


Advocates For Your Well-being

2014 Church Pension Group Annual Report

A Message from Mary Kate Wold

Dear Friends:

Planning for the future is hard, especially when you have so many important things to do right now. In the hustle and bustle of daily life, people and organizations can lose sight of longer-term goals and commitments. That is why we take a disciplined approach to decision-making at the Church Pension Group (CPG), considering both the immediate and long-term impacts of everything we do.

This Annual Report summarizes CPG's performance over the twelve month period ending March 31, 2014, but the seeds for many of the things you will read about in the following pages were planted almost a century ago when J.P. Morgan helped raise the first $8.5 million to fund The Church Pension Fund (CPF). Since then, through prudent investment strategies and disciplined expense management, CPF's assets have grown steadily, reaching an all time high of $11.6 billion as of March 31.

The Church Pension Group is at once an employee benefits company, a property and casualty insurer, a publishing house, and a source of wellness information and education. We host hundreds of educational programs, answer over 55,250 client calls, visit nearly 6,000 congregations and other institutions, and host 250,000 visits to our website each year. I am pleased to report that the feedback we receive on these programs is very positive, and we outperform various financial and insurance industry benchmarks for service and support. You should expect nothing less from us, and we continually seek ways to improve our service to you.

The Church Pension Group provides a diverse constellation of products, programs and services to The Episcopal Church, held together by a unifying concept. Whether we are helping you plan for the future, identify risks to your long-term financial goals, understand your benefits or simply access them, we are motivated by the desire to help — proactively and comprehensively. Put simply, we see ourselves as advocates for your well-being, looking ahead at potential risks and developing products, programs and services to help you manage them. Yes, it is hard to plan for the future, but it is my hope and prayer that we can continue to make your planning less daunting.

As I travel around to congregations, diocesan conferences, and other meetings in the United States and abroad, I am inspired by the ministries and personal experiences of those we serve. We are sharing four such stories in this report. We believe that each of these stories captures our ongoing commitment to being an advocate for your well-being. We look forward to a long future of service to you.

Faithfully,

Mary Kate Wold

Mary Kate Wold
CEO and President

The Rt. Rev. Wayne P. Wright, D.D. Chair, Barbara B. Creed, Vice Chair, The Rt. Rev. Robert H. Johnson, D.D., Vice Chair, Martha B. Alexander, Canon Rosalie Simmonds Ballentine, The Rt. Rev. Diane M. Jardine Bruce, The Rev. Thomas James Brown, Vincent C. Currie, Jr., Gordon B. Fowler, Jr., Delbert C. Glover, Ph.D., Canon Dr. Karen Noble Hanson, Ryan K. Kusumoto, The Very Rev. Tracey Lind, Kevin B. Lindahl, J.D., Canon Kathryn Weathersby McCormick, The Rev. Dr. Timothy J. Mitchell,, Margaret A. Niles, Solomon S. Owayda, Diane B. Pollard, The Rt. Rev. V. Gene Robinson, D.D., Edgar S. Starns, Sandra S. Swan, D.L.H., The Very Rev. George L.W. Werner, D.D., Cecil Wray, Mary Katherine Wold, CEO and President

A Letter from the CPF Board of Trustees

Dear Friends:

We are pleased to report that during the past fiscal year, CPF paid out nearly $350 million in pension and related benefits to Episcopal clergy and lay employees. Under the leadership of CEO and President Mary Kate Wold, CPG continues to provide competitive and appropriate products and services to Church employers and employees (active and retired) with the high standards of professionalism, trustworthiness, and compassion that have become its trademarks over nearly one hundred years.

Evaluating the Organization's Success

In evaluating results for CPG each year, the CPF Board looks to three criteria: investment performance, client service and fiscal management. We are pleased to report that performance in all three of these mission critical areas was very positive during the past year, which sets us up for a bright and prosperous future.

It has been a blessing to work with the management team at CPG on strategic issues that affect the organization and the Church. The relationship between the CPF Board and management is effective and strong. This is why it is so difficult to say goodbye to two colleagues who have contributed so much to our shared mission. The Rev. Canon Patricia Coller, Executive Vice President and Chief Ecclesiastical Officer, retired from service on May 1, 2014, and Executive Vice President and Chief Investment Officer William L. Cobb, Jr., retired as of July 1, 2014.

Both Pat and Bill have made extraordinary contributions to the organization and will be missed. Please join us in thanking them for their many years of faithful service.

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

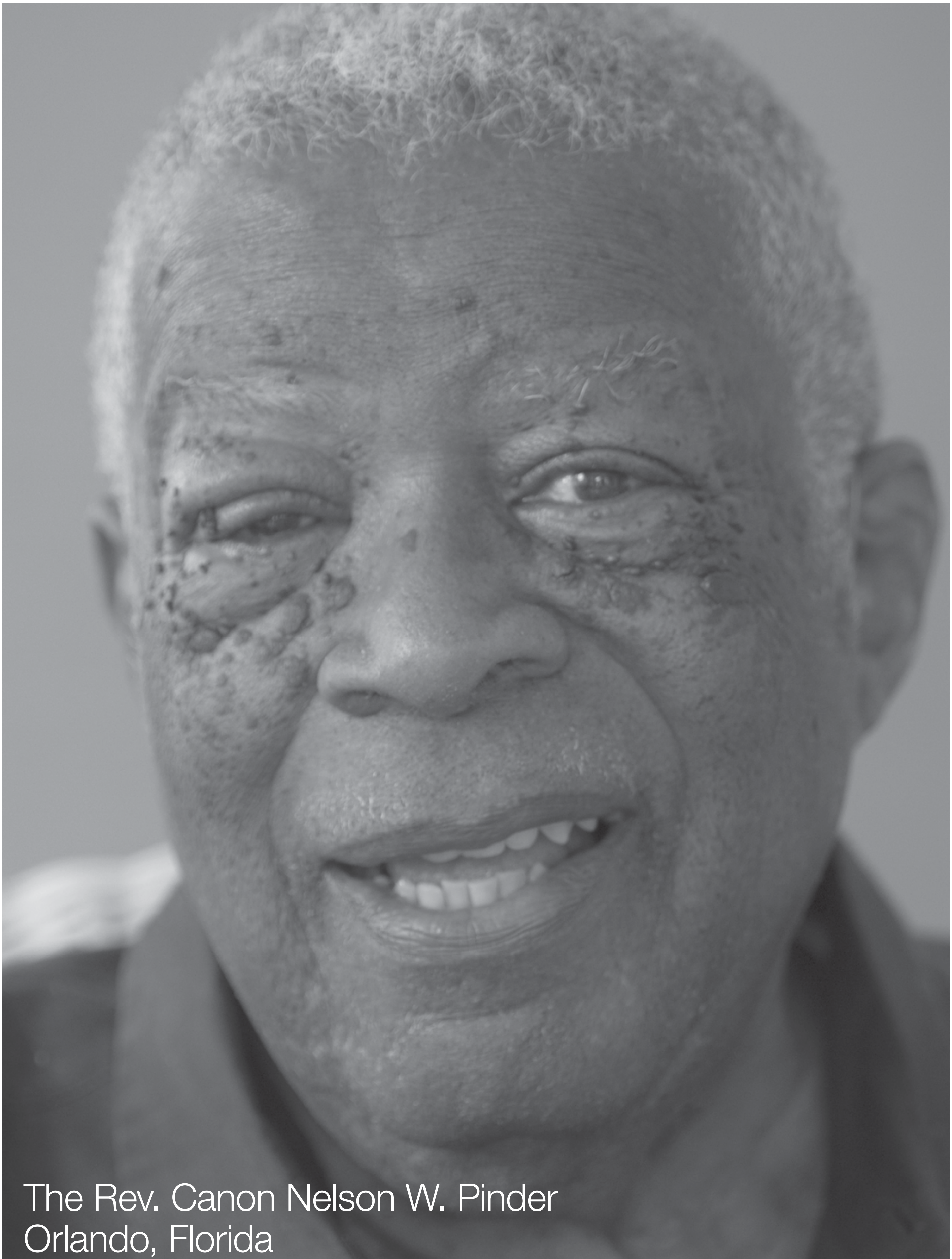
Faithfully,

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

Barbara B. Creed
Vice Chair

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

Mary Kate Wold
CEO & President



The Rev. Canon Nelson W. Pinder
Orlando, Florida

CPG is Your Advocate for a Financially Secure and Dignified Retirement.

After 36 years of active ministry, I retired in 1996 (not that clergy are ever really retired!), and the pre-retirement assistance my wife and I got from CPG is still bearing fruit today. Planning For Tomorrow conferences taught us financial planning strategies and helped us develop and live within a retirement budget: "Don't wish for pie in the sky when you have steak by the lake." CPG staff explained our options and helped us prepare a picture of what we needed to do to maintain our quality of life, like supplementing our life insurance at age 72. The pension and the pre-planning through PFT were a lot of help in being able to live anxiety-free. In retirement, CPG's learning opportunities have continued. We both enjoy the PFTs for retirees, and I find the Chaplains to the Retired program personally relevant. And our experience with the Medical Trust? Oh my goodness, it's been wonderful. I've enjoyed my retirement through the support of CPG. Over the years, there's always been an ear to listen, and we get prompt answers to any questions. We were better prepared than many of our friends because long before we retired, CPG threw their arms around us and said, "Come and learn; we can help."

Providing pension benefits to eligible clergy and lay employees of The Episcopal Church is the most important thing that we do. CPF has paid out nearly $4.7 billion in pension benefits to clergy and dependents since its inception in 1917. The Lay Defined Benefit Plan and the Lay Defined Contribution Plan have provided pension benefits to eligible lay employees since 1980 and 1992, respectively. Over the years, we have come to realize that the provision of pension benefits, though vitally important, is not enough. To help clergy and lay employees prepare for retirement, we have added retirement planning and financial education programs, web-based retirement calculators and resources, and wellness benefits, such as Steps to Wellness and CREDO conferences for clergy, to help those who serve the Church prepare for and enjoy a more comfortable retirement. The Chaplains to the Retired program and our new Enhancing Your Retirement conferences offer local support to retired clergy, and the annual Christmas Benefit provides them with an additional pension benefit.

The Rev. Mary Claypoole Carson
Rector, Church of the Redeemer, Lorain, Ohio

CPG is Your Advocate for Access to Comprehensive Healthcare at Affordable Rates.

When I was diagnosed with a serious illness this past January, I was totally shocked. The support of friends, family, and parishioners was invaluable, but equally invaluable was the compassion, support, encouragement, and clear information I received from my health coverage providers. As the daughter of a priest, I know how much my parents appreciated the healthcare coverage from the Medical Trust, as well as the other CPF benefits. And I've been with the Medical Trust myself for 22 years, off and on. It was comforting to know that CPF's short and long term disability coverage and the Medical Trust's Health Advocate were there for me, whether or not I needed to use them. All of this support — my friends and family, my congregation, my healthcare providers, the Medical Trust — everything has worked together to make it so much easier for me than I know it is for millions of other people. I've appreciated not having that kind of stress. It also benefits Redeemer as my limited energy isn't absorbed in dealing with financial issues; I can continue serving them even as I take care of myself. My treatment was successful and my copayments were manageable. I am eternally grateful to Aetna, The Episcopal Church Medical Trust, and the Church of the Redeemer for providing healthcare coverage that allows me to focus on the healing of my body, mind, and spirit rather than on astronomical medical bills.

For over 30 years, the Medical Trust has existed solely to serve the healthcare benefit needs of Episcopal clergy, lay employees, and institutions. We design our plans to provide excellent coverage at affordable rates, with comprehensive benefits that include medical, dental, prescription drug, vision, mental health and substance abuse coverage, as well as an Employee Assistance Program and Health Advisor. But it is not simply what we offer but how we provide it: with compassionate care, supportive client service for individuals and administrators, and, because we recognize that the provision of healthcare benefits is a significant financial commitment for employers, fiscal stewardship. A vital part of our ministry to the Church is to help our members reach and maintain optimal health, and so we also sponsor a variety of wellness and education initiatives to encourage employees to embrace healthy lifestyles, and to help them understand and use all of the benefits and services available to them.


Paul Hamelberg
Former Senior Warden
All Saints Episcopal Church, Bay Head, New Jersey

CPG is Your Advocate for Risk Management and Claims Support When You Need it Most.

All Saints was established in 1889 and through the years, our church buildings grew, built up in stages. Hurricane Sandy changed all that in a single day. More than three feet of water poured into the church — the first time in 125 years we had water in the sanctuary — destroying the main floor support and blowing out the bulkhead behind the narthex. The rectory and parish office also sustained extensive damage, and the memorial gardens were completely underwater. We are very grateful to representatives of The Church Insurance Agency Corporation, who responded quickly, advised wisely, and assessed damages more than fairly. CIAC also brought in Servicemaster, which was on the site within 24 hours and cleared and dried the church building with care and reverence. I've never dealt with this kind of thing before but CIAC made it easy to understand what I had to do and always kept our best interests at heart. Our claims were settled promptly and more than reasonably, better than we could have hoped for, so we didn't have to worry about money and could concentrate on ministry. But even more important was their attitude in wanting to help. Their compassion, professionalism, and support went above and beyond. We had this terrible cloud come over us but CIAC was the silver lining, the most important factor in our recovery, and we continue to thank them on our website.

When Hurricane Sandy hit, we reached out immediately to affected churches, helping rectors and wardens assess the damage and take immediate action. And that's exactly what The Church Insurance Companies were founded to do, starting in 1929. Since our beginnings, The Church Insurance Companies have provided the broadest property and casualty insurance available to Episcopal churches and institutions. Our policies offer more protection, such as flood coverage — so important to the rebuilding of churches such as All Saints — which many other insurers don't offer at affordable rates. And because our mission is to support yours, we express-ship hymnals and prayer books to parishes that have lost them in floods or fires so that services can continue to be held. We are also committed to helping churches and institutions mitigate risk, solving small problems before they become big ones. We provide an Episcopal Safety Program of assessing and correcting property risk, training programs for preventing sexual misconduct and harassment of children and adults in church settings, and a wealth of risk management resources in print and online.


Anilin Collado
Missioner for Human Resources
Diocese of Los Angeles

CPG is Your Advocate for Your Ministry of Service to the Church.

As benefits administrator for the Diocese of Los Angeles, my job is very complex. Thank goodness our benefits are consolidated under one company. Everything is on one page in CPG's MLPS system and that makes enrollment much easier. Their Client Engagement team is cross-trained so when I call about pensions, they can see everything a participant has; I don't have to be transferred to other people. I was on the diocese's committee that made the recommendation to go with the Medical Trust, and it's been wonderful for us. The transition was very smooth and the service is phenomenal. There's an element of compassion mixed in with the professionalism, which I like. Their diocesan education program for both administrators and members is excellent, and they guide us with such good information, such as healthcare reform updates. They take on the worrying about those things so we don't have to. I work closely with CPG's Regional Representative for the Western Region, and whenever I have a question, I get the answer I need, very promptly. Their annual Benefits Partnership Conference and EBAC keep me in the loop and are excellent opportunities for networking with other benefit administrators. CPG is open to hearing from us through focus groups and conversations, and they welcome my suggestions for improvements.

Whether you are the benefits administrator of a large diocese, the parish administrator of a small parish, or the administrator of an Episcopal school or institution, we are here to support you in your ministry. We interact directly with administrators through various conferences and focus groups and act on feedback we receive to develop improvements in interactions with CPG. For example, we streamlined the verification procedures in Client Engagement so administrators can get the information they need quickly and safely, and created a dedicated toll-free "hot line" for administrators that we staff with experienced, cross-trained client service representatives who are able to answer a variety of benefits-related questions. Our Regional Representatives work with administrators in their geographic areas one-on-one, providing materials and resources and facilitating the resolution of questions in a timely manner. CPG's online Administrators' Resource Center provides tools, forms, guides, benefits news and other updates, and the new online Employee Roster enrollment system provides administrators with fast, easy, real-time data management from any computer, 24-7. We realize the role of administrator is complex, so we offer tips, job aids, one-on-one assistance, and a multilingual Client Engagement call center.

Statistical Highlights

Cumulative Clergy Pension Plan Operations

	Since Inception (1917)
Assessments and original pledges received	$ 2,397,639,422
Investment income and gains (net of expenses and other deductions)	13,302,665,321
Total income	**$15,700,304,743**
Benefits paid for clergy and dependents	$ 4,959,654,551
Transfers to restricted and unrestricted net assets	$ 2,097,491,199

Clergy Pension Plan Participant Statistics

	2014	2011	2008
Active Participants†			
Number			
Male	4,188	4,505	5,099
Female	2,471	2,489	2,499
Total	**6,659**	**6,994**	**7,598**
Participants' Average Age	54.0	53.7	53.3
Average Compensation	**$68,117**	**$65,615**	**$62,930**
Those Receiving Benefits			
Retirees			
Normal Retirement	3,735	3,457	3,252
Early Retirement	3,585	3,426	3,097
Disability Retirement	461	459	438
Total	**7,781**	**7,342**	**6,787**
Average Annual Pension Benefit	$30,197	$28,940	$27,162
Average Age	74.8	74.1	73.7
Surviving Spouses			
Number	2,607	2,576	2,569
Average Benefit	$20,514	$19,061	$17,626
Average Age	79.1	78.6	78.1

†Those for whom payments made into the plan. Participant statistics as of December 31, 2013
Source: Buck Consultants, LLC Actuarial Reports

Clergy Pension Plan Participant Statistics

	2013	2010	2007
Number of Individuals Ordained*	294**	338	402
Average Age at Ordination	48.0	48.6	47.4

*Includes both U.S. and non-U.S. ordinations under all canons
**This figure may increase when additional information is received from dioceses.

Lay Pension Plan Participant Statistics†

Lay Pension Plan Participant Statistics†	2014
Active Participants, Lay DB Plan	1,296
Retired Participants, Lay DB Plan	1,494
Pension Benefits Paid to Retired Lay DB	$6,680,968
Active Participants, Lay DC Plan	10,460
Retired Participants, Lay DC Plan	2,673

Insurance Claims Paid

Insurance Claims Paid	As of March 31, 2014
Life insurance death benefits	$13,500,000
Property and casualty insurance	In excess of $50,000,000

Other Statistics

Other Statistics	As of March 31, 2014
Number of institutions served (dioceses, churches, Episcopal institutions and organizations)	8,130
Number of visits made by CPG staff	5,015
Number of phone calls answered by Client Engagement	55,259
Number of unique page views on www.cpg.org	244,275

Combined Statements of Net Assets Available for Benefits

March 31	2014	2013
Assets		
Investments, at fair value:		
Equity securities, other than affiliated companies	$ 2,360,323,095	$ 1,978,182,465
Fixed income securities	2,913,135,499	2,736,729,670
Real estate and private equity	3,227,466,640	2,953,953,776
Alternative investments	2,212,841,511	1,952,235,532
Mortgage loans	56,505,062	59,694,438
Affiliated companies, equity interest	214,490,519	208,187,201
Short-term securities	8,104,659	31,813,773
Total Investments, at fair value	10,992,866,985	9,920,796,855
Receivables and Other Assets:		
Receivable from brokers	55,987,719	32,327,967
Assessments receivable, less allowance for doubtful accounts (2014 – $2,783,060; 2013 – $2,576,000)	3,260,548	3,032,544
Accrued investment income and other assets	76,152,349	73,758,211
Home office building and improvements, less accumulated depreciation (2013 – $14,038,000)	-	14,554,341
Cash and Cash Equivalents	451,682,988	654,592,689
Total Assets	11,579,950,589	10,699,062,607
Liabilities		
International Clergy Pension Plan	138,347,072	145,829,203
Payable to brokers	110,272,926	83,316,619
Accrued expenses and other liabilities	141,223,311	167,086,830
Total Liabilities	389,843,309	396,232,652
Total Net Assets	$ 11,190,107,280	$10,302,829,955
Components of Net Assets		
Restricted Net Assets:		
Permanently Restricted Legacy and Gift Fund	$ 23,861,280	$ 21,283,337
Temporarily Restricted Legacy and Gift Fund	16,329,235	14,489,740
Total Restricted Net Assets	40,190,515	35,773,077
Unrestricted Net Assets:		
Designated for Medicare Supplement Subsidy Fund	943,950,299	975,039,049
Designated for Clergy Life Insurance Benefit Fund	215,529,889	224,232,415
Designated for Benefit Equalization Plan Fund	21,838,341	23,457,957
Designated for investment in affiliated companies	111,784,669	116,579,889
Available for benefits:		
Designated for assessment deficiency	930,464,236	1,104,684,437
Net assets available for benefits:		
The Clergy Plan	8,643,158,993	7,594,929,829
The Episcopal Church Lay Employees' Retirement Plan	146,399,162	121,527,320
Staff Retirement Plan of The Church Pension Fund and Affiliates	136,791,176	106,605,982
Total net assets available for benefits	8,926,349,331	7,823,063,131
Total Unrestricted Net Assets	11,149,916,765	10,267,056,878
Total Net Assets	$ 11,190,107,280	$10,302,829,955

See accompanying notes to financial statements.

Combined Statements of Changes in Net Assets Available for Benefits

Years Ended March 31	2014	2013
Additions to Net Assets		
Assessments	$ 98,910,073	$ 97,730,341
Interest	103,132,328	102,082,244
Dividends and other income	41,553,168	37,769,832
Net gain on real estate and private equity investments	466,054,230	250,053,435
Net gain on alternative investments	276,429,596	194,972,203
Net realized and unrealized investment gains on equity and fixed income securities	326,530,669	325,800,916
Total Additions to Net Assets	1,312,610,064	1,008,408,971
Deductions from Net Assets		
Benefits and Expenses:		
Pensions and other benefits	306,065,242	295,875,076
Medical supplement	29,498,713	28,288,106
Life insurance	14,747,779	14,350,441
Total benefits	350,311,734	338,513,623
Investment management and custodial fees	38,097,938	30,966,178
General and administrative	75,228,375	65,734,093
Total Benefits and Expenses	463,638,047	435,213,894
Other (Additions) Deductions:		
International Clergy Pension Plan	(10,447,151)	12,099,709
Other Liabilities	(27,858,157)	(1,818,978)
Increase in Total Net Assets	887,277,325	562,914,346
Decrease (Increase) in Restricted and Unrestricted Net Assets		
(Increase) in Restricted Net Assets	(4,417,438)	(2,341,513)
Decrease in Medicare Supplement Subsidy Fund	31,088,750	214,438,751
Decrease (increase) in Clergy Life Insurance Benefit Fund	8,702,526	(3,031,662)
Decrease in Benefit Equalization Plan Fund	1,619,616	26,387,226
Decrease in investment in affiliated companies	4,795,220	6,093,216
Decrease in assessment deficiency	174,220,201	76,000,912
Increase in Net Assets Available for Benefits	1,103,286,200	880,461,276
Net Assets Available for Benefits at Beginning of Year	7,823,063,131	6,942,601,855
Net Assets Available for Benefits at End of Year	$ 8,926,349,331	$ 7,823,063,131

See accompanying notes to financial statements.

Notes to Financial Statements

1. Organization

The Church Pension Fund (the "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; CREDO Institute, Inc., 2001; 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 for eligible clergy of The Episcopal Church (the "Clergy Plan"). 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 CPF and certain affiliates. The respective assets of these defined benefit plans are pooled, solely for investment purposes, for the benefit of all participants. As church plans, the Qualified Plans are exempt from Titles I and IV of the Employee Retirement Income Security Act of 1974 and, therefore, are not subject to Pension Benefit Guaranty Corporation requirements or guarantees. These plans have long been recognized as exempt from federal income taxes. 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 2009, stating that the plans are qualified under Section 401(a) of the Code and, therefore, the related master trust is exempt from taxation under Section 501(a) of the Code. The Qualified Plans are required to operate in conformity with the Code to maintain its qualification. The Qualified Plans administrator believes the Qualified Plans are being operated in compliance with their applicable requirements of the Code and, therefore, believes that the Qualified Plans, as amended, are qualified and the related trust is tax exempt.

Accounting principles generally accepted in the United States require 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 and the Qualified Plans as of March 31, 2014 and 2013.

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, 2014 and 2013, the master trust assets, which are included in the combined statements of net assets available for benefits, relating to the plan benefits described above, amounted to $3.3 billion and $3.2 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 accounting principles generally accepted in the United States ("GAAP"). All inter-plan balances have been eliminated in these combined financial statements.

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

Summary of Significant Accounting Principles

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

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

Investments in real estate and private equity limited partnerships are carried at fair value. The fair value of these investments is based upon 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 fair value of mortgage loans is determined by the discounted cash flow method, taking into account prepayment risk.

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

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

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

ii) Home Office Building and Improvements – The investment in the organization's home office building and improvements is carried at cost less accumulated depreciation. The home office building and improvements are depreciated on a straight-line basis over their estimated useful lives which range from 10 years to 40 years. Effective July 1, 2013, this building is no longer the organization's home office building and was included in real estate investments in the accompanying combined statements of net assets available for benefits.

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

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

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

vi) Adoption of New Accounting Pronouncements –

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

In December 2011, the FASB issued guidance on disclosure requirements related to offsetting arrangements. The guidance provides for additional financial statement disclosure regarding offsetting and related arrangements to enable financial statement users to understand the effect of those arrangements on an entity's financial position. This guidance was effective for CPF and the Qualified Plans for the year ended March 31, 2014. CPF and the Qualified Plans adopted this guidance and it did not result in additional financial statement disclosures and it did not have a material impact on the financial condition of CPF and the Qualified Plans.

vii) Reclassifications – Certain 2013 amounts in CPF's combined financial statements have been reclassified to conform to the 2014 financial statement presentation.

4. Investments

Equity Securities

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

The net appreciation (depreciation) in fair value for the years ended March 31, 2014 and 2013 and the fair value of investments in equity securities by asset class as of March 31, 2014 and 2013 are summarized as follows:

March 31, 2014 (in thousands)	Net Appreciation (Depreciation) in Fair Value During Year	Fair Value End of Year
U.S. large capitalization/ broadly diversified	$ 231,238	$1,082,624
U.S. small capitalization	59,766	348,636
Sector strategies	–	–
Total U.S. equities	291,004	1,431,260
Emerging markets	(8,307)	136,941
Other international	115,307	792,122
Totals	$ 398,004	$2,360,323

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

Fixed Income Securities

The net (depreciation) appreciation in fair value for the years ended March 31, 2014 and 2013 and the fair value of investments in fixed income securities by asset class as of March 31, 2014 and 2013 are summarized as follows:

March 31, 2014 (in thousands)	Net (Depreciation) Appreciation in Fair Value During Year	Fair Value End of Year
U.S. Treasury and obligations of U.S. government corporations and agencies	$ (51,698)	$1,109,676
Corporate	(17,070)	1,450,967
Loan-backed	(1,513)	81,257
Foreign governments	347	201,901
Asset-backed	(1,539)	69,334
Totals	$ (71,473)	$2,913,135

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

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 $29 million short and $126 million long at March 31, 2014 and 2013, respectively.

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

With respect to credit risk, futures contracts require daily cash settlement, thus limiting the cash receipt or payment to the change in fair value of the underlying instrument. Accordingly, the amount of credit risk represents a one-day receivable. Settlements, which resulted in gains of $27 million and $26 million for the years ended March 31, 2014 and 2013, respectively, are recorded in the accompanying financial statements as a component of realized investment gains and losses.

Real Estate and Private Equity Investments

Certain financial information for the years ended March 31, 2014 and 2013 and the fair values of investments in real estate and private equity limited partnerships by asset class as of March 31, 2014 and 2013 are summarized as follows:

March 31, 2014 (in thousands)	Fair Value Beginning of Year	Contributions	Operating Results & Net Capital Gains (Losses)	Distributions	Fair Value End of Year
Real estate:					
North America	$ 881,601	$ 75,261	$ 82,626	$ (162,703)	$ 876,785
Europe	209,776	36,860	10,041	(48,611)	208,066
Asia	243,109	41,711	4,419	(32,960)	256,279
Other	66,555	69,695	(9,096)	(21,118)	106,036
Total real estate	1,401,041	223,527	87,990	(265,392)	1,447,166
Private equity:					
North America	857,875	62,913	231,648	(187,073)	965,363
Europe	350,559	40,614	54,991	(58,073)	388,091
Asia	199,785	29,250	73,753	(23,703)	279,085
Other	144,694	32,341	16,213	(45,486)	147,762
Total private equity	1,552,913	165,118	376,605	(314,335)	1,780,301
Totals	$2,953,954	$ 388,645	$ 464,595	$ (579,727)	$3,227,467

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

Real estate limited partnerships include investments across all major property types including commercial properties, such as office, retail, multi-family, hotel and land, residential properties and real and other assets such as energy, materials and timber. As of March 31, 2014 and 2013, investments in commercial properties, residential properties and real and other assets were 48%, 26% and 26% respectively, and 49%, 25% and 26%, respectively, of the portfolio.

Private equity limited partnerships include strategies focused on venture capital and growth equity/buyout transactions across many industry sectors. As of March 31, 2014 and 2013, investments in venture capital and growth equity/buyout transactions were 50% and 50%, respectively, and 45% and 55%, respectively, of the portfolio.

The net gain on investments in real estate and private equity limited partnerships for the fiscal years ended March 31, 2014 and 2013 include realized and unrealized gains, operating results, other income and direct fees and are summarized in the following table:

March 31 (in thousands)	2014	2013
Net realized capital gains	$ 269,783	$ 221,890
Net unrealized capital gains	195,055	28,157
Operating results	(243)	(160)
Operating results and net capital gains	464,595	249,887
Other income and direct fees	1,459	166
Net gains on real estate and private equity investments	$ 466,054	$ 250,053

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

At March 31, 2014, CPF had open investment commitments to limited partnerships of $1.1 billion which are expected to be funded during future years. In this regard, from April 1, 2014 through April 30, 2014, CPF invested an additional $37 million and made $48 million in new commitments in 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.

Alternative Investments

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

March 31, 2014 (in thousands)	Net Appreciation in Fair Value During Year	Fair Value End of Year	Unfunded Commitments End of Year	Redemption Frequency*	Redemption Notice Period
Long/short equity	$ 103,716	$ 818,586	$ 40,000	Q/SA/A	30-90 days
Credit/distressed debt	55,231	409,850	44,554	A	90 days
Multi-strategy	65,230	544,460	–	Q/A	60-180 days
Other	52,253	439,946	22,333	BM/Q/A	30-90 days
Totals	$ 276,430	$2,212,842	$ 106,887		

March 31, 2013 (in thousands)					
Long/short equity	$ 54,952	$ 583,369	$ 6,000	Q/A	30-90 days
Credit/distressed debt	44,388	441,811	148,243	A	90 days
Multi-strategy	47,170	537,881	–	Q/A	60-180 days
Other	48,462	389,175	14,000	Q/A	30-90 days
Totals	$ 194,972	$1,952,236	$ 168,243		

* Bi-Monthly (“BM”), Quarterly (“Q”), Semi-Annually (“SA”), Annually (“A”)

Certain of the alternative investments in limited partnerships are subject to withdrawal “gate” or suspension provisions as defined in the limited partnerships’ agreement. The general partner and/or investment manager of the limited partnerships may restrict or suspend withdrawal requests for various reasons, including, but not limited to, insufficient liquidity at the limited partnership to satisfy withdrawal requests or to preserve the capital interests of the limited partners not withdrawing from the limited partnerships. As of March 31, 2014, none of the limited partnerships had any restrictions on withdrawals.

Affiliated Companies

All of the affiliated companies other than The Episcopal Church Clergy and Employees’ Benefit Trust are wholly-owned by CPF and all carry out significant activities that the Board of Trustees, upon the advice and request of The Episcopal Church, has concluded further CPF’s mission.

The financial results of The Church Insurance Company and Church Life Insurance Corporation are prepared on a statutory basis of accounting prescribed by the New York State Department of Financial Services. This statutory basis of accounting results in a 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, 2013 and 2012, except for Church Publishing Incorporated which is described for the years ended March 31, 2014 and 2013.

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. During the year ended March 31, 2013, Church Pension Group 34th Street, LLC was formed as a wholly-owned subsidiary of

CPGSC and it completed the purchase of a condominium office space that, effective July 1, 2013, is the headquarters of the Church Pension Group. As of March 31, 2014 and 2013, the fair value of the condominium office space was $103 million and $91 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 Plan. Mary Katherine Wold is the President and Jimmy W. Morrison is Executive Vice President of CPGSC.

The Church Insurance Companies[1]

The Church Insurance Companies have provided property and liability coverage for Episcopal Church institutions since 1929. Today, more than 90% of Episcopal Church institutions rely on the Church Insurance Companies for their commercial package insurance coverage. The Church Insurance Agency Corporation (the "Agency") provides insurance agency and risk-management services to Episcopal Church institutions. The Agency accesses a broad range of property, casualty and other insurance products tailored for the special needs of Episcopal Church institutions through its sister companies, The Church Insurance Company of Vermont ("CIC-VT") and The Church Insurance Company of New York ("CIC-NY"), or through its product partners. CIC-VT and CIC-NY are single-parent captive insurance companies incorporated in 1999 and 2007, respectively, to allow Episcopal Church institutions to benefit from the coverage flexibility and potential cost advantages of this shared risk-financing approach. From January 1, 2010 until September 30, 2012, the Agency also provided agency services to The United Methodist Property and Casualty Trust, a Washington, D.C. captive reinsurance company, affiliated with the United Methodist Church. On August 23, 2012, Church Insurance Services LLC ("CIS"), a Delaware limited liability company and wholly-owned subsidiary of CIC-VT, was formed to further the covenant relationship between The Episcopal Church and The United Methodist Church and the charitable and religious purposes of CIC-VT by providing certain insurance-related services to United Methodist Insurance Corporation, a Vermont captive insurance company affiliated with The United Methodist Church. On October 1, 2012, Agency and CIS entered into services agreements with United Methodist Insurance Corporation to provide insurance agency and other insurance-related services to United Methodist Insurance Corporation. Mary Katherine Wold is the President and D. Roderick Webster is Senior Vice President and General Manager of each of the Church Insurance Companies.

Financial Summary

December 31 (in thousands)	2013	2012
Assets	$ 227,769	$ 246,954
Liabilities	162,317	178,467
Capital and surplus	65,452	68,486
Earned premiums	41,663	40,882
Net loss	(672)	(13,097)

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

Church Life Insurance Corporation

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

Financial summary

December 31 (in thousands)	2013	2012
Assets	$ 285,274	$ 279,136
Liabilities	235,008	235,997
Capital and surplus	50,266	43,139
Insurance in force	1,534,500	1,488,202
Earned premiums	37,889	42,013
Net income	5,514	3,240

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

Financial Summary

March 31 (in thousands)	2014	2013
Assets	$ 11,103	$ 11,525
Liabilities	11,256	10,044
Capital	(153)	1,481
Revenue	4,356	5,010
Net loss	(3,034)	(2,771)
Capital contribution received from CPF	1,400	750

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

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

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

Financial Summary

December 31 (in thousands)	2013	2012
Assets	$ 52,987	$ 49,929
Liabilities	27,328	23,350
Accumulated surplus	25,659	26,579
Revenues	212,004	196,936
Net (loss) income	(49)	408

5. Fair Value Measurements

The following tables provide information about the financial assets measured at fair value by asset class as of March 31, 2014 and 2013.

March 31, 2014 (in thousands)	Level 1	Level 2	Level 3	Total
Equity securities:				
U.S. large capitalization/ broadly diversified	$ 892,839	$ 189,785	$ –	$1,082,624
U.S. small capitalization	348,636	–	–	348,636
Total U.S. equities	1,241,475	189,785	–	1,431,260
Emerging markets	51,641	85,300	–	136,941
Other international	2	792,120	–	792,122
Totals	1,293,118	1,067,205	–	2,360,323
Fixed income securities:				
U.S. Treasury and obligations of U.S. government corporations and agencies	–	1,109,676	–	1,109,676
Corporate	–	1,450,967	–	1,450,967
Loan-backed	–	81,257	–	81,257
Foreign governments	–	201,901	–	201,901
Asset-backed	–	69,334	–	69,334
Totals	–	2,913,135	–	2,913,135
Real estate and private equity	–	–	3,227,467	3,227,467
Alternative investments:				
Long/short equity	–	473,178	345,408	818,586
Credit/distressed debt	–	–	409,850	409,850
Multi-strategy	–	178,917	365,543	544,460
Other	–	265,158	174,788	439,946
Totals	–	917,253	1,295,589	2,212,842
Mortgage loans	–	54,831	1,674	56,505
Affiliated companies	–	–	214,490	214,490
Short-term securities	–	8,105	–	8,105
Total assets at fair value	$1,293,118	$4,960,529	$4,739,220	$10,992,867

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

The following tables summarize the changes in financial assets classified in Level 3 by asset class for the years ended March 31, 2014 and 2013. Gains and losses reported in this table may include changes in fair value that are attributable to both observable and unobservable inputs.

	Alternative Investments				
March 31, 2014 (in thousands)	Long/ Short Equity	Credit/ Distressed	Multi-strategy	Other	Total
Balance at April 1, 2013	$ 225,280	$ 441,811	$ 376,345	$ 149,476	$1,192,912
Transfers into Level 3	–	–	–	–	–
Transfers out of Level 3	–	–	–	–	–
Total gains included in Statement of Changes in Net Assets Available for Benefits, net	22,428	7,907	47,849	25,312	103,496
Purchases	97,700	58,425	–	–	156,125
Sales	–	(6,667)	–	–	(6,667)
Settlements	–	(91,626)	(58,651)	–	(150,277)
Balance at March 31, 2014	$ 345,408	$ 409,850	$ 365,543	$ 174,788	$1,295,589

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

March 31, 2014 (in thousands)	Real Estate and Private Equity	Mortgage Loans	Affiliated Companies
Balance at April 1, 2013	$2,953,954	$ 5,729	$ 208,187
Transfers into Level 3	–	–	–
Transfers out of Level 3	–	–	–
Total gains/(losses) included in Statement of Changes in Net Assets Available for Benefits, net	464,595	(238)	(8,407)
Purchases	388,645	–	17,710
Sales	(579,727)	–	(3,000)
Settlements	–	(3,817)	–
Balance at March 31, 2014	$3,227,467	$ 1,674	$ 214,490

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

Real estate and private equity limited partnerships with a fair value of $3.2 billion are valued by using CPF's proportionate share of the investment's equity as derived from the investment manager's financial statements. This requires a significant amount of judgment by management due to the absence of readily available quoted market prices and the long-term nature of the investments. There are no related unobservable inputs.

Alternative investments with a fair value of $2.2 billion are valued using the NAV per unit as a practical expedient to measure fair value at year-end. NAV per unit is a quoted transactional price for participants in the fund which does not represent an active market. There are no related unobservable inputs.

Affiliated companies with a fair value of $214 million are valued by using the underlying financial statements of the Affiliates. There are no related unobservable inputs.

6. International Clergy Pension Plan

The International Clergy Pension Plan ("ICPP") represents 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 fifty United States and certain Anglican churches located outside the fifty United States that were previously part of The Episcopal Church. Non-qualified plans are not subject to Section 401(a) of the Internal Revenue Code which, among other things, requires that the assets be held in a trust. Accordingly, the assets of these plans are held by CPF outside the master trust (see page 15).

CPF has administrative and investment agreements with The Episcopal Church of Liberia, Iglesia Anglicana de México and each of the five dioceses of the Iglesia Anglicana de la Region Central de America ("IARCA"), each of which sponsors its plan. The actuarial liabilities of all plans included in the ICPP are determined annually by an actuarial consulting firm, Buck Consultants, a Xerox Company, and total $132.5 million and $144.6 million at March 31, 2014 and March 31, 2013, 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. The principal balance of the temporarily restricted account is available for use at the discretion of CPF; the principal balance of the permanently restricted account is maintained in accordance with the wishes of the benefactors.

The Medicare Supplement Subsidy Fund, the Clergy Life Insurance Benefit Fund and the Benefit Equalization Plan Fund are entirely discretionary with no specific assets designated against them. CPF has reserved the right, in its discretion, to change or discontinue the benefits provided by these discretionary funds depending on future financial and economic conditions and investment performance.

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

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 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 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 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.

The following charts summarize the activities of the Restricted and Unrestricted Funds described above for the years ended March 31, 2014 and 2013.

March 31, 2014 (in thousands)	Beginning of Year	Contributions and Investment Gains	Benefits and Expenses Paid	Benefits Accumulated	End of Year
		Increase/(Decrease) in Restricted and Unrestricted Funds			
Permanently Restricted Legacy & Gifts	$ 21,283	$ 2,706	$ (128)	$ –	$ 23,861
Temporarily Restricted Legacy & Gifts	14,490	1,959	(120)	–	16,329
Medicare Supplement Subsidy	975,039	–	(29,499)	(1,590)	943,950
Clergy Life Insurance Benefit	224,232	–	(14,547)	5,845	215,530
Benefit Equalization Plan	23,458	–	(1,019)	(600)	21,839
Total Restricted and Unrestricted Funds	$1,258,502	$ 4,665	$ (45,313)	$ 3,655	$1,221,509

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

The amount designated for investment in affiliated companies represents the investment in affiliated companies, at fair value, excluding the condominium office space and its ongoing improvements that, effective July 1, 2013, is the headquarters of the Church Pension Group. This asset is not restricted from the use of CPF and, as of March 2014 and 2013, had a fair value of $103 million and $91 million, respectively.

8. Accumulated Plan Benefit Obligations

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

Accumulated plan benefit obligations are the estimated future periodic payments, including lump-sum distributions that are attributable under the plan provisions 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 which are based on assumptions for future compensation levels, rates of mortality and disability, and other factors. The effect of plan amendments on the accumulated plan benefit obligations are recognized during the years in which such amendments become effective.

The significant assumptions underlying the actuarial estimates are as follows:

- Interest rate: 4.625% and 4.25% per annum for the years-ended March 31, 2014 and 2013, respectively, compounded annually and developed considering annualized yields for long-term government and long-term, high quality corporate bonds that reflect the duration of the pension obligations.
- Cost-of-living adjustment: 3% per annum for the Clergy Plan and the Staff Plan and 0% for the Lay Plan. Cost-of-living adjustments are not guaranteed. The CPF Board of Trustees grants cost-of-living adjustments at its discretion. The decision is made annually.
- Vesting: After five years of credited service.
- Retirement (Clergy Plan): Normal, at age 65 and after; early, with no reduction at age 55 and after 30 years of credited service; reduced benefits at age 60 with less than 30 years of credited service; compulsory, at age 72.

Mortality:

- Clergy Plan: The RP – 2000 Mortality Table set back two years was used for participants and the RP - 2000 Mortality Table set back three years was used for 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 Plan and Staff Plan: The RP – 2000 Mortality Table was used.

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, 2014 and 2013 are summarized as follows:

March 31, 2014 (in thousands)	Clergy Plan	Lay Plan	Staff Plan
Vested benefits:			
Actuarial present value of accumulated plan benefit obligations for retired participants and their dependents	$ 3,820,322	$ 72,815	$ 54,418
Actuarial present value of accumulated plan benefit obligations for participants not yet retired and their dependents	1,837,986	86,605	94,081
Nonvested benefits:	162,865	3,262	15,930
Total	$ 5,821,173	$ 162,682	$ 164,429

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

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

The net (decrease) increase 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, 2014 and 2013 are summarized as follows:

March 31, 2014 (in thousands)	Clergy Plan	Lay Plan	Staff Plan
Actuarial present value of accumulated plan benefit obligations at beginning of year	$ 6,019,440	$ 160,257	$ 168,378
Increase (decrease) during the year attributable to:			
Change in actuarial assumptions	(275,774)	(3,433)	(18,619)
Plan amendments	(59,333)	–	(1,661)
Benefits accumulated	177,894	6,528	13,013
Increase for interest due to decrease in the discount period	249,712	6,657	7,077
Benefits paid	(290,766)	(7,327)	(3,759)
Net (decrease) increase	(198,267)	2,425	(3,949)
Actuarial present value of accumulated plan benefit obligations at end of year	$ 5,821,173	$ 162,682	$ 164,429

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

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 10% 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 $82 million, $5 million and $11 million, respectively, during the year end March 31, 2014 and $83 million, $4 million and $10 million, respectively, during the year end March 31, 2013.

The funding position of the Clergy Plan, the Lay Plan and the Staff Plan as of March 31, 2014 and 2013 are summarized as follows:

March 31, 2014 (in thousands)	Clergy Plan	Lay Plan	Staff Plan
Net assets available for pension benefits after amount designated for assessment deficiency	$ 8,643,159	$ 146,399	$ 136,791
Actuarial present value of accumulated plan benefit obligations	5,821,173	162,682	164,429
Surplus (Deficit)	$ 2,821,986	$ (16,283)	$ (27,638)

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

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.

10. Expenses

The accompanying financial statements of CPF for the years ended March 31, 2014 and 2013, include cash compensation expenses of $44.2 million and $40.3 million, respectively. In the same respective years, an additional $10.5 million and $12.1 million in cash compensation expenses were incurred by affiliates of CPF.

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. The rationale for the total remuneration paid to the key officers involves two elements: (1) market data that is representative of functionally comparable positions in organizations similar to CPF and its affiliates and (2) individual and corporate performance. Supplemental retirement and life insurance benefits are provided to certain officers under the terms of individual agreements. The accompanying financial statements of CPF include officers' cash compensation, totaling $19.0 million and $17.0 million for the fiscal years ended March 31, 2014 and 2013, respectively. In the same respective years, an additional $8.1 million and $8.1 million in officers' cash compensation expenses were incurred by affiliates of CPF.

The cash compensation for the five current officers of CPF receiving the highest total cash compensation for the year ended March 31, 2014 was as follows:

Mary Katherine Wold, CEO & President	$1,140,000
Executive Vice Presidents:	
William L. Cobb, Jr., Chief Investment Officer	$1,111,000
Jimmy W. Morrison, Chief Operating Officer	$ 854,000
Managing Directors:	
Helen Fox-O'Brien, Investment Department	$ 972,000
Alan Snoddy, Investment Department	$ 959,000

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 $1.7 million and $1.5 million for the years ended March 31, 2014 and 2013, 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, 2014 and 2013, CPF and its affiliates recorded expenses of $3.2 million and $3.6 million, respectively, for benefits and interest expense net of interest income. CPF has initiated a program to fund its obligation for this benefit by contributing to a post-retirement benefit investment account. At March 31, 2014, the amount in this account, which is included in the accompanying combined statements of net assets available for benefits, was $21.9 million to fund obligations estimated at $37.3 million.

For measuring the expected post-retirement benefit obligation, average annual rates of increase in the per capita claims cost were assumed for the fiscal years beginning April 1, 2014 and 2013 for medical costs of 5.5% and 6%, respectively. The increases in medical rates were assumed to decrease annually to 3.25% in the fiscal year beginning April 1, 2019 and remain at that level thereafter. The weighted average discount rates used in determining the expected post-retirement benefit obligation were 4.625% and 4.25% at March 31, 2014 and 2013, respectively. If the healthcare cost trend rate were increased by 1%, the expected post-retirement benefit obligation as of March 31, 2014 would increase by approximately $3.0 million.

11. Subsequent Events

CPF has performed an evaluation of subsequent events through July 3, 2014, 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 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, 2014 and 2013, and the related combined statements of changes in net assets available for benefits for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial status of the Church Pension Group at March 31, 2014 and 2013, and the changes in its financial status for the years then ended, in conformity with U.S. generally accepted accounting principles.

Ernst + Young LLP

July 3, 2014

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

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The Northern Trust Company

Independent Auditors
Ernst & Young LLP

Pension Actuary
Buck Consultants, a Xerox Company

Health Plan Actuary
Aon Hewitt

As of March 31, 2014

The Church Pension Fund Board of Trustees