NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

REPORT ON EXAMINATION

OF THE

CHURCH PENSION FUND

CONDITION:	MARCH 31, 2012
DATE OF REPORT:	NOVEMBER 15, 2013

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

REPORT ON EXAMINATION

OF THE

CHURCH PENSION FUND

AS OF

MARCH 31, 2012

DATE OF REPORT:	NOVEMBER 15, 2013
EXAMINER:	JOSHUA WEISS

TABLE OF CONTENTS

Andrew M. Cuomo
Governor

Maria T. Vullo
Superintendent

July 19, 2016

Honorable Maria T. Vullo
Superintendent of Financial Services
New York, New York 10004

Madam:

In accordance with instructions contained in Appointment No. 30953, dated February 7, 2013, and annexed hereto, an examination has been made into the condition and affairs of Church Pension Fund, hereinafter referred to as "the Fund," at its home office located at 19 East 34th Street, New York, New York 10016.

Wherever "Department" appears in this report, it refers to the New York State Department of Financial Services.

The report indicating the results of this examination is respectfully submitted.

1. EXECUTIVE SUMMARY

The examiner's review of a sample of transactions did not reveal any differences which materially affected the Fund's financial condition as presented in its financial statements contained in the March 31, 2012, filed statement. (See item 5 of this report)

The examiner's review of the Fund's treatment of plan participants did not reveal significant instances which deviated from the operating rules of the Fund. (See item 6 of this report)

2. SCOPE OF EXAMINATION

The prior examination was conducted as of March 31, 2007. This examination covers the period from April 1, 2007, through March 31, 2012. As necessary, the examiner reviewed transactions occurring subsequent to March 31, 2012, but prior to the date of this report (i.e., the completion date of the examination).

The examination comprised a verification of assets and liabilities as of March 31, 2012, to determine whether the Fund's 2012 filed annual statement fairly presents its financial condition. The examiner reviewed the Fund's income and disbursements necessary to accomplish such verification and examination procedures as deemed appropriate in such review, and in the review or audit of the following matters:

Fund history
Management and control
Corporate records
Fidelity bond and other insurance
Growth of Fund
Accounts and records
Financial statements
Participant benefits

The examiner reviewed the corrective action taken by the Fund with respect to the recommendation contained in the prior report on examination. The results of the examiner's review are contained in item 8 of this report.

This report on examination is confined to financial statements and comments on those matters which involve departure from laws, regulations or rules, or which require explanation or description.

3. DESCRIPTION OF SYSTEM

A. History

The Fund was chartered by an act of the New York State Legislature, which became law on April 3, 1914, and began its operations on March 1, 1917. The Fund administers the pension system of the Episcopal Church, and its subsidiaries and affiliate companies provide pensions, life insurance, annuities, and health benefits, and other programs for the episcopal clergy, lay employees and their eligible dependents, and institutions.

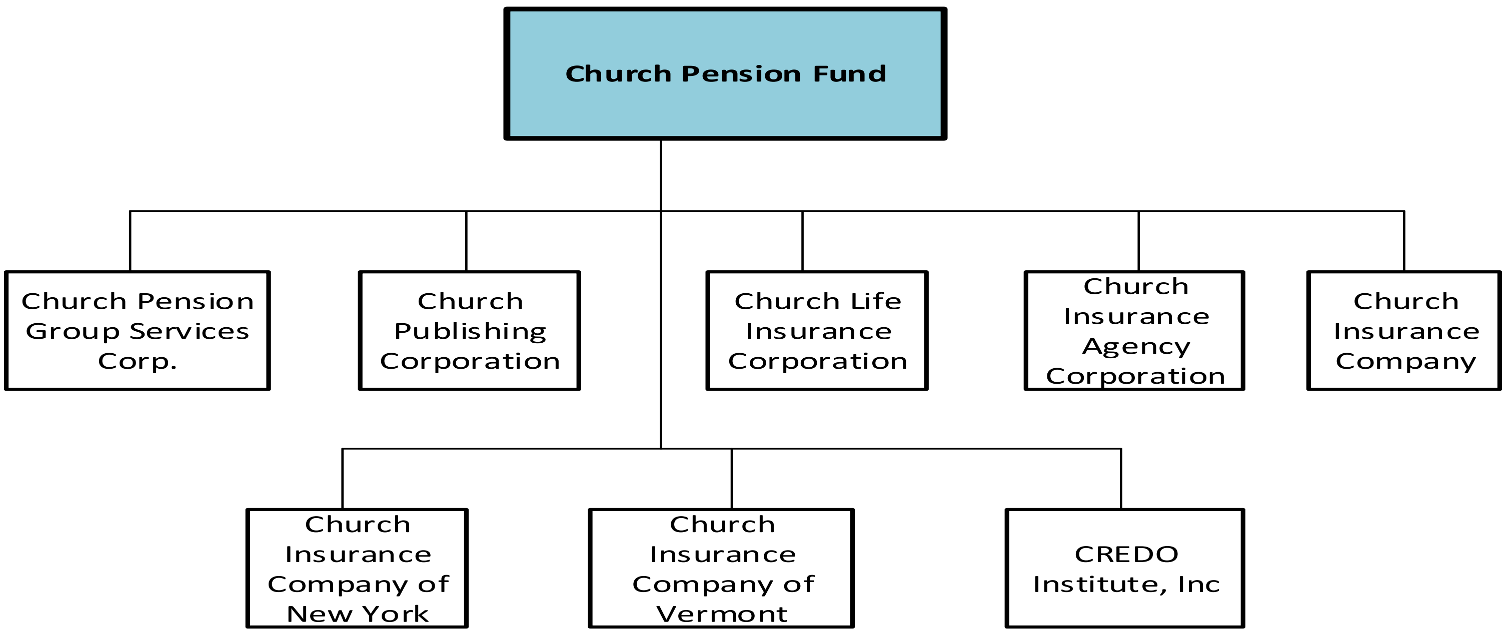
The Fund's charter states that it shall be subject to the requirements of examination by, and make annual reports to, the Superintendent of Insurance of New York, and for that purpose and to that extent only, shall be subject to the applicable provisions of Article 3 of the New York Insurance Law.

B. Subsidiaries

The Fund is the ultimate parent of the following wholly owned insurance companies: Church Life Insurance Corporation ("CLIC"); The Church Insurance Company ("CIC"); The Church Insurance Company of Vermont ("Vermont"); and several other subsidiaries. CLIC writes life insurance on the lives of clergymen and their dependents, and lay employees of the Episcopal Church. CIC insures churches and church property against property and casualty losses. Vermont is a captive insurer that allows church institutions to benefit from the coverage flexibility and potential cost advantages of this risk financing approach. CLIC and CIC are domestic insurers. Other subsidiaries of the Fund include PFP Realty Holding Company Inc., ("PFP"), a partnership which had an investment in the retail space of the Fund's building; Church Publishing Incorporated ("CPI") which publishes the official worship materials of the Episcopal Church, and Church Insurance Agency Corporation ("CIAC") which provides insurance products to Episcopal institutions. The total book value of the Fund's subsidiaries as of March 31, 2012, was $122,673,105.

C. <u>Organizational Chart</u>

An organizational chart reflecting the relationship between the Fund and significant entities in its holding company system as of March 31, 2012, follows:



D. Service Agreements

The Fund had 11 service agreements in effect as of March 31, 2012.

Type of Agreement	Effective Date	Provider of Service(s)	Recipient(s) of Service(s)	Specific Service(s) Covered	Income/ (Expense)* For Each Fiscal Year of the Examination
Services & Facilities Agreement	01/01/2003	The Fund	Church Insurance Company	Office supplies, access to office equipment and office space, other support services.	2008 - $1,102,402 2009 - $ 828,723 2010 - $ 840,889 2011 - $ 939,559 2012 - $ 930,537
Services & Facilities Agreement	01/01/2003	The Fund	Church Insurance Company of Vermont	Office supplies, access to office equipment and office space, other support services.	2008 - $1,497,184 2009 - $1,288,157 2010 - $1,291,543 2011 - $1,336,712 2012 - $1,324,730
Services & Facilities Agreement	01/01/2003	The Fund	Church Insurance Agency Corporation	Office supplies, access to office equipment and office space, other support services.	2008 - $1,590,996 2009 - $1,112,525 2010 - $ 912,777 2011 - $1,127,647 2012 - $1,677,168
Services & Facilities Agreement	01/01/2003	The Fund	The Episcopal Church Clergy and Employees' Benefit Trust (Med Trust)	Office supplies, access to office equipment and office space, other support services.	2008 - $2,846,453 2009 - $3,293,384 2010 - $3,106,596 2011 - $4,002,759 2012 - $5,131,039
Services & Facilities Agreement	01/01/2003	The Fund	Church Life Insurance Corporation	Office supplies, access to office equipment and office space, other support services.	2008 - $1,992,462 2009 - $2,140,397 2010 - $2,414,315 2011 - $2,613,164 2012 - $3,000,419
Services & Facilities Agreement	01/01/2003	The Fund	Church Publishing Incorporated	Office supplies, access to office equipment and office space, other support services.	2008 - $1,890,255 2009 - $1,932,846 2010 - $1,935,419 2011 - $1,888,960 2012 - $1,311,405

Type of Agreement	Effective Date	Provider of Service(s)	Recipient(s) of Service(s)	Specific Service(s) Covered	Income/ (Expense)* For Each Fiscal Year of the Examination
Services & Facilities Agreement	01/01/2003	The Fund	Church Pension Group Services Corporation ("CPGSC")	Office supplies, access to office equipment and office space, other support services.	2008 - $(32,249,572) 2009 - $(36,942,346) 2010 - $(42,394,740) 2011 - $(46,545,888) 2012 - $(48,449,528)
Services & Facilities Agreement	01/01/2008	The Fund	Church Insurance Company of New York	Office supplies, access to office equipment and office space, other support services.	2008 - $ 111,139 2009 - $ 407,168 2010 - $ 333,268 2011 - $ 322,433 2012 - $ 339,341
Services Agreement	01/01/2011 01/01/2012	The Episcopal Church Medical Trust	The Fund	Consulting Services	2011 - $ (47,191) 2012 - $ (186,396)
Services Agreement	01/04/2012 01/02/2013	Church Life Insurance Corporation	The Fund	Consulting Services.	2012 - $ (40,000)

*Amount of Income or (Expense) Incurred by the Fund

The Fund provides services to CPGSC, which includes office supplies, access to office equipment and office space, and other support services. The service agreement between the Fund and CPGSC requires that intercompany balances arising from these expenses be settled within 30 days. Rather than billing and settling these amounts monthly, the intercompany balance is accrued. Since CPGSC obtains all of its funding from the Fund annually, the Fund takes these expenses into account when determining the budget for CPGSC for the following year.

The Examiner recommends that the Fund adhere to the terms of its service agreements and collect payments billed within 30 days or amend the service agreement to reflect the actual method of funding to CPGSC.

E. Management

The Fund's by-laws provide that the board of trustees shall be comprised of 25 trustees. The board of trustees shall consist of the Fund's President and 24 trustees elected by the general convention of the Protestant Episcopal Church of the United States. Trustees are divided into two classes, as equal as possible, to be elected triennially for a term of six years. Trustees are elected at the triennial meeting of the general convention. As of March 31, 2012, the board of trustees consisted of 25 members. Meetings of the board are held four times a year.

The 25 board members and their principal business affiliation, as of March 31, 2012, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
The Honorable Martha B. Alexander † Charlotte, NC	Legislator Charlotte, North Carolina	2009
James E. Bayne†‡ Dallas, TX	Retired Manager Exxon Mobil Corporation	2003
The Reverend A. Thomas Blackmon†§ Covington, LA	Rector Christ Episcopal Church Covington, Louisiana	2000
The Rev. Thomas James Brown† Winchester, MA	Rector Church of the Epiphany	2009

Name and Residence	Principal Business Affiliation	Year First Elected
The Reverend Dr. Randall Chase, Jr.†§ Cambridge, MA	Dean of Students & Deputy for Administration Episcopal Divinity School	2000
Barbara B. Creed, Esq.† San Francisco, CA	Vice Chair Shareholder Trucker Huss, APC	2002
Vincent C. Currie, Jr.† Pensacola, FL	Administrator Diocese of the Central Gulf Coast	2006
Canon Dr. Karen Noble Hanson† Rochester, NY	Chief Investment Officer Diocese of Rochester	2009
Deborah Harmon Hines, Ph.D.†§ Worcester, MA	Vice Provost University of Massachusetts Medical School	2000
The Right Reverend Robert H. Johnson† Asheville, NC	Bishop (retired) Diocese of Western N. Carolina	2003
The Right Reverend Peter J. Lee§ Richmond, VA	Chairman The Church Pension Fund	2000
The Very Reverend Tracey Lind† Cleveland, OH	Dean Trinity Cathedral	2009
The Reverend Dr. Timothy J. Mitchell† Louisville, KY	Rector Church of the Advent	2009
Margaret A. Niles† Seattle, WA	Partner K&L Gates, LLP	2009
The Right Reverend Claude E. Payne†§ Abilene, TX	Bishop (retired) Diocese of Texas	2000
Diane B. Pollard† New York, NY	Human Resources Consultant Independent Benefits	2006
Quintin E. Primo III†§ Chicago, IL	Chairman and CEO Capri Capital Partners, LLC	2000
The Right Reverend V. Gene Robinson† Concord, NH	Bishop Diocese of New Hampshire	2003

Name and Residence	Principal Business Affiliation	Year First Elected
Katherine Tyler Scott†§ Indianapolis, IN	Vice Chair Church Pension Fund Managing Partner Ki ThoughtBridge	2000
Edgar S. Starns, CPA† Baton Rouge, LA	Director, Tax & Employee Benefits Postlethwaite & Nettleville	2009
Sandra S. Swan, D.L.H† Chocowinity, NC	President Emerita Episcopal Relief and Development	2009
The Very Reverend George L. W. Werner† Sewickley, PA	Dean (retired) Chairman Trinity Cathedral	2006
T. Cecil Wray, Esq.† New York, NY	Retired Partner Debevoise & Plimpton, LLP	2000
Mary Katherine Wold New York, NY	President & CEO The Church Pension Fund	2011
The Right Reverend Wayne P. Wright† Wilmington, DE	Bishop Diocese of Delaware	2003

†Not affiliated with the Fund or any entity in the holding company system.
‡James E Bayne was replaced by Kevin B. Lindahl in October 2013.
§Retired in July of 2012 and replaced by Canon Kathryn Weathersby McCormick, Canon Rosalie Simmonds Ballentine, the Rt. Rev. Diane M. Jardine Bruce, Gordon B Fowler, Delbert C. Glover, Solomon S. Owayda, and Ryan K. Kusumoto.

The examiner’s review of the minutes of the meetings of the board of trustees and its committees indicated that meetings were well attended and that each trustee attended a majority of meetings.

The following is a listing of the principal officers of the Fund as of March 31, 2012:

Name	Title
Mary Katherine Wold	President and CEO
The Rev. Canon Patricia M. Coller	Senior Executive Vice President
The Rev. Clayton D. Crawley	EVP and Chief Information Officer
Daniel A. Kasle	EVP and Chief Financial Officer
Maria Elena Curatolo	EVP and Chief Administrative Officer
Jimmy Wayne Morrison	EVP and Chief Operations Officer
William Lyman Cobb, Jr.	EVP, Managing Director and Chief Investment Officer
Nancy Lee Sanborn	EVP, Chief Legal Officer & Secretary
Patricia S. Favreau	Executive Vice President

F. Territory and plan of operation

The Fund's active clergy and pensioners reside in all 50 states, the District of Columbia, Puerto Rico, United States Territories, Canada, and several countries where the Episcopal Church of the United States has active or formerly active dioceses.

4. SIGNIFICANT OPERATING RESULTS

Indicated below is significant information concerning the operations of the Fund during the period under examination as extracted from its filed annual statements. Failure of items to add to the totals shown in any table in this report is due to rounding.

The following table indicates the Fund's financial growth during the period under review:

	March 31, 2007	March 31, 2012	Increase (Decrease)
Admitted assets	$9,478,219,335	$9,729,219,503	$ 251,000,168
Net Reserves	$7,687,540,297	$6,996,883,903	$(690,656,394)
Other liabilities	1,790,679,038	2,732,335,600	941,656,562
Total reserves and liabilities	$9,478,219,335	$9,729,219,503	$ 251,000,168

As of March 31, 2012**,** the Fund's invested assets were mainly comprised of limited partnerships (30%), fixed income securities (27%), alternative investments (21%), and equity securities other than affiliated companies (19%).

The following table indicates the membership of the System during the period of examination:

	Fiscal Year Ended March 31,				
	2008	2009	2010	2011	2012
Active members	7,598	7,474	7,204	6,994	6,905
Service pensioners	6,349	6,412	6,598	6,883	7,028
All other pensioners	2,879	2,917	2,905	2,909	2,918
Total	16,826	16,803	16,707	16,786	16,851

5. FINANCIAL STATEMENTS

The following statements show the assets, liabilities and reserves of the Fund as of March 31, 2012, as contained in the Fund's 2012 filed annual statement, and the income and disbursements for each of the fiscal years under review. The examiner's review of a sample of transactions did not reveal any differences which materially affected the Fund's financial condition as presented in its financial statements contained in the March 31, 2012, filed annual statement.

A. STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS FISCAL YEAR ENDED MARCH 31, 2012

Assets	
Equity securities, other than affiliated companies	$ 1,830,409,829
Fixed income securities	2,574,424,055
Limited partnerships	2,845,742,156
Alternative investments	2,016,575,137
Mortgage loans	56,927,973
Affiliated companies	122,673,105
Short-term securities	29,346,413
Total investments and cash	$ 9,476,098,668
Receivable from brokers	$ 53,783,329
Assessments receivable, less allowance for doubtful accounts	4,289,256
Accrued investment income and other assets	70,579,495
Home office building and improvements, less accumulated depreciation	21,733,073
Cash and cash equivalents	529,548,242
Total other assets	679,933,395
Total assets	$10,156,032,063

Liabilities	
International clergy pension plan	$ 146,384,627
Payable to brokers	115,652,120
Accrued expenses and other liabilities	164,775,814
Total Liabilities	$ 426,812,561
Total net assets	$9,729,219,502
Components of net assets	
Restricted net assets:	
Permanently restricted legacy and gift fund	$ 19,605,418
Temporarily restricted legacy and gift fund	13,826,146
Total restricted net assets	$ 33,431,564
Unrestricted net assets:	
Designated for major medical supplement fund	$1,189,477,800
Designated for life insurance benefit fund	221,200,753
Designated for supplemental pension fund	49,845,183
Designated for investment in affiliated companies	122,673,105
Designated for assessment deficiency	1,115,707,195
Total unrestricted net assets	$2,698,904,036
Net assets available for benefits:	
The clergy pension plan	$6,741,883,683
The episcopal church lay employees' retirement plan	132,748,923
Staff retirement plan of the church pension fund and affiliates	122,251,297
Total net assets available for benefits	$6,996,883,903
Total unrestricted net assets	$9,695,787,939
Total net assets	$9,729,219,503

B. STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FISCAL YEARS ENDED March 31,

	2008	2009	2010	2011	2012
Assessments	$ 83,573,512	$ 87,215,555	$ 85,041,480	$ 84,051,838	$ 84,103,449
Interest	140,813,933	148,604,187	109,430,060	97,639,752	102,828,863
Dividends and other income	58,354,800	110,297,334	(4,280,178)	14,494,338	25,559,207
Net gain/(loss) on limited partnerships	382,192,443	(386,677,616)	15,761,239	380,243,037	269,524,911
Net gain/(loss) on alternative investments	43,335,924	(336,855,728)	467,398,750	216,254,491	25,941,400
Net realized and unrealized investment gains/ (losses) on equity and fixed income securities	(12,428,996)	(1,408,064,972)	1,224,759,847	373,303,177	139,658,960
Total additions to net assets	$ 695,841,616	$(1,785,481,240)	$1,898,111,198	$1,165,986,633	$ 647,616,790
Pensions and other benefits	$ 242,363,688	$ 254,545,028	$ 271,210,044	$ 271,827,713	$ 277,593,462
Medical supplement	21,609,831	23,583,857	24,974,484	25,505,459	26,346,863
Life insurance	8,801,917	10,491,448	15,678,246	13,024,121	13,635,196
Total benefits	$ 272,775,436	$ 288,620,333	$ 311,862,774	$ 310,357,293	$ 317,575,521
Investment management and custodial fees	$ 30,644,598	$ 27,548,726	$ 28,775,426	$ 28,879,311	$ 29,075,078
General and administrative	43,434,747	52,674,458	59,809,671	63,337,250	64,867,049
Enterprise-wide projects	5,156,940	8,604,841	4,885,415	4,625,296	3,342,680
General convention resolution projects	1,868,389	1,505,772	1,126,662	(289)	0
Total expenses	$ 81,104,674	$ 90,333,797	$ 94,597,174	$ 96,841,568	$ 97,284,807
Total benefits and expenses	$ 353,880,110	$ 378,954,130	$ 406,459,948	$ 407,198,861	$ 414,860,328

Other deductions (additions)	$ 0	$ 0	$ (2,113,799)	$ 1,281,217	$ 85,097,315
Increase (decrease) in total net assets	$ 341,961,506	$(2,164,435,370)	$1,493,765,049	$ 757,506,555	$ 147,659,147
Decrease(increase) in restricted net assets	$ 0	$ 0	$ (4,658,484)	$ (1,166,513)	$ (797,927)
Decrease (increase) in major medical Supplemental fund	(38,329,086)	22,042,641	9,435,580	6,911,194	(251,463,272)
Decrease(increase) in life insurance benefit fund	(2,554,959)	(87,019,016)	(9,680,823)	(9,434,108)	(37,512,349)
Decrease(increase) in supplemental pension fund	(2,927,151)	(670,433)	5,242,681	(522,202)	(6,468,306)
Decrease (increase) in assessment deferred and other deductions	32,900,324	31,548,841	(416,012)	(40,329,186)	(468,074,026)
Decrease (increase) in investment in affiliates	0	0	(10,712,933)	(589,438)	4,440,113
(Decrease) increase in net assets available for benefits	$ 331,050,634	$(2,198,533,337)	$1,482,975,058	$ 712,376,302	$ (612,216,620)
Cumulative effect of adoption to GAAP	$ (585,252,917)	$ 0	$ 0	$ 0	$ 0
Net assets available for benefits at beginning of year	$7,609,858,250	$ 7,355,655,967	$5,158,748,945	$6,641,724,001	$7,354,100,302
Net assets available for benefits at end of year[††]	$7,355,655,967	$ 5,157,122,630	$6,641,724,001	$7,354,100,302	$6,741,883,682

[††]Failure of items to add to the totals shown in this table in this report is due to rounding.

6. TREATMENT OF PLAN PARTICIPANTS

The examiner reviewed a sample of various types of retirement benefits to plan participants and beneficiaries. The examiner also reviewed the various controls involved, checked the accuracy of the computations and traced the accounting data to the books of account.

Based upon the sample reviewed, no significant findings were noted.

7. ACTUARIAL REVIEW

A. Liabilities

Shown below are the plan liabilities as reported in the Annual Statements to the Department for the five years of the examination period.

(Amounts are shown in thousands)

Year ending March 31,	2008	2009	2010	2011	2012
Present value of benefits (PVB) for active participants:					
Service retirement	2,494,284	2,420,783	2,489,624	2,529,391	3,342,837
Disability retirement	119,937	118,274	117,554	118,421	142,242
Pre-retirement death	333,636	317,622	328,605	337,712	463,894
Termination	33,991	31,746	33,475	35,367	54,194
Medical benefits	459,524	432,586	423,881	411,342	556,542
Life insurance benefits	54,555	86,872	87,322	88,334	110,034
LESS: present value of future assessments	(744,434)	(736,335)	(714,561)	(710,098)	(770,141)
Net PVB for active participants	2,751,493	2,671,548	2,765,900	2,810,469	3,899,602
Vested participants:					
Service retirement	118,500	125,181	143,999	149,519	198,767
Medical benefits	32,945	32,594	32,810	27,805	33,799
Life insurance benefits	268	477	480	435	1,082
Retired participants:					
Service retirement	2,231,994	2,316,393	2,415,032	2,576,045	3,126,965
Disability retirement	164,478	170,371	173,886	185,882	215,420
Beneficiaries in receipt	481,249	498,195	499,148	505,822	593,477
Medical benefits	489,110	494,356	503,542	515,881	622,260
Life insurance benefits	84,080	137,940	145,640	154,233	175,477
Net PVB for non-active participants	3,602,624	3,775,507	3,914,537	4,115,622	4,967,247
Total net present value of benefits	6,354,117	6,447,055	6,680,437	6,926,091	8,866,849

B. Benefits

During the current examination period most plan benefits remained the same as in the previous examination period. Most salary-related benefits are based on Highest Average Compensation ("HAC"), defined as compensation during the highest-paid seven out of eight consecutive 12-month periods. Principal plan benefits include:

Normal Retirement:

- Eligibility: Age 65 & 5 years of credited service
- Benefit: 1.60% of HAC, plus an additional 1.15% of HAC not in excess of $10,000, multiplied by credited service

Full (Unreduced) Early Retirement:

- Eligibility: Age 55 & 30 years of credited service
- Benefit: Normal retirement formula benefit, and, in addition, the following "bridge benefit"
    - $17.50 per month times years of credited service until age 62
    - Half that amount between age 62 and age 65

Reduced Early Retirement:

- Eligibility: Age 60 & 5 years of credited service
- Benefit: Normal retirement formula benefit reduced 0.2% for each month the commencement date precedes age 65.

Disability Retirement:

- Eligibility: Total and continuing disability certified by the Fund's Medical Board.
- Benefit: For active participants, normal retirement formula benefit but based on credited service projected to age 65, payable immediately; minimum benefit prior to age 65 is 70% of last full-time compensation. In addition, the "Bridge Benefit" ($17.50 per month times years of credited service) is payable until age 65. Reduced benefits are paid to inactive participants who are disabled.

Survivor Benefit (for surviving spouse or surviving designated beneficiary):

- Eligibility: Participant who dies before retirement or while on disability retirement
- Benefit: For active participants, generally one-half the normal retirement formula benefit, but based on credited service projected to age 65. Further, if participant died while eligible for normal or early retirement, benefit is not less than what would have been payable if the participant had retired and elected the 100% joint-and-survivor option. Additionally, there is a $5,000 lump sum benefit. Various minimums reductions and limits may apply. Reduced benefits are paid on behalf of deceased inactive participants.

Benefit for Surviving Children:

- Eligibility: All eligible dependent children of a deceased participant
- Benefit: Amount as specified in the plan at time of death. During the period under examination the amount ranged from approximately $5,900 to $6,600 per year. The amount is payable until the child marries, becomes independent or attains age 25, whichever occurs first, and is reduced if the participant had less than 15 years' credited service. Various other reductions or limits may apply.

Resettlement Benefit:

- Eligibility: In general, 18 months of credited service during the 24 months immediately prior to retirement
- Benefit: Lump sum equal to 12 times the monthly retirement benefit subject to a minimum of $100 per year of credited service not to exceed 20 years and a maximum of $20,000.

In addition, the Fund's board of trustees has been granting the following benefits on a non-guaranteed basis:

- Cost of living increases: These generally have been the same as the cost of living adjustments to Social Security retirement benefits. The Board's policy is that cost of living increases will be granted only if the plan's funding ratio is at least 100%.
- Medicare Supplement subsidy: Subject to various eligibility rules, the Fund provides financial assistance for the purchase of Medicare Supplement insurance for a retired participant and his/her spouse through the Episcopal Church Medical Trust.

C. Employer Contribution Rate

Since 1972, contributions to The Church Pension Fund Clergy Pension Plan have been set at a fixed rate of 18% of each participant's total assessable compensation. The 18% rate comprises 15.55% for pension benefits, 1.30% for life insurance benefits and 1.15% for administrative expenses. The fixed rate is demonstrated in the table below, which shows (1) the annual rate of compensation at the end of each fiscal year of the examination period, (2) total assessments during each fiscal year and (3) the ratio of assessments to compensation. As would be expected, the ratios all are close to 18%. They are not exactly equal to 18% because the annual rate of compensation at year end is not exactly the same as the amount of compensation received (and assessed) during the year.

Year	Compensation	Assessments	Ratio
2008	478,144,617	83,573,512	17.5%
2009	485,065,079	87,215,555	18.0%
2010	467,327,207	85,041,480	18.2%
2011	458,912,047	84,051,838	18.3%
2012	457,531,975	84,103,449	18.4%

The fixed contribution rate is discussed further in Section E of this report, "Comments and Recommendation."

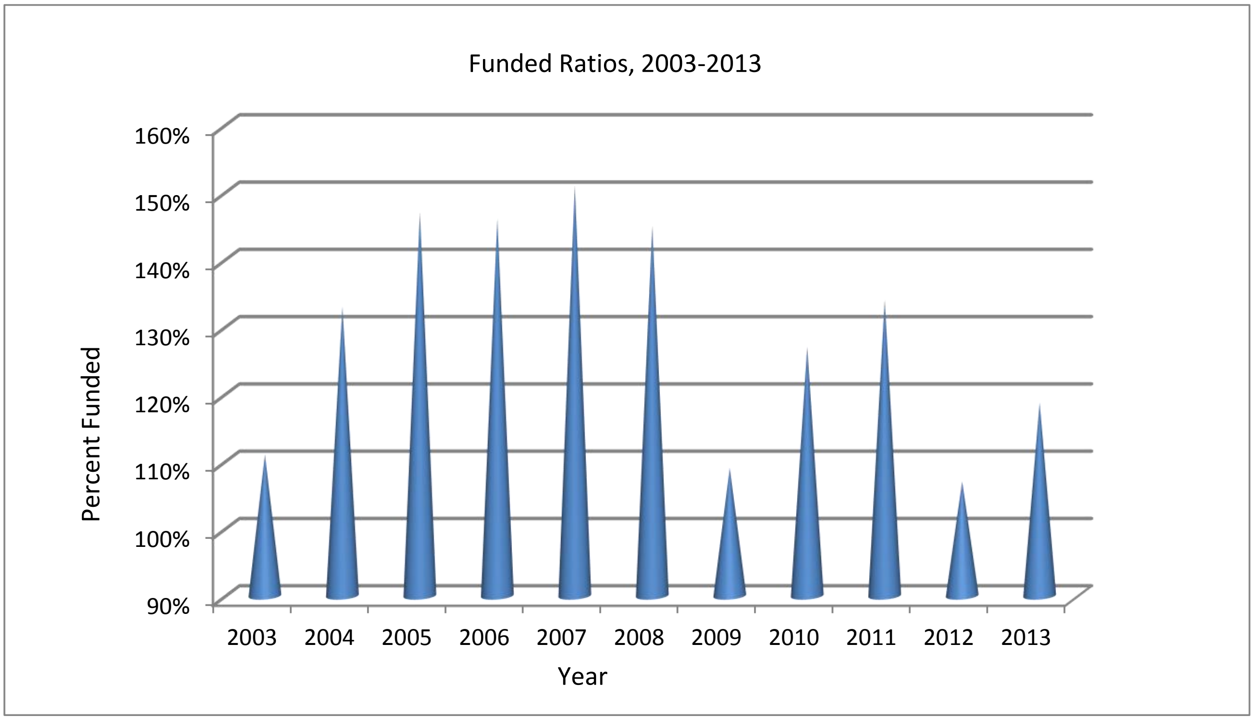
D. Funded Status

One measurement often used for evaluating the funded status of a pension plan is the plan's funded ratio, i.e., the ratio of the plan's assets to its actuarial accrued liability or AAL. A pension plan's AAL is the present value of the projected future benefits to be paid to the current plan membership less the present value of the projected future normal contributions to be made on behalf of the current plan membership. Those present values are calculated on the basis of actuarial assumptions (such as expected investment earnings, rates of mortality, salary increase, etc.) considered appropriate for the plan. For the Fund, future normal contributions are equivalent to future assessments at the Fund's established assessment rate of 18.00% of clergy compensation.

The following exhibit shows the net assets available for benefits, AAL and the funded ratio as reflected in the Fund's actuarial reports for the five years under examination and the year subsequent to the examination.

		($000,000 omitted)					
		2008	2009	2010	2011	2012	2013
1	Total Plan Liabilities	6,354	6,447	6,681	6,926	8,867	8,424
2	Value of Assets	9,226	7,024	8,516	9,277	9,465	10,001
3	Funded Ratio 2 ÷ 1	145%	109%	127%	134%	107%	119%

The following chart presents the funding ratios in graphical form and includes funding ratios for several years prior to the examination period.



As the chart indicates, the funded ratios have exceeded 100% for the entire examination period, and for many years before the examination period. Two sharp decreases in the funded ratio are notable. The first, in 2009, primarily was the result of the extreme downturn in investment markets that reached their nadir just around the Fund's March 31, 2009 valuation date. The second downturn, in 2012, primarily was the result of the Fund's adoption of a conservative 4.25% investment return assumption for its March 31, 2012 valuation, which remained in effect for the subsequent year's valuation. (The 4.25% return assumption was 1.25% below the previous year's assumption, a significant decrease.) The chart shows rapid recoveries from both downturns.

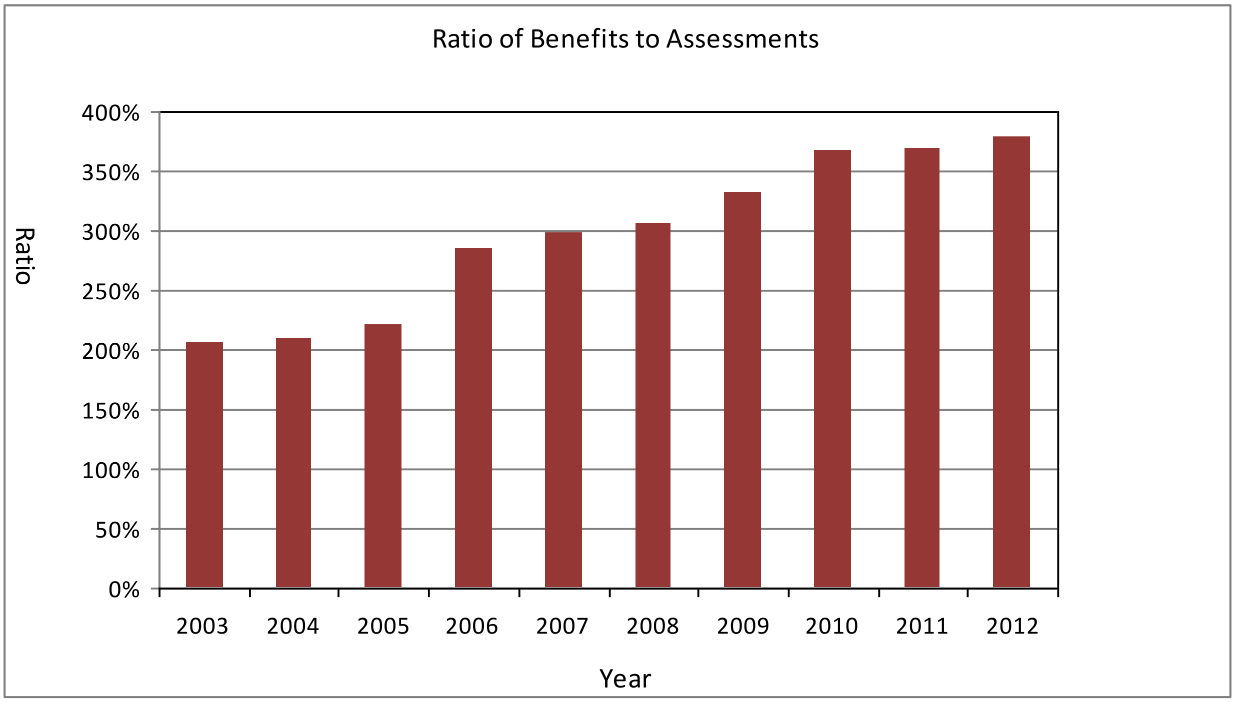
Implications of the foregoing funding ratios are further discussed in the following section of this report, "Comments and Recommendation."

E. Comments and Recommendation

It is typical for the employer's rate of contribution to a defined benefit plan to vary from year to year, based on actuarial calculations that automatically adjust for differences between anticipated and actual experience. In this context, "experience" refers both to economic factors, (primarily the rate of return on investments and the rate of increase in covered compensation), and to demographic factors (such as rates of termination of employment, death, disability etc). However, as mentioned in Section C of this report, required contributions to the Fund have long been set at a fixed rate of 18% of total assessable compensation.

Many factors suggest the 18% contribution rate is likely to remain adequate to fund benefits into the foreseeable future, including:

- Funding ratios have remained above 100% consistently, including fiscal year 2009 when investment markets were near historical lows.
- In fiscal year 2012, the fund adopted a conservative 4.25% discount rate for the valuation of its actuarial liabilities, and that rate remained in effect for fiscal 2013. Actual long term rates of return on the Fund's investments have been considerably higher than 4.25% and are expected to remain so. As would be expected, adoption of the 4.25% discount rate caused the funding ratio to decrease, but it remained above 100% and rose to 119% the following year. (Changes in other assumptions, including the rate of increase in salaries, contributed to that improvement.)
- Other actuarial assumptions affecting the funding level are likewise conservative. For example, participant mortality includes an age setback and annuitant mortality is projected to the year 2019.
- Non-guaranteed (discretionary) benefits, such as cost-of-living (COLA) increases, are included in the computation of liabilities as if such benefits were guaranteed. If, for example, the non-guaranteed COLA were not included in the liabilities, the funding ratio on March 31, 2012 would have been 142% instead of 107%.
- Increases in the ratio of benefits to assessments, observed during the previous examination, have slowed, as illustrated in the following chart.



Nevertheless, because the Fund does not base its contribution rate on the typical mechanism that adjusts automatically as experience changes (see Section C), it is important for the Fund to have strategies in place to make adjustments, if and when necessary, to assure adequate funding. To date the Fund's board has adopted one such strategy, namely that in any year where the funding ratio is less than 100%, no cost-of-living adjustment (COLA) shall be granted.

The actuary recommends that the fund refine and broaden its strategies for assuring funding adequacy. Such refinements might include: (i) defining circumstances where other discretionary benefits would need to be curtailed; (ii) defining circumstances where the employer contribution rate would need to be raised; and (iii) deciding when and how to communicate about such strategies with the participating employers.

8. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following is the recommendation contained in the prior report on examination and the subsequent actions taken by the System:

Item	Description
A	The examiner recommended that the Fund adhere to the terms of its service agreements and collect payments billed within 30 days. The Fund did not adhere to the terms of its service agreements when it did not collect payments billed within 30 days. (See Section 9, item A of this report)
B	The actuary recommended that, if the funded ratio of the pension plan decreases to less than 100%, a traditional actuarial funding method be used to determine the required contribution to the fund. A similar recommendation was made in the prior report on examination. The Funded ratio did not decrease to less than 100% during the examination period.

9. SUMMARY AND CONCLUSIONS

Following are the violations, recommendations and comments contained in this report:

Item	Description	Page No(s).
A	The examiner recommends that the Fund adhere to the terms of its service agreements and collect payments billed within 30 days or amend the service agreement to reflect the actual method of funding to CPGSC.	8
B	The actuary recommends that the Fund refine and broaden its strategies for assuring funding adequacy. Such refinements might include: (i) defining circumstances where other discretionary benefits would need to be curtailed; (ii) defining circumstances where the employer contribution rate would need to be raised; and (iii) deciding when and how to communicate about such strategies with the participating employers.	25

Respectfully submitted,

/s/
Joshua Weiss, CPA
Associate Insurance Examiner

STATE OF NEW YORK)
)SS:
COUNTY OF NEW YORK)

Joshua Weiss, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

/s/
Joshua Weiss, CPA

Subscribed and sworn to before me

this__________ day of ____________________

Respectfully submitted,

/s/
Peter Kreuter
Supervising Actuary

STATE OF NEW YORK)
)SS:
COUNTY OF NEW YORK)

Peter Kreuter, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

/s/
Peter Kreuter

Subscribed and sworn to before me

this__________ day of ____________________

APPOINTMENT NO. 30953

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

*I, **BENJAMIN M. LAWSKY**, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:*

JOSHUA WEISS

as a proper person to examine the affairs of the

CHURCH PENSION FUND

and to make a report to me in writing of the condition of said

PENSION FUND

with such other information as he shall deem requisite.

In Witness Whereof, I have hereunto subscribed my name
and affixed the official Seal of the Department
at the City of New York

this 7th day of February, 2013

BENJAMIN M. LAWSKY
Superintendent of Financial Services

By:

MICHAEL MAFFEI
ASSISTANT DEPUTY SUPERINTENDENT
AND CHIEF OF THE LIFE BUREAU