted net assets are net assets that are subject to permanent donor-imposed restrictions.

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

vii) Accounting Pronouncement Not Yet Adopted – In December 2011, the FASB issued guidance on disclosure requirements related to offsetting arrangements. The guidance provides for additional financial statement disclosure regarding offsetting and related arrangements to enable financial statement users to understand the effect of those arrangements on an entity's financial position. This guidance is effective annual reporting periods beginning on or after January 1, 2013. The Fund and the Qualified Plans will adopt this guidance for the year ended March 31, 2014, and management currently does not believe that it will have a material impact on the financial condition of the Fund and the Qualified Plans.

viii) Reclassifications – Certain 2012 amounts in the Fund's combined financial statements have been reclassified to conform to the 2013 financial statement presentation.

4. Investments

Equity Securities

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

The net appreciation (depreciation) in fair value for the years ended March 31, 2013 and 2012 and the fair value of investments in equity securities by asset class as of March 31, 2013 and 2012 are summarized as follows:

March 31, 2013 (in thousands)	Net Appreciation (Depreciation) in Fair Value During Year	Fair Value End of Year
U.S. large capitalization/ broadly diversified	$ 146,334	$ 928,257
U.S. small capitalization	30,714	269,708
Sector strategies	8,774	–
Total U.S. equities	185,822	1,197,965
Emerging markets	(553)	123,072
Other international	71,400	657,145
Totals	$ 256,669	$ 1,978,182

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

Fixed Income Securities

The net appreciation in fair value for the years ended March 31, 2013 and 2012 and the fair value of investments in fixed income securities by asset class as of March 31, 2013 and 2012 are summarized as follows:

March 31, 2013 (in thousands)	Net Appreciation in Fair Value During Year	Fair Value End of Year
U.S. Treasury and obligations of U.S. government corporations and agencies	$ 16,442	$ 1,072,988
Corporate	45,153	1,325,150
Loan-backed	3,366	67,879
Foreign governments	2,245	196,111
Asset-backed	1,926	74,602
Totals	$ 69,132	$ 2,736,730

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

Derivative Financial Investments

Futures contracts are used primarily to maintain the Fund's asset allocation within ranges determined by the Investment Committee of the Fund's Board of Trustees. Such futures contracts trade on recognized exchanges and margin requirements are met by pledging cash and cash equivalents. The contractual amount of the open futures contracts aggregated approximately $72 million and $40 million short at March 31, 2013 and 2012, respectively.

The contractual amounts of these instruments are indications of the open transactions and do not represent the level of market or credit risk to the portfolio. Since some of the futures held are adjusting market risk elsewhere in the portfolio, the measurement of the risks associated with these instruments is meaningful only when all related and offsetting transactions are considered. Market risks to the portfolio are caused primarily by changes in U.S. interest rates or in the value of U.S. equity markets.

With respect to credit risk, futures contracts require daily cash settlement, thus limiting the cash receipt or payment to the change in fair value of the underlying instrument. Accordingly, the amount of credit risk represents a one-day receivable. Settlements, which resulted in gains of $26 million and $13 million for the years ended March 31, 2013 and 2012, respectively, are recorded in the accompanying financial statements as a component of realized investment gains and losses.

Real Estate and Private Equity Investments

Certain financial information for the years ended March 31, 2013 and 2012 and the fair values of investments in real estate and private equity limited partnerships by asset class as of March 31, 2013 and 2012 are summarized as follows:

March 31, 2013 (in thousands)	Fair Value Beginning of Year	Contributions	Operating Results & Net Capital Gains (Losses)	Distributions	Fair Value End of Year
Real estate:					
North America	$ 778,082	$ 92,384	$ 75,976	$ (64,841)	$ 881,601
Europe	189,943	51,760	8,882	(40,809)	209,776
Asia	209,324	29,016	16,755	(11,986)	243,109
Other	169,946	25,435	(13,557)	(115,269)	66,555
Total real estate	1,347,295	198,595	88,056	(232,905)	1,401,041
Private equity:					
North America	896,022	70,533	61,787	(170,467)	857,875
Europe	304,296	48,805	31,266	(33,808)	350,559
Asia	153,151	41,236	16,847	(11,449)	199,785
Other	144,978	9,503	51,931	(61,718)	144,694
Total private equity	1,498,447	170,077	161,831	(277,442)	1,552,913
Totals	$2,845,742	$368,672	$249,887	$(510,347)	$2,953,954

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

Real estate limited partnerships include investments across all major property types including commercial properties, such as office, retail, multi-family, hotel and land, residential properties and real and other assets such as energy, materials and timber. As of March 31, 2013 and 2012, investments in commercial properties, residential properties and real and other assets were 49%, 25% and 26%, respectively, and 46%, 23% and 31%, respectively, of the portfolio.

Private equity limited partnerships include strategies focused on venture capital and growth equity/buyout transactions across many industry sectors. As of March 31, 2013 and 2012, investments in venture capital and growth equity/buyout transactions were 45% and 55%, respectively, and 46% and 54%, respectively, of the portfolio.

The net gain on investments in real estate and private equity limited partnerships for the fiscal years ended March 31, 2013 and 2012 include realized and unrealized gains, operating results, other income and direct fees and are summarized in the following table:

March 31 (in thousands)	2013	2012
Net realized capital gains	$ 221,890	$ 149,053
Net unrealized capital gains	28,157	120,185
Operating results	(160)	(342)
Operating results and net capital gains	249,887	268,896
Other income and direct fees	166	629
Net gains on real estate and private equity investments	$ 250,053	$ 269,525

These partnerships generally span a minimum of 10 years during which committed capital is contributed, invested and distributions are made when income is earned or investments are liquidated.

At March 31, 2013, the Fund had open investment commitments to limited partnerships of $1.3 billion which are expected to be funded during future years. In this regard, from April 1, 2013 through April 30, 2013, the Fund invested an additional $28 million and made $89 million in new commitments in limited partnerships. Although there is a secondary market in limited partnerships interests, most of these investments are illiquid and there may be penalties should the Fund not fulfill its funding and holding period commitments.

Alternative Investments

Alternative investments include marketable alternatives such as investments in hedge funds and absolute return strategies. Alternative investments primarily include investments in (1) long/short equity hedge funds, which invest primarily in long and short equity securities, (2) credit/distressed debt securities that are generally rated below investment grade with managers that invest in debt or debt related securities or claims associated with companies, assets or sellers whose financial conditions are stressed, distressed or in default, and (3) multi-strategy hedge funds that pursue multiple strategies and capture market opportunities. The net appreciation (depreciation) in fair value for the year, the fair value, unfunded commitments, redemption frequency (if currently eligible) and redemption notice period of these alternative investments by asset class at the year-end are summarized as follows:

March 31, 2013 (in thousands)	Net Appreciation (Depreciation) in Fair Value During Year	Fair Value End of Year	Unfunded Commitments End of Year	Redemption Frequency*	Redemption Notice Period
Long/short equity	$ 54,952	$ 583,369	$ 6,000	Q/A	30-90 days
Credit/distressed debt	44,388	441,811	148,243	A	90 days
Multi-strategy	47,170	537,881	–	Q/A	60-180 days
Other	48,462	389,175	14,000	Q/A	30-90 days
Totals	$ 194,972	$1,952,236	$168,243		

March 31, 2012 (in thousands)	Net Appreciation (Depreciation) in Fair Value During Year	Fair Value End of Year	Unfunded Commitments End of Year	Redemption Frequency*	Redemption Notice Period
Long/short equity	$ 10,020	$ 545,966	$ –	Q/A	30-90 days
Credit/distressed debt	8,877	524,130	131,956	None/M	None-90 days
Multi-strategy	22,914	490,711	–	SA/A	60-180 days
Other	(15,870)	455,768	–	M/Q/SA/A	15-90 days
Totals	$ 25,941	$2,016,575	$131,956		

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

Certain of the alternative investments in limited partnerships are subject to withdrawal "gate" or suspension provisions as defined in the limited partnerships' agreement. The general partner and/or investment manager of the limited partnerships may restrict or suspend withdrawal requests for various reasons, including, but not limited to, insufficient liquidity at the limited partnership to satisfy withdrawal requests or to preserve the capital interests of the limited partners not withdrawing from the limited partnerships. As of March 31, 2013, none of the limited partnerships had any restrictions on withdrawals.

Affiliated Companies

Investments in affiliated companies represent an important use of the Fund's assets. All of the affiliated companies other than The Episcopal Church Clergy and Employees' Benefit Trust are wholly-owned by the Fund and all carry out significant activities that the Board of Trustees, upon the advice and request of the Episcopal Church, has concluded further the Fund's mission.

The financial results of The Church Insurance Company and Church Life Insurance Corporation are prepared on a statutory basis of accounting prescribed by the New York State Department of Financial Services which is not materially different from the fair value of these entities that would be required under GAAP. The other affiliates are reported on a GAAP basis of accounting. The primary activities and financial status of each of the major affiliates are described in the sections below for the years ended December 31, 2012 and 2011, except for Church Publishing Incorporated which is described for the years ended March 31, 2013 and 2012.

Church Pension Group Services Corporation

Church Pension Group Services Corporation ("CPGSC") provides certain services, primarily personnel and facilities related, to the Fund and its affiliated companies on a cost-reimbursement basis. During the year ended March 31, 2013, Church Pension Group 34th Street, LLC was incorporated as a wholly-owned subsidiary of CPGSC and it completed the purchase of a condominium office space and its ongoing renovations that, effective July 1, 2013, is the headquarters of the Church Pension Group. As of March 31, 2013 and 2012, the fair value of the condominium office space and its ongoing renovations was $91 million and $0 million, respectively.

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 institutions rely on the Church Insurance Companies for their commercial package insurance coverage. The Church Insurance Agency Corporation (the "Agency") provides insurance agency and risk-management services to Episcopal Church institutions. The Agency accesses a broad range of property, casualty and other insurance products tailored for the special needs of Episcopal Church institutions through its sister companies, The Church Insurance Company of Vermont ("CIC-VT") and The Church Insurance Company of New York ("CIC-NY"), or through its product partners. CIC-VT and CIC-NY are single-parent captive insurance companies incorporated in 1999 and 2007, respectively, to allow Episcopal Church institutions to benefit from the coverage flexibility and potential cost advantages of this shared risk-financing approach. From January 1, 2010 until September 30, 2012, the Agency also provided agency services to the United Methodist Property and Casualty Trust, a Washington, D.C. captive reinsurance company, affiliated with The United Methodist Church. On August 23, 2012 Church Insurance Services LLC ("CIS"), a Delaware limited liability company and wholly-owned subsidiary of CIC-VT, was formed to further the covenant relationship between the Episcopal Church and The United Methodist Church and the charitable and religious purposes of CIC-VT by providing certain insurance-related services to United Methodist Insurance Corporation, a Vermont captive insurance company affiliated with The United Methodist Church. On October 1, 2012 Agency and CIS entered into services agreements with United Methodist Insurance Corporation to provide insurance agency and other insurance-related services to United Methodist Insurance Corporation. Mary Katherine Wold is the President and D. Roderick Webster is Senior Vice President and General Manager of The Church Insurance Companies.

Financial Summary

December 31 (in thousands)	2012	2011
Assets	$ 247,636	$ 211,251
Liabilities	179,269	136,294
Capital and surplus	68,367	74,957
Earned premiums	40,882	42,372
Net (loss) income	(13,216)	2,013

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

Church Life Insurance Corporation

Since 1922, Church Life Insurance Corporation ("Church Life") has provided life insurance protection and retirement savings products to clergy and lay workers who serve the Episcopal Church and to their families. The products Church Life offers include individual and group annuities, IRAs and life insurance coverage. Mary Katherine Wold is the President and James E. Thomas is Senior Vice President and General Manager of Church Life.

Financial summary

December 31 (in thousands)	2012	2011
Assets	$ 279,136	$ 254,640
Liabilities	235,997	216,172
Capital and surplus	43,139	38,468
Insurance in force	1,488,202	1,493,218
Earned premiums	42,013	37,619
Net income	3,240	979
Dividend paid to the Fund	–	1,000

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 on line editions of prayer books and hymnals, Church Publishing now has a backlist of some 800 books in the fields of liturgy, theology, church leadership, homiletics and Anglican spirituality. Church Publishing also offers a growing list of Episcopal-related church resources, liturgical and musical software, online services and apps. Church Publishing is proud to publish reference works on behalf of the Office of the General Convention (such as the "Blue Book"), as well as the venerable Church Annual and the Episcopal Clerical Directory. Through its faith-formation division, Morehouse Education Resources, Church Publishing offers church-school curricula such as Living the Good News via digital download, Godly Play, and the "Embracing" series of videos intended for group study. Mary Katherine Wold is the President and Davis Perkins is Senior Vice President and Publisher of Church Publishing.

Financial Summary

March 31 (in thousands)	2013	2012
Assets	$ 11,525	$ 12,696
Liabilities	10,044	9,194
Capital	1,481	3,502
Revenue	5,010	5,514
Net loss	(2,771)	(2,867)
Capital contribution received from the Fund	750	1,950

CREDO Institute, Inc.

Since 2001, CREDO Institute, Inc. ("CREDO") has provided opportunities for Episcopal clergy to examine significant areas of their lives and to discern prayerfully the future direction of their vocations as they respond to God's call in a lifelong process of practice and transformation. CREDO accomplishes this by organizing conferences led by prominent clergy and lay individuals from around the country. These conferences provide clergy and lay participants the opportunity to reflect on spiritual, vocational, health and financial aspects of their lives. CREDO receives substantially all of its funding from the Fund. William S. Craddock, Jr., is Senior Vice President and the Managing Director of CREDO. Effective January 1, 2013 the activities of CREDO Institute Inc., are carried out by the Fund.

Financial Summary

December 31 (in thousands)	2012	2011
Assets	$ 1,750	$ 21,905
Liabilities	966	881
Net assets	784	21,024
Revenue from third parties	428	535
Revenue from the Fund	(14,851)	15,157
Change in net assets	(20,240)	9,696

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

The Benefit Trust, now in its thirty-fifth year, funds the health plan options that are offered by The Episcopal Church Medical Trust. The Episcopal Church Medical Trust provides eligible active and retired clergy and employees of the Episcopal Church and their dependents with a broad array of health plan options and serves as the plan sponsor and administrator of such plans. The Episcopal Church Medical Trust offers a variety of self-funded plan offerings, providing comprehensive medical, behavioral health, prescription drug, vision and dental benefits. The Episcopal Church Medical Trust also offers certain insured managed care plans in selected regions of the country. For retired participants, The Episcopal Church Medical Trust offers Medicare supplement plans, as well as Medicare HMOs in selected regions of the country.

The Benefit Trust is not a subsidiary of the Fund. Accordingly, its assets, liabilities and financial results are not included in the Statement of Net Assets Available for Benefits. Mary Katherine Wold is the President and Frank P. Armstrong is Senior Vice President and General Manager of The Episcopal Church Medical Trust.

Financial Summary

December 31 (in thousands)	2012	2011
Assets	$ 49,929	$ 49,031
Liabilities	23,350	24,047
Accumulated surplus	26,579	24,984
Revenues	196,936	180,658
Net income	408	3,477

5. Fair Value Measurements

The following tables provide information about the financial assets measured at fair value by asset class as of March 31, 2013 and 2012.

March 31, 2013 (in thousands)	Level 1	Level 2	Level 3	Total
Equity securities:				
U.S. large capitalization/ broadly diversified	$ 777,384	$ 150,873	$ –	$ 928,257
U.S. small capitalization	269,708	–	–	269,708
Sector strategies	–	–	–	–
Total U.S. equities	1,047,092	150,873	–	1,197,965
Emerging markets	35,003	88,069	–	123,072
Other international	13	657,132	–	657,145
Totals	1,082,108	896,074	–	1,978,182
Fixed income securities:				
U.S. Treasury and obligations of U.S. government corporations and agencies	–	1,072,988	–	1,072,988
Corporate	–	1,325,150	–	1,325,150
Loan-backed	–	67,879	–	67,879
Foreign governments	–	196,111	–	196,111
Asset-backed	–	74,602	–	74,602
Totals	–	2,736,730	–	2,736,730
Real estate and private equity	–	–	2,953,954	2,953,954
Alternative investments:				
Long/short equity	–	358,089	225,280	583,369
Credit/distressed debt	–	–	441,811	441,811
Multi-strategy	–	161,536	376,345	537,881
Other	–	239,699	149,476	389,175
Totals	–	759,324	1,192,912	1,952,236
Mortgage loans	–	53,965	5,729	59,694
Affiliated companies	–	–	208,187	208,187
Short-term securities	–	31,814	–	31,814
Total assets at fair value	$1,082,108	$4,477,907	$4,360,782	$9,920,797

March 31, 2012 (in thousands)	Level 1	Level 2	Level 3	Total
Equity securities:				
U.S. large capitalization/ broadly diversified	$ 679,393	$ 131,234	$ –	$ 810,627
U.S. small capitalization	238,276	433	–	238,709
Sector strategies	56,485	–	–	56,485
Total U.S. equities	974,154	131,667	–	1,105,821
Emerging markets	5,684	146,701	–	152,385
Other international	23,517	548,687	–	572,204
Totals	1,003,355	827,055	–	1,830,410
Fixed income securities:				
U.S. Treasury and obligations of U.S. government corporations and agencies	–	1,064,466	–	1,064,466
Corporate	–	1,260,787	–	1,260,787
Loan-backed	–	70,147	–	70,147
Foreign governments	–	117,808	–	117,808
Asset-backed	–	61,216	–	61,216
Totals	–	2,574,424	–	2,574,424
Real estate and private equity	–	–	2,845,742	2,845,742
Alternative investments:				
Long/short equity	–	369,408	176,558	545,966
Credit/distressed debt	–	–	524,130	524,130
Multi-strategy	–	145,576	345,135	490,711
Other	–	230,710	225,058	455,768
Totals	–	745,694	1,270,881	2,016,575
Mortgage loans	–	50,804	6,124	56,928
Affiliated companies	–	–	122,673	122,673
Short-term securities	–	29,347	–	29,347
Total assets at fair value	$1,003,355	$4,227,324	$4,245,420	$9,476,099

The following tables summarize the changes in financial assets classified in Level 3 by asset class for the years ended March 31, 2013 and 2012. Gains and losses reported in this table may include changes in fair value that are attributable to both observable and unobservable inputs.

	Alternative Investments				
March 31, 2013 (in thousands)	Long/ Short Equity	Credit/ Distressed Debt	Multi-strategy	Other	Total
Balance at April 1, 2012	$176,558	$524,130	$345,135	$225,058	$1,270,881
Transfers into Level 3	–	–	–	–	–
Transfers out of Level 3	–	–	–	–	–
Total gains included in Statement of Changes in Net Assets Available for Benefits, net	8,722	13,885	31,210	18,999	72,816
Purchases	40,000	74,110	–	61,000	175,110
Sales	–	–	–	(155,581)	(155,581)
Settlements	–	(170,314)	–	–	(170,314)
Balance at March 31, 2013	$225,280	$441,811	$376,345	$149,476	$1,192,912

March 31, 2012 (in thousands)	Long/ Short Equity	Credit/ Distressed Debt	Multi-strategy	Other	Total
Balance at April 1, 2011	$181,380	$504,522	$329,952	$186,040	$1,201,894
Transfers into Level 3	–	–	–	–	–
Transfers out of Level 3	–	–	–	–	–
Total gains/(losses) included in Statement of Changes in Net Assets Available for Benefits, net	(3,199)	424	15,183	(10,982)	1,426
Purchases	–	101,409	–	50,000	151,409
Sales	(1,623)	–	–	–	(1,623)
Settlements	–	(82,225)	–	–	(82,225)
Balance at March 31, 2012	$176,558	$524,130	$345,135	$225,058	$1,270,881

March 31, 2013 (in thousands)	Real Estate and Private Equity	Mortgage Loans	Affiliated Companies
Balance at April 1, 2012	$2,845,742	$ 6,124	$ 122,673
Transfers into Level 3	–	–	–
Transfers out of Level 3	–	–	–
Total gains/(losses) included in Statement of Changes in Net Assets Available for Benefits, net	249,887	(31)	(11,560)
Purchases	368,672	–	100,279
Sales	–	–	(3,205)
Settlements	(510,347)	(364)	–
Balance at March 31, 2013	$2,953,954	$ 5,729	$ 208,187

March 31, 2012 (in thousands)	Real Estate and Private Equity	Mortgage Loans	Affiliated Companies
Balance at April 1, 2011	$2,383,822	$ 14,307	$ 127,113
Transfers into Level 3	–	–	–
Transfers out of Level 3	–	–	–
Total gains/(losses) included in Statement of Changes in Net Assets Available for Benefits, net	268,896	(278)	5,582
Purchases	546,527	–	6,596
Sales	–	–	(16,618)
Settlements	(353,503)	(7,905)	—
Balance at March 31, 2012	$2,845,742	$ 6,124	$ 122,673

Real estate and private equity limited partnerships with a fair value of $3.0 billion are valued by using the Fund's proportionate share of the investment's equity as derived from the investment manager's financial statements. 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 related unobservable inputs.

Alternative investments with a fair value of $2.0 billion are valued using the NAV per unit as a practical expedient to measure fair value at year-end. NAV per unit is a quoted transactional price for participants in the fund which does not represent an active market. There are no related unobservable inputs.

Affiliated companies with a fair value of $208 million are valued by using the underlying financial statements of the Affiliates. There are no related unobservable inputs.

6. International Clergy Pension Plan

The International Clergy Pension Plan ("ICPP") represents a group of nonqualified, multiple-employer retirement plans that are administered by the Fund on behalf of dioceses of the Episcopal Church that are located outside the fifty United States and certain Anglican churches located outside the fifty United States that were previously part of the Episcopal Church. Nonqualified plans are not subject to Section 401(a) of the Internal Revenue Code which, among other things, requires that the assets be held in a trust. Accordingly, the assets of the ICPP are held by the Fund outside the master trust (see page 10).

The Fund has administrative and investment agreements with the Episcopal Church of Liberia, Iglesia Anglicana de México and each of the five dioceses of the Iglesia Anglicana de la Region Central de America ("IARCA"), each of which sponsors its respective portion of the ICPP. The actuarial liabilities of all plans included in the ICPP are determined annually by an actuarial consulting firm, Buck Consultants, a Xerox Company, and total $144.6 million and $145.7 million at March 31, 2013 and March 31, 2012, respectively.

7. Restricted And Unrestricted Funds

The Permanently and Temporarily Restricted Legacy and Gift Funds stem from bequests and contributions received by the Fund from individuals for the purpose of supporting the tax-exempt purposes of the Fund. The principal balance of the temporarily restricted account is available for use at the discretion of the Trustees; the principal balance of the permanently restricted account is maintained in accordance with the wishes of the benefactors.

The Major Medical Supplement Fund, the Life Insurance Benefit Fund and the Supplemental Pension Fund are entirely discretionary with no specific assets designated against them. The Trustees have reserved the right, at their discretion, to change or discontinue the benefits provided by these discretionary funds depending on future financial and economic conditions and investment performance.

The Major Medical Supplement Fund was established in 1987 in recognition of the rising costs of medical care for pension beneficiaries. In its early years, this program provided eligible beneficiaries enrolled in Medicare with a major medical supplement to that government program. As medical care for retirement age individuals increased in complexity and expense, the Trustees' approach to this entirely discretionary benefit has moved towards making a specific dollar contribution for each eligible plan member. This dollar contribution can be used to cover some or all of the cost of a Medicare supplement program offered by The Medical Trust.

The amount of the Major Medical Supplement Fund is based upon an actuarial analysis performed by Hewitt Associates LLC, operating as Aon Hewitt, healthcare actuaries to the Fund. Hewitt's calculation is based on the current dollar amount of this discretionary subsidy, the expected participation rate for eligible plan members and the Fund's goal of increasing the dollar amount of this discretionary subsidy to contribute to increases in medical costs. The calculation uses an increased medical inflation rate assumption for future years. Additionally, it uses an interest rate which is the same as the interest rate used in calculating the accumulated plan benefit obligations for the Qualified Plans.

The Life Insurance Benefit Fund was established to provide for the estimated annual insurance premiums of eligible beneficiaries in the Clergy Plan with life insurance during active service and when retired.

The Supplemental Pension Fund is a provision for benefits to those participants in the Clergy Plan whose pension payments would be limited by certain sections of the Code to an amount below their entitlement under the present benefit formula. Subject to certain other provisions of the Code, the supplemental provision provides for payment of the difference between the Code limitation and such participant's earned benefits.

The following charts summarize the activities of the Restricted and Unrestricted Funds described above for the years ended March 31, 2013 and 2012.

		Increase/(Decrease) in Restricted and Unrestricted Funds			
March 31, 2013 (in thousands)	Beginning of Year	Assessments and Investment Gains	Benefits and Expenses Paid	Benefits Accumulated	End of Year
Permanently Restricted Legacy & Gifts	$ 19,606	$ 1,836	$ (159)	$ –	$ 21,283
Temporarily Restricted Legacy & Gifts	13,826	1,451	(787)	–	14,490
Major Medical Supplement	1,189,478	–	(28,288)	(186,151)	975,039
Life Insurance Benefit	221,201	–	(14,251)	17,282	224,232
Supplemental Pension	49,845	–	(975)	(25,412)	23,458
Total Restricted and Unrestricted Funds	$ 1,493,956	$ 3,287	$ (44,460)	$ (194,281)	$ 1,258,502

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

The amount designated for investment in affiliated companies represents the investment in affiliated companies, at fair value, excluding the condominium office space and its ongoing improvements that, effective July 1, 2013, is the headquarters of the Church Pension Group. This asset is not restricted from the use of the Fund and, as of March 2013 and 2012, had a fair value of $91 million and $0, respectively.

8. Accumulated Plan Benefit Obligations

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

Accumulated plan benefit obligations are the estimated future periodic payments, including lump-sum distributions that are attributable, under the plan provisions for services rendered by the plan participants through to the valuation date. Accumulated plan benefit obligations include benefits that are expected to be paid to: (a) retired or terminated participants or their beneficiaries and (b) present participants or their beneficiaries which are based on assumptions for future compensation levels, rates of mortality and disability, and other factors. The effect of plan amendments on the accumulated plan benefit obligations are recognized during the years in which such amendments become effective.

The significant assumptions underlying the actuarial estimates are as follows:

- Interest rate: 4.25% and 4.25% per annum for the years-ended March 31, 2013 and 2012, respectively, compounded annually and developed considering annualized yields for long-term government and long-term, high quality corporate bonds that reflect the duration of the pension obligations.
- Cost-of-living adjustment: 3% per annum for the Clergy Plan and the Staff Plan and 0% for the Lay Plan. Cost-of-living adjustments are not guaranteed. The Board of Trustees grants cost-of-living adjustments at its discretion. The decision is made annually for fully-funded plans.
- Vesting (Clergy Plan): After five years of credited service.
- Retirement (Clergy Plan): Normal, at age 65 and after; early, with no reduction at 55 and after 30 years of credited service; reduced benefits at age 60 with less than 30 years of credited service; compulsory, at age 72.
- Mortality (Clergy Plan): For the years ended March 31, 2013 and 2012, respectively, the RP - 2000 Mortality Table set back two years and the George B. Buck 1995 Mortality Tables were used for participants born before 1930 and for spouses and beneficiaries. For the years ended March 31, 2013 and 2012, respectively, the RP - 2000 Mortality Table set back three years and the George B. Buck 1995 Mortality Table set back three years was used for participants born after 1929. Special mortality tables are used for disability retirements and pensioned children over age 25. No mortality is assumed for pensioned children under age 25.

These actuarial assumptions are based on the presumption that the Qualified Plans will continue. If a plan were to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefit obligations.

The actuarial present value of the accumulated plan benefit obligations of the Clergy Plan, the Lay Plan and the Staff Plan as of March 31, 2013 and 2012 are summarized as follows:

March 31, 2013 (in thousands)	Clergy Plan	Lay Plan	Staff Plan
Vested benefits:			
Actuarial present value of accumulated plan benefits for retired participants and their dependents	$ 3,881,188	$ 71,626	$ 54,716
Actuarial present value of accumulated plan benefits for participants not yet retired and their dependents	1,960,062	85,033	96,588
Nonvested benefits:	178,190	3,598	17,074
Total	$ 6,019,440	$160,257	$168,378

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

The amount designated for assessment deficiencies represents an allocation of assets for the actuarial present value of the estimated amount to be paid out in benefits in excess of the estimated amount to be received in assessments in connection with the Qualified Plans. The estimated amount to be paid out in benefits can assume an annual cost-of-living adjustment and the estimated amount to be received in assessments can assume an annual age-related compensation increase both consistent with the assumptions used in the estimates of the actuarial present value of the accumulated plan benefits.

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, 2013 and 2012 are summarized as follows:

March 31, 2013 (in thousands)	Clergy Plan	Lay Plan	Staff Plan
Actuarial present value of accumulated plan benefit obligations at beginning of year	$6,144,918	$154,366	$155,198
Increase (decrease) during the year attributable to:			
Change in actuarial assumptions	(207,819)	291	–
Plan amendments	(52,020)	–	(1,560)
Benefits accumulated	159,143	5,924	11,497
Increase for interest due to decrease in the discount period	256,002	6,419	6,527
Benefits paid	(280,784)	(6,743)	(3,284)
Net increase (decrease)	(125,478)	5,891	13,180
Actuarial present value of accumulated plan benefit obligations at end of year	$6,019,440	$160,257	$168,378

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

9. Funding

Participating employers pay assessments to the Qualified Plans on behalf of the eligible participants in each respective plan. The assessments for the Clergy Plan are equal to 18% of the applicable participants' compensation, which includes salaries, other cash compensation and the value of housing.

The assessments for the Lay Plan are equal to 9% of the participants' compensation. The assessments paid to the Staff Plan are currently 10% of the participants' compensation.

The funding position of the Clergy Plan, the Lay Plan and the Staff Plan as of March 31, 2013 and 2012 are summarized as follows:

March 31, 2013 (in thousands)	Clergy Plan	Lay Plan	Staff Plan
Net assets available for pension benefits after amount designated for assessment deficiency	$7,594,930	$121,527	$106,606
Actuarial present value of accumulated plan benefit obligations	6,019,440	160,257	168,378
Surplus (Deficit)	$1,575,490	$ (38,730)	$ (61,772)

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

10. Expenses

The Fund shares many of its expenses, including staff compensation, with its affiliates on the basis of allocations reviewed with the Board of Trustees. The accompanying financial statements of the Fund for the years ended March 31, 2013 and 2012, include cash compensation expenses of $40.3 million and $38.2 million, respectively. In the same respective years, an additional $12.1 million and $12.5 million in cash compensation expenses were incurred by affiliates of the Fund.

The compensation philosophy of the officers of the Fund and its affiliates is established by the Compensation Diversity and Workplace Values Committee (formally known as the Compensation Committee) of the Board of Trustees and approved by the full board. The total remuneration of certain key officers of the Fund and its affiliates is approved by the Compensation, Diversity and Workplace Values Committee of the Board of Trustees. In addition, the total remuneration paid to the Chief Executive Officer and President is ratified by the full board. The rationale for the total remuneration paid to the key officers involves two elements: (1) market data that is representative of functionally comparable positions in organizations similar to the Fund and its affiliates and (2) individual and corporate performance. Supplemental retirement and life insurance benefits are provided to certain officers under the terms of individual agreements. The accompanying financial statements of the Fund include officers' cash compensation, totaling $21.4 million and $16.6 million for the fiscal years ended March 31, 2013 and 2012, respectively. In the same respective years, an additional $8.8 million and $8.3 million in officers' cash compensation expenses were incurred by affiliates of the Fund.

The cash compensation for the five current officers of the Fund receiving the highest total cash compensation for the year ended March 31, 2013 was as follows:

Mary Katherine Wold, CEO & President	$988,500
Executive Vice Presidents:	
William L. Cobb, Jr., Chief Investment Officer	$1,083,585
Jim W. Morrison, Chief Operating Officer for Benefits and Risk Bearing Business	$670,987
Managing Directors:	
Helen Fox-O'Brien, Investment Department	$933,774
Allan Snoddy, Investment Department	$867,635

The Fund and its affiliated companies have a non-contributory defined benefit staff retirement plan, described above as the Staff Plan (see page 10), covering substantially all of its employees. The Staff Plan is reviewed annually by the consulting actuaries, Buck Consultants, a Xerox Company. As of March 31, 2013, the actuarial present value of the accumulated plan benefit obligations were $205.6 million. The assumed interest rate used in the above calculations was 4.25%. The net assets available for plan benefits as of March 31, 2013 were $143.8 million. The excess of the plan benefit obligations over the plan net assets was included in other liabilities in the accompanying combined statements of net assets available for benefits. The Fund pledged a contribution of $10.3 million to the Staff Plan in the fiscal year ended 2013 and $6.2 million to the Staff Plan in the fiscal year ended 2012.

The Fund and its affiliated companies have a defined contribution plan for eligible employees, under which employees may contribute up to 100% of their salaries, subject to federal limitations. The first 6% of their contributions is matched 75% by the Fund. Total employer matching contributions under this plan were $1.5 million and $1.6 million for the years ended March 31, 2013 and 2012, respectively.

The Fund and its affiliated companies also provide healthcare and life insurance benefits for eligible retired employees. The Fund accrues the cost of providing these benefits during the active service period of the employee. For the years ended March 31, 2013 and 2012, the Fund and its affiliates recorded expenses of $3.6 million and $3.4 million, respectively, for benefits and interest expense net of interest income. The Fund has initiated a program to fund its obligation for this benefit by contributing to a post-retirement benefit investment account. At March 31, 2013, the amount in this account, which is included in the accompanying combined statements of net assets available for benefits, was $21.4 million to fund obligations estimated at $35.0 million.

For measuring the expected post-retirement benefit obligation, average annual rates of increase in the per capita claims cost were assumed for the fiscal years beginning April 1, 2013 and 2012 for medical costs of 6% and 6.5%, respectively. The increases in medical rates were assumed to decrease annually to 3.25% in the fiscal year beginning April 1, 2019 and remain at that level thereafter. The weighted average discount rates used in determining the expected post-retirement benefit obligation were 4.25% and 4.25% at March 31, 2013 and 2012, respectively. If the healthcare cost trend rate were increased by 1%, the expected post-retirement benefit obligation as of March 31, 2013 would increase by approximately $3.1 million.

11. Subsequent Events

The Fund has performed an evaluation of subsequent events through July 8, 2013, which is the date the financial statements were issued. No significant subsequent events were identified.

Report Of Independent Auditors

To the Board of Trustees of The Church Pension Fund

We have audited the accompanying combined financial statements of The Church Pension Fund, The Episcopal Church Lay Employees' Retirement Plan and The Staff Retirement Plan of The Church Pension Fund and Affiliates, collectively referred to as the "Church Pension Group," which comprise the combined statements of net assets available for benefits as of March 31, 2013 and 2012, and the related combined statements of changes in net assets available for benefits for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial status of the Church Pension Group at March 31, 2013 and 2012, and the changes in its financial status for the years then ended, in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

July 8, 2013

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

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David L. Brigham
Cambridge Associates
Hiram F. Moody, Jr.
Troy Y. Murray

Custodian

The Northern Trust Company

Counsel

Davis Polk & Wardwell

Independent Auditors

Ernst & Young LLP

Pension Actuary

Buck Consultants, a Xerox Company

Health Plan Actuary

Aon Hewitt

As of March 31, 2013

The Church Pension Fund Board of Trustees

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