

Reflecting on the Past. Preparing for the Future.



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2. The Cathedral Church of Saint Peter and Saint Paul (The National Cathedral), Washington DC
3. Elsie C. Scott, surviving spouse, 1986
4. The Most Reverend Michael Bruce Curry, 27th Presiding Bishop and Primate of the Episcopal Church
5. The Rev. Craig W. Casey and A. Eugene Statius, 1982
6. The Rev. Ellen Shaver and the Rev. Jimmie Kimmey, 1990
7. The Rev. Deacon Christine L. McCloud, 2016
8. The Rt. Rev. V. Gene Robinson, 2003
9. The Rev. Carter Heyward, 1974
10. CPF and affiliates Annual Christmas Party, 1958
11. Robert A. Robinson and Alan F. Blanchard, April, 1990
12. The Rt. Rev. Katharine Jefferts Schori, 2006
13. José Malleret, Helen Leonard, and Rollyn Holger, 1991
14. The Rt. Rev. William Lawrence, 1931
15. The Rev. Dr. Helen Appelberg, 2005
16. Shirley Shi, staff accountant, Episcopal Community Development, Newark, New Jersey, 2005
17. CPF 50th Anniversary Dinner, 1967
18. Alan F. Blanchard, David R. Pitts, and T. Dennis Sullivan, 2004
19. The Cathedral of St. John the Divine, New York, New York
20. Mrs. Eflyn Morris, surviving spouse, 2005
21. The Venerable Louis M. Brereton, D.D., shows his wife, Helen, the millionth pension check from CPF, 1988
22. St. Augustine of Hippo, Oldest African-American church in Texas, founded in 1884; 2005
23. The Rt. Rev. Reginald Heber Gooden, 1975
24. The Rev. Martir Vasquez, Rector, St. George's Episcopal Church, Hawthorne, California, 2005
25. The Rt. Rev. John S. Higgins, D.D., 1976
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28. The Rt. Rev. Jennifer Baskerville-Burrows, 2017
29. The Rev. Victoria Wells, Rector of Trinity Church, Weymouth, Massachusetts, 1985

A Message from Mary Kate Wold



“The Church Pension Group exists to provide eligible clergy and lay employees with the highest possible level of financial security in retirement consistent with exemplary financial stewardship.”

— Mary Kate Wold,
CEO and President,
The Church Pension Fund

Dear Friends:

This year marks the Church Pension Group’s (CPG) 100th year of service to the Episcopal Church.

The world, the nation, and the Church have changed dramatically since we paid our first pension benefit in 1917, but our commitment to the vision of our founder Bishop William Lawrence has not faltered. CPG exists to provide eligible clergy and lay employees with the highest possible level of financial security in retirement consistent with exemplary financial stewardship. We also remain true to the three core values implicit in Bishop Lawrence’s audacious vision — **professionalism** in the management of resources, **compassion** for those who serve the Church, and **trustworthiness** in our day-to-day decision-making. Now, as then, we are committed to serving our clients with the care and dignity they deserve.

In this 2017 Annual Report, I share a few examples of our core values at work from our founding in the early twentieth century through today. You will read about how our investment performance is managed with the highest level of professionalism, how revisions to our retirement plans are addressing the changing needs of the Church with compassion, and how our intentional listening to client experiences and needs builds trust. We also have included a timeline that shows how CPG has evolved over these past 100 years.

As we reflect on the century that has passed, we feel well positioned and well prepared for the future. The Church will continue to evolve, and we will continue to adapt to meet its changing needs with professionalism, compassion, and trustworthiness. Thank you again for your continued confidence and support.

Faithfully,

A handwritten signature in blue ink that reads "Mary Kate Wold". The signature is fluid and cursive.

Mary Kate Wold
CEO and President

A Message from the CPF Board of Trustees

Dear Friends:

With prayerful reflection, we are proud to acknowledge the Church Pension Group's (CPG) centennial anniversary.

In the beginning, CPG was focused on addressing the pension needs of Episcopal clergy and their surviving spouses. As additional needs came to light, CPG expanded to include other products and services, and its client base shifted to include lay employees. Today, CPG provides employee benefits, property and casualty insurance, and publishing content to more than 9,200 churches, dioceses, and other Episcopal organizations with a standard of care that echoes the compassion Bishop William Lawrence exhibited in founding CPG 100 years ago. Year after year, CPG outperforms industry benchmarks in customer service delivery. Now, as then, CPG is committed to providing the highest possible level of support.

"Many organizations provide their members with health, insurance, and retirement benefits, but CPG is distinguished by its ability to adhere to these values over its 100-year history."

— Barbara Creed
Chair,
The Church Pension Fund
Board of Trustees

As CPG begins its second century of service, we know there are emerging issues that require attention, and we are addressing them. Last December we approved revisions to The Church Pension Fund Clergy Pension Plan (Clergy Pension Plan) and related plans. These revisions acknowledge emerging realities in clergy deployment while protecting the overall value of pension benefits our clients receive and the financial viability of the Clergy Pension Plan and related plans.

We look forward to continuing CPG's century-long tradition of responding to the needs of the Church in mission-relevant ways. Other financial services organizations may do similar work, but no one is as focused on understanding the unique needs of Episcopal employees and then figuring out how to address them with suitable, high-quality products and services.

We are blessed to be able to serve the Church through our work on the CPF Board, and we give thanks for your prayers and support.

Faithfully,



Barbara B. Creed, Esq.
Chair



The Rev. Dr. Timothy J. Mitchell
Vice Chair



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



Mary Kate Wold
CEO and President

The Church Pension Fund Board of Trustees

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Vice Chair

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Vice Chair

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Ballentine, Esq.

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Gordon B. Fowler, Jr.

Delbert C. Glover, Ph.D.

Ryan K. Kusumoto

The Very Rev. Tracey Lind

Kevin B. Lindahl, Esq.

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Weathersby McCormick

Sandra F. McPhee, Esq.

Margaret A. Niles, Esq.

Solomon S. Owayda

Diane B. Pollard

The Rt. Rev. Brian N. Prior

The Rt. Rev. Gregory H. Rickel

Canon Anne M. Vickers, CFA

The Rev. Canon
Dr. Sandye A. Wilson

Mary Kate Wold

Cecil Wray, Esq.



Investment Performance

Exhibit A
Asset Allocation



Over the past century, The Church Pension Fund (CPF) has provided clergy and lay employees of the Episcopal Church retirement benefits primarily funded through assessment payments and returns on our investment portfolio.

The investment team works collaboratively and maintains a professional approach in the implementation of its long-term investment strategy. Its top priority is to ensure that CPF has the funds available to cover the cost of benefits for those we serve today and those we will be privileged to serve in the future. The team pursues this obligation through a long-term investment program employing a highly diversified global investment portfolio (Exhibit A).

As of March 31, 2017, CPF's investment portfolio assets were \$12.1 billion, an increase as compared to a year earlier (Exhibit B). These assets include those of the Lay DB Plan, which totaled \$187.4 million and grew modestly as compared to March 31, 2016.

Exhibit B
CPF's Total Investments
(Billions)

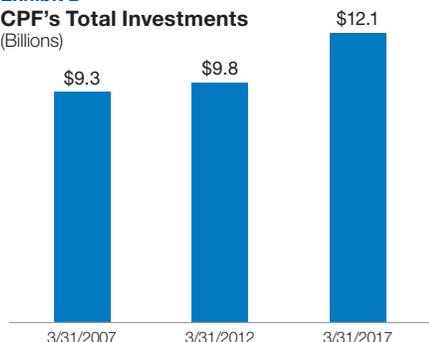
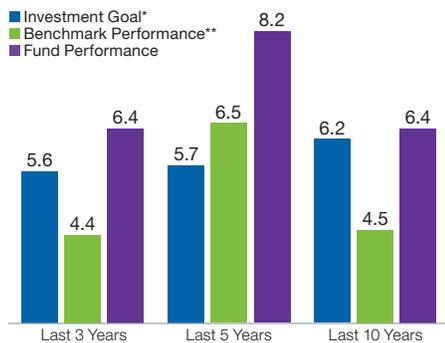


Exhibit C shows CPF's long-term investment performance for the three-, five-, and ten-year periods ending March 31, 2017. It compares the investment portfolio's annualized returns with those of two key benchmarks: CPF's annualized investment goal of 4.5% over inflation and a passive composite of 67% MSCI All Country World Index (global stocks) and 33% Bloomberg Barclays Aggregate Bond Index (U.S. government and investment-grade bonds). For each of these longer periods, CPF's return exceeded those of both benchmarks and compared strongly versus our investment goal of 6.9%. The CPF investment portfolio's total return was 10.2% for the year ended March 31, 2017 and was in line with our global benchmark of 10.1% over the same one-year period. We benefited from strong performances in the stock and bond markets. While we were pleased with our returns, we remain vigilant in monitoring the investment risks posed by an ever-changing economic environment. This environment is made even more challenging by the high valuations of many financial assets.

Exhibit C
Investment Performance for Periods Ending March 31, 2017

Annualized Total Returns in Percent (preliminary)



We are keenly focused on our responsibility to honor our mission to serve current and future clergy and lay employees for decades to come. Given the uncertainty and volatility of the financial markets over this long period, we strive to ensure that our assets will be sufficient to weather future market challenges without the need to reduce benefits. We regularly use sophisticated financial modeling to stress test our financial position under various scenarios. This exercise helps confirm that we continue to have the appropriate level of assets to meet current and future obligations under the benefits programs we offer.

Over the past century the investment landscape has changed dramatically. We have seen many economic cycles punctuated by World Wars, the Great Depression, and recessions. Through all this change one constant has remained – the professional administration and oversight of our investment portfolio. Through such dedication, CPF remains well positioned for the future.

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

**From 3/31/07 – 6/30/08, benchmark consisted of 65% MSCI ACWI / 35% BBG Barc Agg. From 6/30/08 to present, benchmark consists of 67% MSCI ACWI / 33% BBG Barc Agg.



Socially Responsible Investing

Our socially responsible investing (SRI) efforts, which are several decades old, have contributed positively to our returns. We currently have more than \$1 billion of invested and committed capital in socially responsible investments.

This past year, we completed a number of socially responsible investments. One investment with Developing World Markets (DWM), an emerging and frontier markets-focused, impact investment firm, provides renewable energy finance loans to social businesses in the developing world.

In this transaction, CPF served as an anchor investor in DWM's \$60.8 million Off-Grid, Renewable and Climate Action Impact Note.

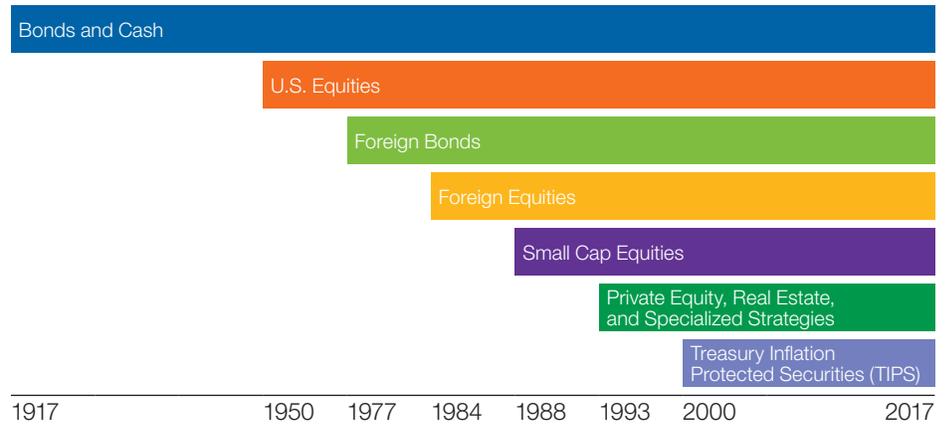
CPF and Wespeth Benefits and Investments, a general agency of The United Methodist Church, invested \$60 million (\$30 million each). Commenting on the transaction, Roger Saylor, Managing Director and Chief Investment Officer of CPF, said, "This investment will impact the lives of people on three different continents, and it reflects our commitment to doing good while earning a competitive rate of return.

We look forward to building our relationship with Developing World Markets as we continue to explore future socially responsible investment opportunities."

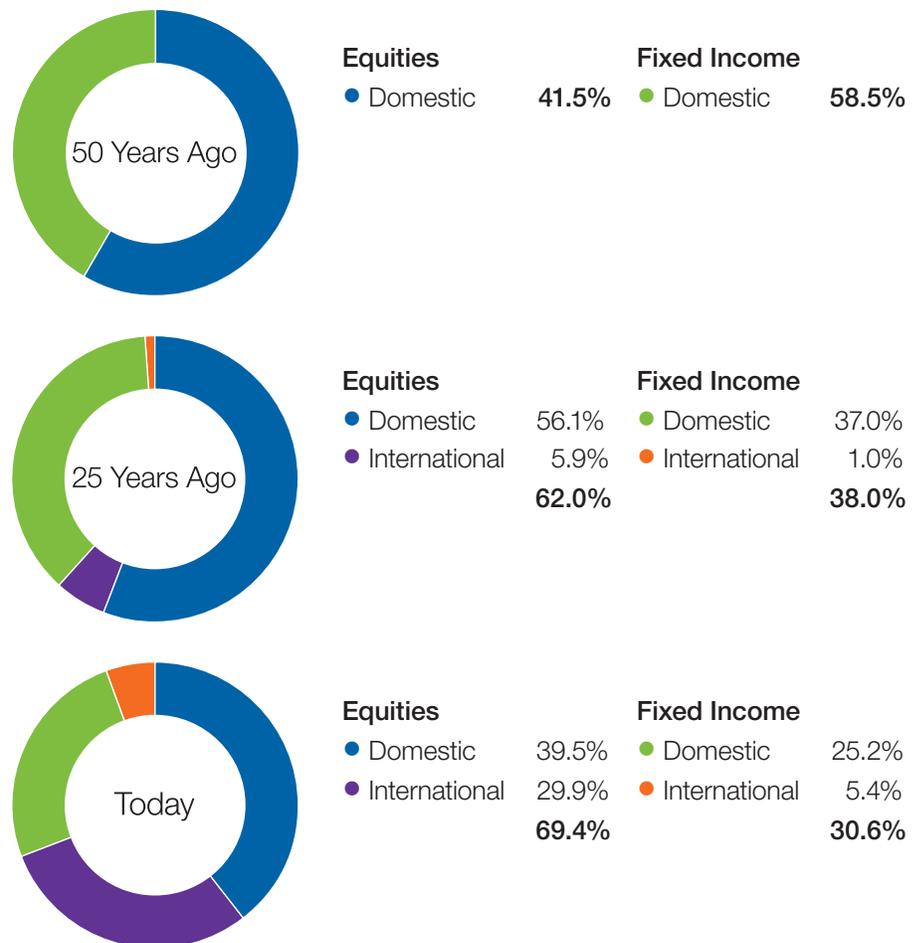
A look back at how CPF's investment portfolio has evolved.

Our investment portfolio has diversified into different asset classes over the last 100 years, but what remains the same today is the fiduciary mindset of our investment team. When CPF started in 1917, the portfolio was primarily invested in bonds and did not diversify into stocks until about 1950. The prudent management of the portfolio helped CPF through the Great Depression and other economic crises.

Introduction of Various Asset Classes by Year



CPF investments have become more global over time.



Building Trust One Insight at a Time

We express our sincere gratitude to the 24 members of our Client Council whose three-year terms end this year.

The Rev. Lucy Amerman
Diocese of Pennsylvania

Robert Biehl
Diocese of Texas

Jack H. "Chip" Broadway, Jr.
Church Schools in the Diocese of Virginia

Angela Byrd
Diocese of Southern Ohio

Anilin Collado
Diocese of Los Angeles

Ken Cummings
Trinity Church Wall Street, New York

The Rev. Irv Cutter
Saint John's Church, Tulsa

The Rev. Canon Neysa Ellgren Shepley
Diocese of Oregon

Julie Giguere
Diocese of Vermont

The Rt. Rev. E. Ambrose Gumbs
Diocese of the Virgin Islands

The Rt. Rev. Daniel Gutierrez
Diocese of Pennsylvania

Kathleen Hall
Diocese of Washington

The Rev. Dr. Daniel Heischman
National Association of Episcopal Schools

The Rt. Rev. Scott Hayashi
Diocese of Utah

The Rt. Rev. Paul E. Lambert
Diocese of Dallas

Hugh McIntosh
Episcopal School of Baton Rouge

The Rev. Rob Morpeth
Diocese of Alabama

The Rev. Christopher Powell
Christ Church, Winnetka

The Rt. Rev. Wilfrido Ramos Orench
Diocese of Puerto Rico

Todd Rubiano
Diocese of Rochester

The Rt. Rev. John Smylie
Diocese of Wyoming

Jeff Tyrakowski
Diocese of Massachusetts

Anne Wagner
Diocese of Iowa

Lisa White
St. Paul's Church, Indianapolis

CPF has a long history of identifying and responding to the needs of the Episcopal Church. After seeing too many career-long priests retire into poverty, Bishop William Lawrence decided to raise awareness and solicit donations for the creation of a mandatory defined benefit pension plan for Episcopal clergy.

Shortly after CPF began paying benefits in 1917, we heard calls from around the Church to help deaconesses who were not pension eligible. The solution came in the form of life insurance when Church Life Insurance Corporation was established in 1922.

The tradition of paying close attention to emerging needs and devising mission appropriate ways to address them continued. In 2009, after years of administering voluntary pension benefits for lay employees, we helped the Church create a mandatory lay pension system that gave all eligible lay employees the right to a pension. In the same year, at the urging of General Convention, we established the Denominational Health Plan, which helps domestic dioceses, parishes, and other institutions subject to the authority of the Episcopal Church control the rising costs of healthcare. We also created the Fund for Medical Assistance in 2010, which offers emergency funding to eligible non-domestic clergy, lay employees, and their families during medical crises.

In 2016, with the input of many, we decided upon revisions to The Church Pension Fund Clergy Pension Plan (Clergy Pension Plan) and related plans (visit www.cpg.org to learn more), updated our education and wellness offerings, and changed our health plan array because circumstances around the Church and engagement with our offerings signaled a need for change.

We constantly monitor trends, experiences, and attitudes around the Church and then work in partnership with those we serve to make changes, as needed. Undoubtedly, many of you have participated in meetings, webinars, surveys, and focus groups that have helped us make decisions about new ways forward. We are thankful for your time and your candor.

Over the past three years, the Client Council has met annually to hear updates on our work, to provide guidance on our new ideas, and to offer feedback on existing products and services. Their input has been invaluable.

At our 2017 Client Council meeting, we asked members why they participate. One word kept coming up among the answers: trust. Members said they could trust that the Church Pension Group (CPG) will take their input seriously, and we do.

Over the past century, our commitment to spotting and responding to emerging trends around the Church, in collaboration with those we serve, has helped us to be more proactive, effective, and trustworthy. We look forward to continuing to listen, learn, adapt, and earn your trust in the century ahead.

Revising Pensions to Reflect New Realities



“Over the past 100 years we have paid out more than \$6 billion in benefits payments while our assets have grown to more than \$12 billion.”

— Frank Armstrong,
Chief Operating Officer,
The Church Pension Fund

As CPG approached its 100th anniversary, we considered ways to modernize our products and services to keep pace with the evolving needs of Episcopal employers. After studying clergy deployment trends in depth and discussing the implications of these trends with our Board of Trustees, hundreds of bishops, clergy, and lay leaders around the Church over the past three years, we decided it was time to update the Clergy Pension Plan and related plans.

At various times over the past 100 years, the Clergy Pension Plan has been amended to respond to different situations, but this is the first wholesale review of every provision in the plan. Our work was thorough and iterative. At the outset, our goal was to create a more modern pension program — one that offers greater flexibility, consistency, and simplicity without sacrificing the overall value of benefits clergy enjoy today. We believe our revisions position us well to achieving this goal.

Over the past several months we have created opportunities to share detailed information with clergy, lay employees, and administrators who are impacted by the revisions. We will continue this outreach throughout the year using our website, print and electronic communications, diocesan visits, and other Church conferences to spread the word. So far the feedback has been overwhelmingly positive, which makes us hopeful about a successful launch of the revised Clergy Pension Plan on January 1, 2018. You can view all 24 revised and new provisions to the Clergy Pension Plan and related plans at www.cpg.org/cppr.

Most of the changes will also be made to The Church Pension Fund International Clergy Pension Plan (ICPP) because the two plans are so similar. Additional revisions unique to the ICPP will be considered separately pursuant to 2015 General Convention Resolution A181 that asked CPF to review the compensation, costs, and fees for all employee benefits for clergy and lay employees in the dioceses of Province IX, the Diocese of Haiti, the Episcopal Church in Cuba, and Covenant Partners. We expanded this review to include the dioceses of Micronesia, Taiwan, and the Virgin Islands.

Along with changes to the Clergy Pension Plan and ICPP, complementary changes will be made to certain provisions of The Episcopal Church Lay Employees' Retirement Plan (Lay DB Plan), The Episcopal Church Lay Employees' Defined Contribution Retirement Plan (Lay DC Plan), and The Episcopal Church Retirement Savings Plan (RSVP). As with the Clergy Pension Plan revisions, unless otherwise noted, these changes are expected to be effective on January 1, 2018. More information is available at www.cpg.org/lppr.

From the start, pensions have been at the core of what we do. It is fitting to revise our pension programs during our 100th year of service, communicating our commitment to adapt as the Church evolves, even as we continue to provide the highest level of retirement security envisioned by our founder, Bishop William Lawrence.

Significant Accomplishments



Investment Portfolio Assets

CPF's investment portfolio assets rose to \$12.1 billion as of March 31, 2017, from \$11.5 billion as of March 31, 2016.

Pension Plan Revisions

In December 2016, the CPF Board of Trustees approved revisions to the pension, retirement savings, and welfare plans it administers on behalf of eligible clergy and lay employees who serve the Episcopal Church. The revisions, which are expected to be effective on January 1, 2018, maintain the overall value of benefits provided today and offer greater flexibility, consistency, and simplicity. You can learn more about these changes at www.cpg.org.

Socially Responsible Investments

CPF completed three socially responsible investments in 2016. We currently have more than \$1 billion of invested and committed capital in socially responsible investments in 25 countries. You can learn more at www.cpg.org/SRI.

New Investment Options

A review of the investment options in the RSVP and the Lay DC Plan has resulted in changes effective February 28, 2017. We replaced the Domini Social Equity Fund with a new socially responsible equity manager, Dimensional Fund Advisors (DFA) U.S. Sustainability Core 1 Portfolio, which is an enhanced index strategy with the ultimate goal of incorporating both environmental and social attributes without sacrificing sound investment principles. DFA U.S. Sustainability Core 1 Portfolio also has lower fees than the Domini Social Equity Fund. We also replaced the Fidelity Dividend Growth Fund with the Fidelity 500 Index Fund, which is an existing low-cost investment option that broadly invests in large-cap stocks.

Benefits in Non-Domestic Dioceses

2015 General Convention Resolution A181 asked CPF to review the compensation and costs and fees for all employee benefits for clergy and lay employees in the dioceses of Province IX, the Diocese of Haiti, the Episcopal Church in Cuba, and Covenant Partners. We are currently working with an outside consulting firm and with the bishops and lay leaders in the named dioceses to update our research. This study, which has been expanded to include the dioceses of Micronesia, Taiwan, and the Virgin Islands, will compare clergy and lay employee compensation and benefits data against their respective national averages to give us a sense of the adequacy of our offering. We look forward to sharing our findings in the coming year.

Wellness Partnership in Ecuador

CPG, in partnership with the Episcopal Church Foundation (ECF) and Episcopal Relief & Development, co-hosted a three-day wellness conference in July 2016 for clergy, lay employees, and lay leaders of the Diocese of Ecuador Litoral impacted by the April 2016 earthquake that killed more than 650 individuals and displaced more than 30,000 people. CPG covered the cost of attendance for clergy who

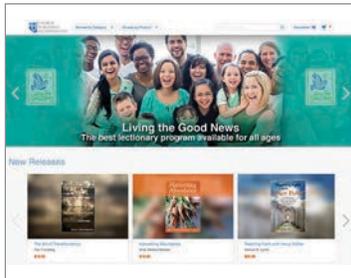
participate in the benefits programs we offer. Financial support from ECF and Episcopal Relief & Development made it possible to expand the conference to include lay employees and lay leaders in the diocese who are not participants in CPG's benefit plans.

Support for Seminarians

We collaborated with ECF, which received a three-year grant as part of the Lilly Endowment's Initiative to Address the Economic Challenges Facing Pastoral Leaders, to create a two-day conference for seminarians as they begin their careers as priests. During the pilot conference in the fall of 2016, ECF instructed seminarians about leadership, vestry relationship management, and parish finances. CPG instructed them on strategies for tending to their personal financial, physical, and emotional health. These seminary programs will serve individuals attending Episcopal and non-Episcopal seminaries because we have learned that about half of Episcopal priests are not attending traditional Episcopal residential seminaries.

Industry Recognition — Client Services

The International Customer Management Institute (ICMI), during its 12th annual Global Contact Center Awards, named CPG's Client Services group first runner-up in the Best Small Contact Center category. ICMI is the leading global provider of comprehensive resources for customer management professionals — from frontline agents to executives — who wish to improve customer experiences and increase efficiencies at every level of the contact center.



Church Publishing Incorporated — Direct Sales

In August 2016, Church Publishing Incorporated (CPI) expanded direct sales to churches, clergy, lay individuals, bookstores, and trade customers. CPI's web store at www.churchpublishing.org now includes shopping cart functionality, enabling visitors to submit online orders for books or resources of interest, whether directly from CPI, via partner merchants such as Amazon, or in eBook format from various resellers. To establish direct sales, CPI is working with PBD Worldwide to handle its fulfillment, customer service, warehousing, order processing, and billing functions.

100 Years of Service amid Changing Times

“Church membership involves, of necessity, a sense of responsibility for the welfare of the people.”

— Bishop William Lawrence

One hundred years is a very long time to do anything well, but year after year, decade after decade, CPF has made steady pension payments to eligible clergy and lay employees while expanding its offering in mission-appropriate ways to serve the Church. CPF and its affiliates have evolved as the nation and the Church have evolved. We are not the same company Bishop William Lawrence created over a century ago, but we have the same core values — **professionalism**, **compassion**, and **trustworthiness**.

Our commitment to **professionalism** is evident in the caliber of leaders who have led the organization over the past 100 years. Thought leaders in their industries with deep, personal commitments to the Episcopal Church, these individuals shepherded CPF through the Great Depression, two World Wars, stock market volatility, and numerous other events that shook the core of the nation.

CPF continues to work hard to recruit, develop, and retain talented employees who are experts at what they do. Our work is complex and important to those who depend on us. Retaining a highly skilled workforce is critical to our mission, but skill alone is not all that we require of our employees. **Compassion** is another prerequisite for working at CPF.

Through the years, like the rest of the world, our clients have navigated social, economic, and political change. They have had questions about their financial futures, and they have looked to us for education and information about retirement and health benefits, disability options, life insurance coverage, and property and casualty relief. The CREDO Institute, Safeguarding God’s Children, the Lay Employee Pension System, the Denominational Health Plan, the Fund for Medical Assistance for Non-Domestic Dioceses, and recent revisions to the Clergy Pension Plan and related plans are just a few examples of programmatic changes we have made to respond to needs and concerns we have witnessed over time. Like our founder Bishop William Lawrence, we understand that compassion requires action and we have acted in the best interest of those we serve since our founding. We have listened, we have learned, we have adapted, and we have served.

Trustworthiness, our third core value, is something we work hard to earn every day. We do this by monitoring the long-term financial strength of CPF, and by taking a conservative approach to benefits changes that may create lasting strains on CPF. In addition to the financial statements that appear in this annual report, we use sophisticated financial modeling techniques to stress test the financial strength of the Clergy Pension Plan and the Lay DB Plan over the long term. This analysis tells us that while we have the appropriate level of funding to meet our commitments, we need to remain cautious. Our top priority is protecting the financial position of CPF so we can continue to meet the commitments we have made.

One hundred years of consistency is a very strong start, but our work is not complete. Our core values have helped us hold steady amid changing times, and we believe they will continue to guide us forward as the Church, the nation, and the world continue to evolve.



1917 – 1926

1917 CPF begins operations and pays its first benefit on March 1 to the Rt. Rev. Edward William Osborne, retired Bishop of Springfield.

1918 CPF incorporates The Church Hymnal Corporation, predecessor to Church Publishing Incorporated.

1919 The Church Hymnal Corporation publishes *The Church Hymnal*, the first edition to be published with an authorized musical edition.

1922 General Convention asks CPF to “offer pension protection, or something similar,” to deaconesses and other workers in the Church.

1922 CPF incorporates The Church Life Insurance Corporation in the State of New York.

1925 General Convention adopts a resolution calling for a fire insurance program for Episcopal churches and institutions.



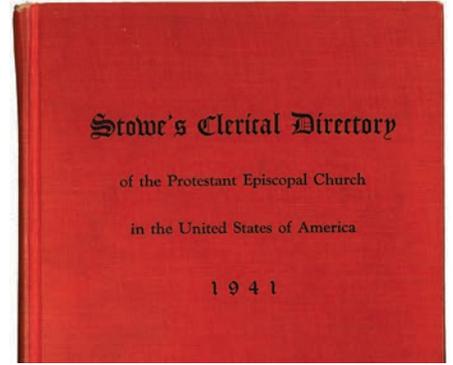
1927 – 1936

1928 The Church Hymnal Corporation publishes a revised edition of the 1892 version of *The Book of Common Prayer*.

1929 A number of prominent and active church laymen, including several CPF Trustees, incorporate The Church Properties Fire Insurance Corporation, predecessor to The Church Fire Insurance Corporation and The Church Insurance Company.

1931 The Rt. Reverend William Lawrence, founder of The Church Pension Fund, retires as President.

1932 CPF makes initial investment in The Church Properties Fire Insurance Corporation.



1937 – 1946

1940 General Convention authorizes a revised *Hymnal 1940*.

1940 CPF acquires *Stowe's Clerical Directory* and renames it *Clerical Directory*.

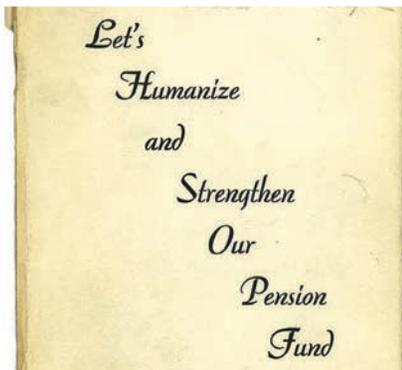
1941 CPF completes acquisition of The Church Properties Fire Insurance Corporation.

1941 CPF initiates a study for pension benefits for lay employees.

1943 General Convention establishes a mandatory retirement of bishops at age 72.

1943 CPF becomes the Recorder of Ordinations of the Episcopal Church.

1945 CPF raises the pension assessment rate to 10% from 7.5%.



1947 – 1956

1948 The “Open Letter to the Trustees of The Church Pension Fund” written by the Rev. Theodore Bell of California, calls for an increase in the pension assessment rate to 15%.

1948 The El Paso Plan calls for the replacement of CPF with an investment trust to be run by professional managers who would follow an aggressive investment strategy.

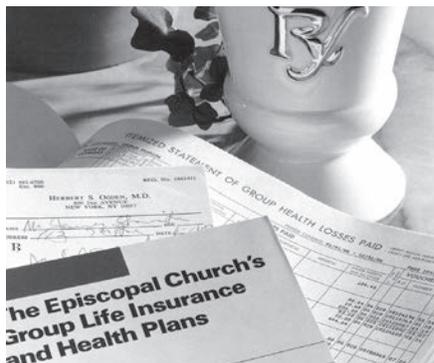
1949 The McKinstry Report rejects the El Paso Plan and proposes that the General Convention increase the pension assessment rate to 15%.

1949 CPF rejects the El Paso Plan because it jeopardizes CPF soundness by exposing assets to the fluctuations of the stock market.

1949 General Convention establishes a mandatory retirement of clergy at 72 beginning in 1957.

1950 CPF raises the pension assessment rate to 15%.

1954 Clergy are eligible to participate in Social Security on a voluntary basis, as being self-employed, for the first time since the federal system was created in 1935.



1957 – 1966

1959 CPF implements a group major medical plan for clergy and lay office employees.

1964 CPF presents a report to the General Convention for a comprehensive Medical Plan.



1967 – 1976

1967 The Fey Report recommends changes in CPF's investment strategy, the number of trustees, and improved relations between the organization and churches.

1968 Robert Robinson succeeds Robert Worthington as President.

1968 CPF shifts its investment strategy to a more aggressive policy based on projected growth in assets.

1968 CPF initiates socially responsible investment in minority-controlled banks.

1970 CPF approves the participation of female deacons in the pension plan on the same basis as male clergy.

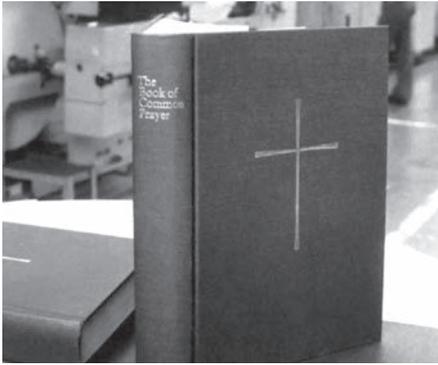
1971 CPF organizes its first pre-retirement planning conference.

1972 CPF increases the pension assessment rate to 18%.

1972 CPF seeks to improve communications with the Episcopal Church through day-long seminars with bishops and parish senior administrators.

1974 Church plans sponsored by CPF are exempt from ERISA, the Employee Retirement Income Security Act of 1974.

1976 Women are eligible to be ordained as priests and participate fully in The Church Pension Fund following the 1974 ordination of the Philadelphia Eleven.



1977 – 1986

1979 The 1928 Book of Common Prayer is revised.

1980 The Episcopal Church Lay Employees' Retirement Plan (Lay DB Plan), a defined benefit pension plan, is established to address the retirement needs of lay employees.

1982 *The Hymnal, 1940* is revised.

1986 CPF implements an Equity Portfolio Protection Plan to protect the fund from a drastic fall in stock prices while enabling it to share in stock market gains.



1987 – 1996

1988 CPF issues its one millionth pension check to the Venerable Louis M. Brereton, D.D., in Shaker Heights, Ohio.

1991 Alan F. Blanchard succeeds Robert Robinson as President.

1992 A new name and logo are adopted for Church Pension Group, which explicitly acknowledges its affiliates.

1993 A pension plan for all Episcopal Church and lay employees who work 1,000 hours or more in a year is enacted.

1993 *Lift Every Voice and Sing II* is published by The Church Hymnal Corporation.

1994 The Church Insurance Company implements a new program, *Safeguarding God's Children*.

1996 The Episcopal Church Retirement Savings Plan (RSVP) is established to offer eligible clergy a defined contribution retirement savings plan to supplement their pension.



1997 – 2006

1997 The Church Hymnal Corporation becomes Church Publishing Incorporated.

1998 CPF adopts an early retirement program offering full pension benefits for clergy who have achieved 30 years of service at age 55.

1999 The Church Insurance Company of Vermont is incorporated in the state of Vermont.

2001 CPF establishes the CREDO (Clergy, Reflection, Education, Discernment, Opportunity) Institute.

2002 Church Pension Group Services Corporation is incorporated in the state of Delaware.

2004 The General Convention authorizes a task force to study lay church employment policies and practices.

2004 T. Dennis Sullivan succeeds Alan F. Blanchard as President.

2005 Church Publishing Incorporated acquires Morehouse Publishing.

2006 The Church Insurance Company of New York is incorporated.



1917 – 2017
A Century of Service
and Benefits for
the Episcopal Church

2007 – 2016

2009 CPF opens an office in Hong Kong to focus on investment opportunities in Asia.

2011 Mary Kate Wold succeeds T. Dennis Sullivan as CEO & President.

2011 Implementation of the Lay Employee Pension System and the Denominational Health Plan begins.

2011 Legally married same-gender spouses receive the same benefits as traditional spouses of participants in the Clergy Pension Plan, the Lay DB Plan, and The Church Pension Fund Clergy Post-Retirement Medical Assistance Plan.

2013 CPG relocates to 19 East 34th Street, New York City.

2014 CPF's New York City office achieves Gold level certification from the Leadership in Energy & Environmental Design (LEED) for meeting LEED's high level of sustainability and cost-efficiency in water and energy use, building materials, and environmental quality.

2016 CPF's total assets approach \$12 billion.

2016 CPF's socially responsible investments top \$900 million.

2016 The CPF Board of Trustees approves revisions to the Clergy Pension Plan, The Church Pension Fund International Clergy Pension Plan, the Lay DB Plan, The Episcopal Church Lay Employees' Defined Contribution Retirement Plan, and RSVP.

2017

2017 CPF observes a century of service and benefits to the Episcopal Church.

Management Changes



A series of transitions and other changes to CPG's senior management took place during 2016.

In April 2016, Jim Morrison retired as Chief Operating Officer after a 15-year career at CPG. Under Jim's leadership, CPG implemented the Denominational Health Plan and the Lay Employee Pension System. He also was instrumental in enabling The Church Insurance Agency Company to help the United Methodists' insurance company provide property and casualty protection for its churches.



Concurrently, **Frank Armstrong** succeeded Jim as CPG's Chief Operating Officer. Since 2011, Frank had served as Senior Vice President, Benefits Policy, and Chief Actuary of CPG. Previously, he served as a Managing Principal and Practice Leader for the Eastern Region for Hewitt Associates' Health Management Practice, including his service as lead consultant to CPG.

In February 2016, **John Servais** was appointed Senior Vice President of Benefits Policy and Design, succeeding Frank. Prior to joining CPG, John was Senior Vice President/Group Consultant at American Benefits Consulting, where he handled several national account clients.



In early 2017, Rod Webster, General Manager of The Church Insurance Companies (CIC), officially retired after 20 years of service. Under Rod's leadership, CIC underwent two transformations that improved its service to the Church: (1) a legal and regulatory effort to create two captive insurance companies to lower the cost of insurance for Episcopal churches and to allow CIC to offer consistent coverage to clients nationwide, and (2) a work-from-home program.

In September 2016, **Bill Murray** joined CPG as Senior Vice President, General Manager, Church Insurance, becoming Rod's successor. Prior to joining CPG, Bill was Chief Underwriting Officer, Casualty/Public Risk, with Houston Casualty Company, a provider of property and casualty insurance products and services. He was responsible for the successful turnaround of Houston Casualty's Public Entry business.



In March 2017, **Ellen Taggart** was promoted to a new role of Senior Vice President of Strategic Planning and Project Management.

In March 2017, Davis Perkins retired as Senior Vice President and Publisher of Church Publishing Incorporated (CPI). Davis was instrumental in guiding CPI through numerous organizational transitions over the past ten years.



Mark Dazzo, formerly Vice President, Global Marketing and Sales of CPI, succeeded Davis. Previously, Mark was Vice President of Marketing at Pearson@School/Pearson Education, and served as Director of Marketing and Market Development at Random House.

The Church Pension Fund — At-A-Glance



\$6.0 Billion

Benefits paid for clergy and dependents since inception in 1917¹



\$97 Million

Annual assessments received²



\$377 Million

Annual benefits paid³



90

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



\$12.1 Billion

Total CPF investment portfolio assets



\$1 Billion+

Invested and committed capital in socially responsible investments⁴



18,359

Active Lay Pension Plan participants⁵



94,537

Client interactions with CPG's Client Services group



6,330

Active Clergy Pension Plan participants⁶



9,285

Churches, dioceses, and other Episcopal organizations served



2,449

Number of products and titles managed by Church Publishing Incorporated



90

Percentage of U.S. Episcopal churches insured by The Church Insurance Companies⁷

¹Since inception (1917) through March 31, 2017. ²Includes clergy, lay employees and CPG staff; April 1, 2016 – March 31, 2017. ³Includes pension and other benefits (medical supplement and life insurance) paid for clergy and dependents, lay employees and CPG staff; April 1, 2016 – March 31, 2017. ⁴As of 12/31/16. ⁵Includes participants in The Episcopal Church Lay Employees' Retirement Plan (Lay DB Plan) and The Episcopal Church Lay Employees' Defined Contribution Retirement Plan (Lay DC Plan). ⁶Those for whom assessments are paid. Actuarial Valuation Report. ⁷Includes property and liability protection.

Statistical Highlights

Cumulative Clergy Pension Plan Operations

Assessments and original pledges received
Investment income and gains (net of expenses and other deductions)

Since Inception (1917)
through March 31, 2017

\$ 2,646,884,344
15,195,575,565

Total Income

\$17,842,459,909

Benefits paid for clergy and dependents

\$ 6,029,687,435

Clergy Pension Plan Participant Statistics

	2017	2014	2011
Active Participants [†]			
Number			
Male	3,910	4,188	4,505
Female	2,420	2,471	2,489
Total	6,330	6,659	6,994
Participants' Average Age	54.1	54.0	53.7
Average Compensation	\$71,423	\$68,117	\$65,615
Those Receiving Benefits			
Retirees			
Normal Retirement	4,029	3,735	3,457
Early Retirement	3,612	3,585	3,426
Disability Retirement	445	461	459
Total	8,086	7,781	7,342
Average Annual Pension Benefit	\$30,343	\$30,197	\$28,940
Average Age	75.3	74.8	74.1
Surviving Spouses			
Number	2,701	2,607	2,576
Average Annual Pension Benefit	\$21,131	\$20,514	\$19,061
Average Age	79.4	79.1	78.6

[†]Those for whom assessments are paid into the plan.
Participant statistics as of December 31, 2016.
Source: Conduent HR Consulting, LLC (formerly Buck Consultants) Actuarial Reports

Ordinations by Calendar Year

	2016	2013	2010
Number of Individuals Ordained*	322**	355	382
Average Age at Ordination	49.8	49.0	49.3

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

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

Combined Statements of Net Assets Available for Benefits

March 31	2017	2016
Assets		
<i>Investments, at Fair Value</i>	\$12,057,919,996	\$11,468,936,977
<i>Receivables and Other Assets:</i>		
Receivable from brokers	15,500,406	24,435,854
Assessments receivable, less allowance for doubtful accounts (2017 - \$1,397,000; 2016 - \$1,326,000)	3,521,229	3,959,624
Accrued investment income and other assets	74,087,766	73,844,681
Cash and cash equivalents	526,613,447	302,144,614
Total Assets	12,677,642,844	11,873,321,750
Liabilities		
International Clergy Pension Plan	154,279,502	152,996,693
Payable to brokers	58,312,229	66,747,472
Accrued expenses and other liabilities	123,037,219	218,032,364
Total Liabilities	335,628,950	437,776,529
Total Net Assets	\$12,342,013,894	\$11,435,545,221
Components of Net Assets		
<i>Restricted Net Assets:</i>		
Permanently Restricted Legacy and Gift Fund	\$ 28,690,303	\$ 26,116,928
Temporarily Restricted Legacy and Gift Fund	20,107,907	18,152,917
Total Restricted Net Assets	48,798,210	44,269,845
<i>Unrestricted Net Assets:</i>		
Designated for Medicare Supplement Subsidy Fund	1,038,451,483	1,063,993,980
Designated for Clergy Life Insurance Benefit Fund	242,752,816	222,955,656
Designated for Benefit Equalization Plan Fund	63,177,929	49,524,255
Designated for investment in affiliated companies	123,678,790	114,488,675
Available for benefits:		
Designated for assessment deficiency	1,167,601,557	1,327,783,640
Net assets available for benefits:		
The Clergy Plan	9,287,173,280	8,300,861,265
The Episcopal Church Lay Employees' Retirement Plan	164,625,629	147,226,725
Staff Retirement Plan of The Church Pension Fund and Affiliates	205,754,200	164,441,180
Total net assets available for benefits	9,657,553,109	8,612,529,170
Total Unrestricted Net Assets	12,293,215,684	11,391,275,376
Total Net Assets	\$12,342,013,894	\$11,435,545,221

See accompanying notes to financial statements.

Combined Statements of Changes in Net Assets Available for Benefits

Years Ended March 31	2017	2016
Additions to Net Assets		
Assessments	\$ 96,946,002	\$ 100,340,222
Interest	102,249,805	117,417,214
Dividends and other income	40,036,120	39,585,081
Net appreciation (depreciation) in fair value of investments	1,054,398,350	(17,100,029)
Total Additions to Net Assets	1,293,630,277	240,242,488
Deductions from Net Assets		
<i>Benefits and Expenses:</i>		
Pensions and other benefits	326,786,054	321,294,675
Medical supplement	34,808,949	32,750,191
Life insurance	15,749,456	15,656,643
Total benefits	377,344,459	369,701,509
Investment management and custodial fees	39,361,263	41,154,285
General and administrative	79,536,523	80,567,089
Total Benefits and Expenses	496,242,245	491,422,883
<i>Other Deductions (Additions):</i>		
International Clergy Pension Plan	(766,514)	(4,448,211)
Other Liabilities	(108,314,128)	3,131,656
Increase (Decrease) in Total Net Assets	906,468,674	(249,863,840)
Decrease (Increase) in Restricted and Unrestricted Net Assets		
(Increase) in Restricted Net Assets	(4,528,366)	(639,073)
Decrease in Medicare Supplement Subsidy Fund	25,542,497	95,279,098
(Increase) decrease in Clergy Life Insurance Benefit Fund	(19,797,160)	8,492,209
(Increase) in Benefit Equalization Plan Fund	(13,653,674)	(16,005,699)
(Increase) in investment in affiliated companies	(9,190,115)	(5,106,030)
Decrease in assessment deficiency	160,182,083	125,787,265
Increase (Decrease) in Net Assets Available for Benefits	1,045,023,939	(42,056,070)
Net Assets Available for Benefits at Beginning of Year	8,612,529,170	8,654,585,240
Net Assets Available for Benefits at End of Year	\$ 9,657,553,109	\$ 8,612,529,170

See accompanying notes to financial statements.

Notes to Financial Statements

1. Organization

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

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

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

2. Description of the Plans

CPF’s assets are used to fund a defined benefit plan and related benefits for eligible clergy of the Episcopal Church (the “Clergy Plan”) and their beneficiaries. A portion of these assets are held in The Church Pension Fund Clergy Pension Plan, which is sponsored and administered by CPF. CPF is also the plan sponsor and administrator of The Episcopal Church Lay Employees’ Retirement Plan (the “Lay Plan”) and The Staff Retirement Plan of The Church Pension Fund and Affiliates (the “Staff Plan”). The Church Pension Fund Clergy Pension Plan, the Lay Plan and the Staff Plan are collectively referred to as the “Qualified Plans.” The following is a brief description of the Clergy Plan, the Lay Plan and the Staff Plan for general information purposes only. Participants in these plans should refer to the plan documents of their respective plan for more complete information. In the event of a conflict between this brief description and the terms of the plan documents, the terms of the plan documents shall govern.

The Clergy Plan is a defined benefit plan providing retirement, death and disability benefits to eligible clergy of the Episcopal Church. The Lay Plan is a defined benefit plan providing retirement, death and disability benefits to eligible lay employees of participating employers of the Episcopal Church. The Staff Plan is a defined benefit plan providing retirement and death benefits to eligible employees of Church Pension Group Services Corporation. The respective assets of these defined benefit plans 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. CPF and certain of its affiliates are also exempt from certain federal, state and local income taxes.

The Qualified 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.

The Qualified Plans qualify as church plans under Section 414(e) of the Internal Revenue Code (the “Code”). The Lay Plan and the Staff Plan have received determination letters from the Internal Revenue Service, most recently in 2014, stating that the plans are qualified under Section 401(a) of the Code and, therefore, the related trust is exempt from taxation under Section 501(a) of the Code. The Qualified Plans are required to operate in conformity with the Code to maintain their qualification. CPF believes the Qualified Plans are being operated in compliance with their applicable requirements of the Code and, therefore, believes that the Qualified Plans, as amended, are qualified and the related trust is tax exempt.

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, 2017 and 2016.

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

The portion of the master trust (1) attributable to The Church Pension Fund Clergy Pension Plan is funded, as necessary, to be at least equal to the actuarial liability of the Clergy Plan benefits for retired participants and their dependents on an annual basis, (2) attributable to the Lay Plan is funded by assessments paid by participating employers, and (3) attributable to the Staff Plan is funded at the discretion of CPF. As of March 31, 2017 and 2016, the master trust assets included in the combined statements of net assets available for benefits, relating to the plan benefits described above, amounted to \$3.9 billion and \$3.4 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 CPF and the Qualified Plans in accordance with GAAP. All inter-plan balances have been eliminated in these combined financial statements.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the financial statements and accompanying notes. The fair value of investments and accumulated plan benefit obligations represent the most significant estimates and assumptions. Actual results could differ significantly from these estimates and assumptions.

Summary of Significant Accounting Principles

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

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

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

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

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

Level 2 — Inputs other than quoted prices in active markets for identical assets and liabilities that are observable either directly or indirectly for substantially the full term of the asset or liability, including investments which 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 affiliated companies is determined using the equity method of accounting, which approximates fair value.

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

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

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

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

v) Adoption of New Accounting Pronouncements – In May 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-07, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value Per Share (or its Equivalent)*, ("ASU 2015-07"). ASU 2015-07 removes the requirement to categorize within the fair value hierarchy investments for which fair values are estimated using the net asset value practical expedient provided by Accounting Standards Codification 820, *Fair Value Measurement*. Disclosures about investments in certain entities that calculate net asset value per share are limited under ASU 2015-07 to those investments for which the entity has elected to estimate the fair value using the net asset value practical expedient. ASU 2015-07 is effective for entities (other than public business entities) for fiscal years beginning after December 15, 2016, with retrospective application to all periods presented. Early application is permitted. Management elected to adopt ASU 2015-07 for the fiscal year beginning April 1, 2015.

In July 2015, the FASB issued ASU 2015-12, *Plan Accounting: Defined Benefit Pension Plans (Topic 960), Defined Contribution Pension Plans (Topic 962), Health and Welfare Benefit Plans (Topic 965): (Part I) Fully Benefit-Responsive Investment Contracts, (Part II) Plan Investment Disclosures, (Part III) Measurement Date Practical Expedient*. Part I of ASU 2015-12 eliminates the requirements to measure the fair value of fully benefit-responsive investment contracts and provide certain disclosures. Contract value is the only required measure for fully benefit-responsive investment contracts. Part II of ASU 2015-12 eliminates the requirements to disclose individual investments that represent 5 percent or more of net assets available for benefits and the net appreciation or depreciation in fair value of investments by general type. It also simplifies the level of disaggregation of investments that are measured using fair value. Plans will continue to disaggregate investments that are measured using fair value by general type; however, plans are no

longer required to also disaggregate investments by nature, characteristics and risks. Further, the disclosure of information about fair value measurements shall be provided by general type of plan asset. Part III of ASU 2015-12 allows a plan with a fiscal year end that doesn't coincide with the end of a calendar month to measure its investments and investment-related accounts using the month end closest to its fiscal year end. ASU 2015-12 is effective for fiscal years beginning after December 15, 2015. Parts I and II are to be applied retrospectively. Part III is to be applied prospectively. Plans can early adopt any of the ASU's three parts without early adopting the other parts. Management elected to adopt Part II of the ASU for the fiscal year beginning April 1, 2015. Parts I and III are not applicable to CPF and the Qualified Plans.

vi) *Reclassifications* – Certain 2016 amounts in CPF's combined financial statements have been reclassified to conform to the 2017 financial statement presentation.

4. Investments

The fair value of investments as of March 31, 2017 and 2016 summarized by general investment type are as follows:

March 31 (in thousands)	2017	2016
Common & preferred stocks	\$ 1,067,155	\$ 1,131,075
Registered investment companies	260,886	239,920
U.S. Treasury securities	1,243,282	1,219,260
Municipal securities	28,451	38,567
Corporate bonds	638,232	781,438
Foreign government securities	240,717	183,080
Limited partnership interests:		
Real estate	1,481,861	1,378,616
Private equity	1,883,450	1,825,387
Other alternative investments	1,878,890	1,860,353
Commingled funds	3,112,590	2,595,530
Affiliated companies, equity interest	222,406	215,711
Totals	\$12,057,920	\$11,468,937

As of March 31, 2017 and 2016, CPF is not exposed to any significant concentration of risk within its investment portfolio.

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

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

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

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

Foreign government securities include government securities and structured debt securities.

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

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

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

Other alternative investment limited partnerships primarily include investments in hedge funds and absolute return strategies, such as (1) long/short equity hedge funds, which invest primarily in long and short equity securities, (2) credit/distressed debt securities that are generally rated below investment grade with managers that invest in debt or debt related securities or claims associated with companies, assets or sellers whose financial conditions are stressed, distressed, or in default, and, (3) multi-strategy hedge funds that pursue multiple strategies and capture market opportunities. The redemption frequency is bi-monthly, quarterly, and annually and the redemption notice period can be from 30-180 days.

Certain of the other alternative investments in limited partnerships are subject to withdrawal "gate" or suspension provisions as defined in the limited partnerships' agreement. The general partners and/or investment managers of the limited partnerships may restrict or suspend withdrawal requests for various reasons, including, but not limited to, insufficient liquidity at the limited partnerships to satisfy withdrawal requests or to preserve the capital interests of the limited partners not withdrawing from the limited partnerships. As of March 31, 2017, none of the limited partnerships had any restrictions on withdrawals.

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

At March 31, 2017, CPF had open investment commitments to limited partnerships of \$1.7 billion, which are expected to be funded during future years. In this regard, from April 1, 2017 through April 30, 2017, CPF invested an additional \$37 million in and made \$113 million of new commitments to limited partnerships. Most limited partnership investments are illiquid; however, there is a secondary market in limited partnership interests. There may be penalties should CPF not fulfill its funding commitments; however, CPF maintains adequate liquidity to ensure that all unfunded commitments are met.

Commingled funds include funds which 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 5-90 days.

Derivative Financial Investments

Futures contracts are used primarily to maintain CPF's asset allocation within ranges determined by the Investment Committee of CPF's Board of Trustees. Such futures contracts trade on recognized exchanges and margin requirements are met by pledging cash and cash equivalents. The contractual amount of the open futures contracts aggregated approximately \$553 million long and \$58 million short at March 31, 2017 and 2016, respectively.

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

With respect to credit risk, futures contracts require daily cash settlement, thus limiting the cash receipt or payment to the change in fair value of the underlying instrument. Accordingly, the amount of credit risk represents a one-day receivable. Settlements, which resulted in a gain of \$43 million and a loss of \$11 million for the years ended March 31, 2017 and 2016, respectively, are recorded in the accompanying financial statements as a component of net appreciation (depreciation) in fair value of investments.

Affiliated Companies

All of the affiliated companies other than The Episcopal Church Clergy and Employees' Benefit Trust are wholly-owned by CPF. The financial results of The Church Insurance Company and Church Life Insurance Corporation are prepared on a statutory basis of accounting prescribed by the New York State Department of Financial Services. This statutory basis of accounting results in a fair value of these companies that is not materially different from the fair value that would be required under GAAP. The other affiliates are reported on a GAAP basis of accounting. The primary activities and financial status of each of the major affiliates are described in the sections below for the years ended December 31, 2016 and 2015, except for Church Publishing Incorporated, which is described for the years ended March 31, 2017 and 2016.

Church Pension Group Services Corporation

Church Pension Group Services Corporation ("CPGSC") provides certain services, primarily personnel and facilities related, to CPF and its affiliated companies on a cost-reimbursement basis. Church Pension Group 34th Street, 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, 2017 and 2016, the fair value of the condominium office space was \$99 million and \$101 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 President and Francis P. Armstrong is Executive Vice President and Chief Operating Officer of CPGSC.

The Church Insurance Companies¹

The Church Insurance Companies have provided property and liability coverage for Episcopal Church institutions since 1929. Today, more than 90% of Episcopal Church dioceses and churches rely on the Church Insurance Companies for their commercial package insurance coverage. The Church Insurance Agency Corporation (the "Agency") provides insurance agency and risk-management services to Episcopal Church and Methodist institutions. The Agency accesses a broad range of property, casualty and other insurance products tailored for the special needs of Episcopal Church institutions through its sister companies, The Church Insurance Company of Vermont ("CICVT") and The Church Insurance Company of New York ("CICNY"), or through its product partners. CICVT and CICNY are single-parent captive insurance companies incorporated in 1999 and 2007, respectively, to allow Episcopal Church institutions to benefit from the coverage flexibility and potential cost advantages of this shared risk-financing approach. On August 23, 2012, Church Insurance Services LLC ("CIS"), a Delaware limited liability company and wholly-owned subsidiary of CICVT, was formed to further the covenant relationship between the Episcopal Church and The United Methodist Church and the charitable and religious purposes of CICVT by providing certain insurance-related services to the United Methodist Insurance Corporation, a Vermont captive insurance company affiliated with The United Methodist Church. On October 1, 2012, Agency and CIS entered into services agreements with the United Methodist Insurance Corporation to provide insurance agency and other insurance-related services to the United Methodist Insurance Corporation. Mary Katherine Wold is the President and William F. Murray is Senior Vice President and General Manager of each of the Church Insurance Companies.

Financial Summary

December 31 (in thousands)	2016	2015
Assets	\$ 220,303	\$ 223,933
Liabilities	156,609	159,769
Capital and surplus	63,694	64,164
Earned premiums	55,014	49,237
Net (loss) income	(437)	5,057

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

Church Life Insurance Corporation

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

Financial Summary

December 31 (in thousands)	2016	2015
Assets	\$ 297,068	\$ 291,666
Liabilities	240,408	238,340
Capital and surplus	56,660	53,326
Insurance in force	1,544,613	1,545,511
Earned premiums	44,021	35,415
Net income	2,789	1,957

Church Publishing Incorporated

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

Financial Summary

March 31 (in thousands)	2017	2016
Assets	\$ 7,054	\$ 5,990
Liabilities	10,847	9,620
Capital	(3,793)	(3,630)
Revenue	4,125	4,260
Net loss	(764)	(1,820)
Capital contribution received from CPF	600	560

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 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 fully insured health 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 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. Mary Katherine Wold is the President of The Episcopal Church Medical Trust.

Financial Summary

December 31 (in thousands)	2016	2015
Assets	\$ 62,427	\$ 56,703
Liabilities	34,963	33,641
Accumulated surplus	27,464	23,061
Revenues	237,723	231,462
Net income	3,703	2,570

5. Fair Value Measurements

The following tables provide information about the financial assets measured at fair value by general type as of March 31, 2017 and 2016:

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

March 31, 2016 (in thousands)	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
Common & preferred stock	\$1,131,075	\$ –	\$ –	\$ 1,131,075
Registered investment companies	239,920	–	–	239,920
U.S. Treasury securities	–	1,219,260	–	1,219,260
Municipal securities	–	38,567	–	38,567
Corporate bonds	–	781,438	–	781,438
Foreign government securities	–	183,080	–	183,080
Limited partnership interests:				
Real estate	–	–	1,378,616	1,378,616
Private equity	–	–	1,825,387	1,825,387
Other alternative investments	–	817,160	1,043,193	1,860,353
Affiliated companies	–	–	215,711	215,711
	<u>\$1,370,995</u>	<u>\$3,039,505</u>	<u>\$4,462,907</u>	<u>8,873,407</u>
Investments measured at net asset value				
Commingled funds				2,595,530
Total assets at fair value				<u>\$11,468,937</u>

The following tables summarize the changes in financial assets classified in Level 3 by general type for the years ended March 31, 2017 and 2016. Gains and losses reported in this table may include changes in fair value that are attributable to both observable and unobservable inputs:

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

March 31, 2016 (in thousands)	Level 3				Total
	Real Estate	Private Equity	Other Alternative Investments	Affiliated Companies	
Balance at April 1, 2015	\$1,330,017	\$1,904,371	\$1,006,273	\$ 213,993	\$4,454,654
Transfers into Level 3	–	–	–	–	–
Transfers out of Level 3	–	–	–	–	–
Total gains/(losses) included in Statement of Changes in Net Assets Available for Benefits, net	50,846	228,032	(54,334)	(3,800)	220,744
Purchases	319,497	142,475	161,078	5,518	628,568
Sales	(321,744)	(449,491)	(4,140)	–	(775,375)
Settlements	–	–	(65,684)	–	(65,684)
Balance at March 31, 2016	<u>\$1,378,616</u>	<u>\$1,825,387</u>	<u>\$1,043,193</u>	<u>\$ 215,711</u>	<u>\$4,462,907</u>

Limited Partnership interests in real estate, private equity and other alternative investments with a fair value of \$4.4 billion are primarily valued by using CPF's proportionate share of the limited partnership's equity value as derived from the financial statements provided by the investment managers. This requires a significant amount of judgement 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 \$222 million are valued by using the underlying financial statements of the Affiliates. There are no significant related unobservable inputs.

6. International Clergy Pension Plan

The International Clergy Pension Plan ("ICPP") represents the liabilities associated with a group of non-qualified, multiple-employer retirement plans that are administered by CPF on behalf

of dioceses of the Episcopal Church that are located outside the 50 United States and certain Anglican churches located outside the 50 United States that were previously part of the Episcopal Church. Non-qualified plans are not subject to Section 401(a) of the Code which, among other things, requires that the assets be held in a trust. Accordingly, the assets of these plans are held by CPF outside the master trust (see page 20).

CPF has administrative and investment agreements with the Episcopal Church of Liberia, Iglesia Anglicana de México and each of the five dioceses of the Iglesia Anglicana de la Region Central de America ("IARCA"), each of which sponsors its plan. The actuarial liabilities of all plans included in the ICPP are determined annually by an actuarial consulting firm, Conduent HR Consulting, LLC (formerly Buck Consultants, a Xerox Company), and totaled \$148.6 million and \$149.1 million at March 31, 2017 and March 31, 2016, respectively.

7. Restricted and Unrestricted Net Assets

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

The Medicare Supplement Subsidy Fund represents the estimated amount of a discretionary benefit that CPF has provided to eligible participants in the Clergy Plan and their eligible spouses to subsidize

some or all of the cost to purchase a Medicare Supplement Health Plan offered by The Episcopal Church Medical Trust. CPF has reserved the right, in its discretion, to change or discontinue this discretionary benefit.

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

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

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

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

The following charts summarize the activities of these Restricted and Unrestricted Net Assets described above for the years ended March 31, 2017 and 2016:

	Increase/(Decrease) in Restricted and Unrestricted Net Assets				
	Beginning of Year	Contributions and Investment Gains	Benefits and Expenses Paid	Benefits Accumulated	End of Year
March 31, 2017 (in thousands)					
Permanently Restricted Legacy & Gift	\$ 26,117	\$ 2,766	\$ (193)	\$ –	\$ 28,690
Temporarily Restricted Legacy & Gift	18,153	2,081	(126)	–	20,108
Medicare Supplement Subsidy	1,063,994	–	(34,809)	9,266	1,038,451
Clergy Life Insurance Benefit	222,956	–	(15,699)	35,496	242,753
Benefit Equalization Plan	49,524	–	(1,647)	15,301	63,178
Total	\$1,380,744	\$ 4,847	\$ (52,474)	\$ 60,063	\$1,393,180
March 31, 2016 (in thousands)					
Permanently Restricted Legacy & Gift	\$ 25,867	\$ 343	\$ (98)	\$ 5	\$ 26,117
Temporarily Restricted Legacy & Gift	17,763	442	(52)	–	18,153
Medicare Supplement Subsidy	1,159,273	–	(32,750)	(62,529)	1,063,994
Clergy Life Insurance Benefit	231,448	–	(15,342)	6,850	222,956
Benefit Equalization Plan	33,519	–	(1,960)	17,965	49,524
Total	\$1,467,870	\$ 785	\$ (50,202)	\$ (37,709)	\$1,380,744

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 2017 and 2016, had a fair value of \$99 million and \$101 million, respectively.

8. Accumulated Plan Benefit Obligations

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

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

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

- Interest rate: 4.125% per annum for the years-ended March 31, 2017 and 2016, 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.

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, 2017 and 2016 are summarized as follows:

March 31, 2017 (in thousands)	Clergy Plan	Lay Plan	Staff Plan
Vested benefits:			
Actuarial present value of accumulated plan benefit obligations for retired participants and their dependents	\$ 4,281,812	\$ 93,607	\$ 57,758
Actuarial present value of accumulated plan benefit obligations for participants not yet retired and their dependents	2,170,205	103,823	100,250
Nonvested benefits:	50,117	2,624	15,626
Total	\$ 6,502,134	\$ 200,054	\$ 173,634
March 31, 2016 (in thousands)			
Vested benefits:			
Actuarial present value of accumulated plan benefit obligations for retired participants and their dependents	\$ 4,450,393	\$ 92,069	\$ 79,354
Actuarial present value of accumulated plan benefit obligations for participants not yet retired and their dependents	2,089,287	106,074	138,023
Nonvested benefits:	176,298	3,187	23,528
Total	\$ 6,715,978	\$ 201,330	\$ 240,905

- Cost-of-living adjustment: Clergy Plan—3% per annum for the years ended March 31, 2017 and 2016; Lay Plan—0% per annum for the years ended March 31, 2017 and 2016; Staff Plan—0% and 3% per annum for the years ended March 31, 2017 and 2016, respectively. Cost-of-living adjustments are not guaranteed. The CPF Board of Trustees grants cost-of-living adjustments at its discretion. The decision is made annually. The actuarial present value of the accumulated plan benefit obligations for the Staff Plan reduced by \$77.9 million during the year ended March 31, 2017 because of the change in the cost-of-living adjustment assumption.

- Vesting (Clergy Plan): After five years of credited service (at age 65 if earlier, effective January 1, 2018).
- Retirement (Clergy Plan): Normal, at age 65 and after; early, with no reduction at age 55 with 30 years of credited service; reduced benefits at age 60 with less than 30 years of credited service (at age 55, effective January 1, 2018); compulsory, at age 72.

Mortality for the years ended March 31, 2017 and 2016:

- 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 and pensioned children over age 25. No mortality is assumed for pensioned children under age 25.
- Lay: The RP-2014 Employee Total Mortality Table was used for participants and the RP-2014 Healthy Annuitant Total Mortality Table was used for retirees, spouses and beneficiaries.
- Staff: The RP-2014 Employee White-Collar Mortality Table was used for participants and the RP-2014 Healthy Annuitant White-Collar Mortality Table was used for retirees, spouses and beneficiaries.

Improvement in mortality was projected from 2006 on a fully generational basis for the years ended March 31, 2017 and 2016 using Scale MP-2016 and Scale MP-2014, respectively.

The amount designated for assessment deficiency represents the actuarial present value of the estimated amount to be paid out in benefits in excess of the estimated amount to be received in assessments in connection with the Clergy Plan, the Lay Plan and

the Staff Plan. The assumptions used to estimate the assessment deficiency are consistent with the assumptions used in the estimates of the actuarial present value of the accumulated plan benefit obligations.

The net increase (decrease) in the actuarial present value of the accumulated plan benefit obligations of the Clergy Plan, the Lay Plan and the Staff Plan for the years ended March 31, 2017 and 2016 are summarized as follows:

March 31, 2017 (in thousands)	Clergy Plan	Lay Plan	Staff Plan
Actuarial present value of accumulated plan benefit obligations at beginning of year	\$ 6,715,978	\$ 201,330	\$ 240,905
Increase (decrease) during the year attributable to:			
Change in actuarial assumptions	(258,875)	(7,178)	(9,517)
Plan amendments	(76,074)	(881)	(77,882)
Benefits accumulated	158,059	7,194	14,892
Increase for interest due to decrease in the discount period	270,752	8,131	9,843
Benefits paid	(307,706)	(8,542)	(4,607)
Net decrease	(213,844)	(1,276)	(67,271)
Actuarial present value of accumulated plan benefit obligations at end of year	\$ 6,502,134	\$ 200,054	\$ 173,634
March 31, 2016 (in thousands)			
Actuarial present value of accumulated plan benefit obligations at beginning of year	\$ 6,937,803	\$ 200,406	\$ 232,018
Increase (decrease) during the year attributable to:			
Change in actuarial assumptions	(235,822)	(6,615)	(11,496)
Plan amendments	(138,108)	–	(2,223)
Benefits accumulated	193,260	7,931	17,909
Increase for interest due to decrease in the discount period	263,003	7,612	8,910
Benefits paid	(304,158)	(8,004)	(4,213)
Net (decrease) increase	(221,825)	924	8,887
Actuarial present value of accumulated plan benefit obligations at end of year	\$ 6,715,978	\$ 201,330	\$ 240,905

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, which includes salaries, other cash compensation and the value of housing. The assessments for the participants in the Lay Plan are equal to 9% of the participants' compensation. The

assessments for the participants in the Staff Plan are currently, at minimum, equal to 15% of the participants' compensation.

Assessments paid to CPF on behalf of the participants in the Clergy Plan, the Lay Plan and the Staff Plan were \$83 million, \$5 million and \$9 million, respectively, during the year ended March 31, 2017 and \$83 million, \$5 million and \$13 million, respectively, during the year ended March 31, 2016.

The funding positions of the Clergy Plan, the Lay Plan and the Staff Plan as of March 31, 2017 and 2016 are summarized as follows:

March 31, 2017 (in thousands)	Clergy Plan	Lay Plan	Staff Plan
Net assets available for pension benefits after amount designated for assessment deficiency	\$ 9,287,173	\$ 164,626	\$ 205,754
Actuarial present value of accumulated plan benefit obligations	6,502,134	200,054	173,634
Surplus (Deficit)	\$ 2,785,039	\$ (35,428)	\$ 32,120
March 31, 2016 (in thousands)			
Net assets available for pension benefits after amount designated for assessment deficiency	\$ 8,300,861	\$ 147,227	\$ 164,441
Actuarial present value of accumulated plan benefit obligations	6,715,978	201,330	240,905
Surplus (Deficit)	\$ 1,584,883	\$ (54,103)	\$ (76,464)

The excess of the plan benefit obligations over the plan net assets for the Staff Plan was included in other liabilities in the accompanying combined statements of net assets available for benefits, as it relates to eligible employees of CPF and certain affiliates.

10. Expenses

During the years ended March 31, 2017 and 2016, CPGSC provided certain services, primarily personnel and facilities, to CPF on a cost-reimbursement basis and billed \$60 million and \$55 million, respectively for such services.

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

The cash compensation for the two officers of CPF receiving the highest total cash compensation for the year ended March 31, 2017 was as follows:

Mary Katherine Wold, CEO & President	\$ 1,596,900
Executive Vice President:	
Roger A. Sayler, Chief Investment Officer	\$ 1,334,000

CPF 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 CPF. Total employer matching contributions under this plan were \$1.9 million and \$1.9 million for the years ended March 31, 2017 and 2016, respectively.

CPF and its affiliated companies also provide healthcare and life insurance benefits for eligible retired employees. CPF accrues the cost of providing these benefits during the active service period of the employee. For the years ended March 31, 2017 and 2016, CPF and its affiliates recorded expenses of \$1.2 million and \$1.2 million, respectively, for these benefits and interest expense net of interest income. This obligation is estimated at \$38.9 million and \$38.5 million as of March 31, 2017 and 2016, respectively. For measuring the expected post-retirement healthcare benefit obligation, average annual rates of increase in the per capita claims cost for 2017 and 2016 were assumed to be 7.0% and 7.25%, respectively. The increases in medical costs are assumed to decrease annually to 4.75% in 2025 and remain at that level thereafter. The weighted average discount rates used in determining the expected post-retirement benefit obligation were 4.125% and 4.125% at March 31, 2017 and 2016, respectively. If the healthcare cost trend rate were increased by 1%, the accumulated post-retirement benefit obligation as of March 31, 2017 would increase by approximately \$0.6 million.

11. Subsequent Events

CPF has performed an evaluation of subsequent events through June 23, 2017, which is the date the financial statements were available to be issued. No significant subsequent events were identified.

Report of Independent Auditors

To the Board of Trustees of The Church Pension Fund

We have audited the accompanying combined financial statements of The Church Pension Fund, The Church Pension Fund Clergy Pension Plan, The Episcopal Church Lay Employees' Retirement Plan and The Staff Retirement Plan of The Church Pension Fund and Affiliates, collectively referred to as the "Church Pension Group," which comprise the combined statements of net assets available for benefits as of March 31, 2017 and 2016, and the related combined statements of changes in net assets available for benefits for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

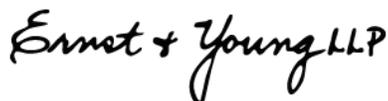
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial status of the Church Pension Group at March 31, 2017 and 2016, and the combined changes in its financial status for the years then ended, in conformity with U.S. generally accepted accounting principles.



June 23, 2017

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