

# Celebrating Our First

# 100

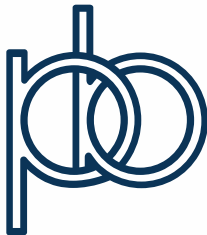
# Years of Service

Combined Financial Statements  
for Years Ended: December 31, 2013 and 2012

Report of Management and  
Report of Independent Auditors



**The Pension Boards–United Church of Christ, Inc.**



<b>Report of Management</b>	<b>2</b>
<b>Report of Independent Auditors</b>	<b>3</b>
<b>Combined Financial Statements for Years Ended: December 31, 2013 and 2012</b>	<b>4</b>

## The Pension Boards

United Church of Christ, Inc.

475 Riverside Drive  
Room 1020  
New York, NY 10115-0059

p 800.642.6543  
f 212.729.2701

www.pbucc.org  
info@pbucc.org

### Report of Management



Responsibility for the integrity and objectivity of the financial information presented in this Annual Report resides with the management of The Pension Boards-United Church of Christ, Inc. (the “Pension Boards”). The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, applying certain estimates and judgments as required.

The 19-member Board of Trustees, all of whom are independent of the Pension Boards’ internal management, oversees the financial statements through its Audit Committee. The Audit Committee is responsible for recommending to the Board of Trustees the appointment of independent public accountants and for approving their compensation.

The Pension Boards’ financial statements have been audited by McGladrey LLP, independent auditors, whose report appears on Page 3. The independent auditors, engaged to express an opinion on the financial statements, meet periodically with, and have been given free access to the Audit Committee, without management present, to discuss internal controls, auditing and financial reporting matters.

The Pension Boards’ system of internal control plays an important role in meeting its responsibilities for reliable financial statements. It is designed to provide reasonable assurance that assets are safeguarded and that transactions are properly recorded and executed in accordance with management’s authorization. The control environment is enhanced by the selection and training of competent personnel; the retention of an independent, internal auditor; maintaining and reinforcing the highest standards of conduct by employees in carrying out the Pension Boards’ affairs; organizational arrangements that provide for segregation of duties and delegation of authority; and, the communication of accounting and operating policies and procedures to employees.

In the event of unforeseen irregularities or errors, management believes the Pension Boards’ internal accounting control system provides reasonable assurance that errors or irregularities that could be material to the financial statements are prevented or would be detected on a timely basis and corrected in the normal course of business.

Handwritten signature of Michael A. Downs in blue ink.

Michael A. Downs  
President/Chief Executive Officer

Handwritten signature of Maxine Seifert in blue ink.

Maxine Seifert, CPA  
Chief Financial Officer/Treasurer

June 30, 2014



## Independent Auditor's Report

To the Board of Trustees  
The Pension Boards – United Church of Christ, Inc.  
New York, New York

### Report on the Financial Statements

We have audited the accompanying combined financial statements of The Pension Boards – United Church of Christ, Inc. (the "Pension Boards") which comprise the combined statements of net assets as of December 31, 2013, the related combined statements of activities and cash flows for the year 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 combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined net assets of The Pension Boards – United Church of Christ, Inc. as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matter

The combined financial statements of The Pension Boards – United Church of Christ, Inc. as of and for the year ended December 31, 2012, were audited by other auditors whose report dated March 28, 2013 expressed an unmodified opinion on those statements.

*McGladrey LLP*

New York, New York  
June 30, 2014

**THE PENSION BOARDS—UNITED CHURCH OF CHRIST, INC.**  
**COMBINED STATEMENTS OF NET ASSETS**  
(Dollars in Thousands)

	December 31, 2013	December 31, 2012
<b>ASSETS</b>		
Cash	\$ 1,174	\$ 3,133
Investments	3,276,350	3,047,076
Accrued investment income receivable	12,045	11,453
Due from brokers for securities sales	6,635	867
Other assets	3,320	2,125
Total assets	3,299,524	3,064,654
<b>LIABILITIES</b>		
Cash overdraft	16	2
Due to brokers for securities purchases	3,068	646
Health benefits payable	3,319	2,924
Deferred income	3,233	3,689
Other liabilities	5,970	3,626
Total liabilities	15,606	10,887
<b>NET ASSETS</b>	<b>\$ 3,283,918</b>	<b>\$ 3,053,767</b>
<b>NET ASSETS BY FUND</b>		
<b>UNRESTRICTED NET ASSETS</b>		
Annuitant fund	\$ 1,722,855	\$ 1,586,113
Accumulation fund	1,308,984	1,237,164
Benefit services fund	128,975	117,804
Ministerial assistance fund	61,945	55,955
Operating fund	6,528	5,905
Total unrestricted net assets	3,229,287	3,002,941
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
Ministerial assistance fund	3,794	3,423
Operating fund	979	732
Total temporarily restricted net assets	4,773	4,155
<b>PERMANENTLY RESTRICTED NET ASSETS</b>		
Ministerial assistance fund endowments	4,880	4,773
Operating fund endowments	44,978	41,898
Total permanently restricted net assets	49,858	46,671
<b>TOTAL NET ASSETS</b>	<b>\$ 3,283,918</b>	<b>\$ 3,053,767</b>

See notes to Combined Financial Statements.

**THE PENSION BOARDS—UNITED CHURCH OF CHRIST, INC.**  
**COMBINED STATEMENTS OF ACTIVITIES**  
(Dollars in Thousands)

	Year Ended December 31, 2013	Year Ended December 31, 2012
<b>ADDITIONS</b>		
Realized and unrealized gains	\$ 267,606	\$ 224,627
Investment income	85,296	84,330
Health services premiums	54,279	55,244
Employer pension contributions	32,164	32,438
Member pension contributions	8,859	7,054
Christmas Fund appeal	1,545	1,465
Our Church's Wider Mission	408	435
Donations and legacies	267	164
Other	21	10
Total additions	450,445	405,767
<b>DEDUCTIONS</b>		
Pension payments to annuitants	119,661	114,896
Partial withdrawals and lump-sum payments	18,825	16,205
Health services claims	50,884	47,416
Health services costs	5,323	5,329
Retirement benefits administration and investment costs	21,104	18,443
Ministerial assistance grants	2,830	2,938
Ministerial assistance programs and administration costs	1,667	1,576
Total deductions	220,294	206,803
<b>INCREASE IN NET ASSETS</b>	<b>\$ 230,151</b>	<b>\$ 198,964</b>
<b>COMPOSITION OF CHANGE IN NET ASSETS</b>		
Increase in unrestricted net assets	226,346	195,998
Increase in temporarily restricted net assets	618	335
Increase in permanently restricted net assets	3,187	2,631
<b>INCREASE IN NET ASSETS</b>	<b>\$ 230,151</b>	<b>\$ 198,964</b>

See notes to Combined Financial Statements.

**THE PENSION BOARDS—UNITED CHURCH OF CHRIST, INC.**  
**COMBINED STATEMENTS OF CASH FLOWS**

Years Ended December 31, 2013 and 2012

(Dollars in Thousands)

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from members and employers for pension plan	\$ 41,368	\$ 39,870
Cash received from members and employers for health services premiums	53,980	56,082
Cash received from Our Church's Wider Mission	408	435
Cash received from Christmas Fund appeal	1,542	1,465
Cash received from contributors	267	164
Cash received from income on investments	72,710	71,125
Miscellaneous receipts	32	57
Payments made to annuitants, members and beneficiaries from the pension plan	(139,827)	(132,446)
Payments made to participants and providers from the health services claims and costs	(50,489)	(47,335)
Cash paid to employees, suppliers and providers of services	(23,633)	(21,746)
Grants disbursed	(1,489)	(1,593)
Net cash used in operating activities	<u>(45,131)</u>	<u>(33,922)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales of investments	2,422,706	1,767,732
Purchase of investments	(2,378,258)	(1,731,627)
Purchase of equipment	(1,290)	(101)
Net cash provided by investing activities	<u>43,158</u>	<u>36,004</u>
<b>NET (DECREASE) INCREASE IN CASH</b>	(1,973)	2,082
<b>NET CASH, BEGINNING OF YEAR</b>	3,131	1,049
<b>NET CASH, END OF YEAR</b>	<u>\$ 1,158</u>	<u>\$ 3,131</u>
<b>COMPOSITION OF NET CASH, END OF YEAR</b>		
Cash	\$ 1,174	\$ 3,133
Cash overdraft	(16)	(2)
<b>NET CASH, END OF YEAR</b>	<u>\$ 1,158</u>	<u>\$ 3,131</u>

Continued

See notes to Combined Financial Statements.



**THE PENSION BOARDS—UNITED CHURCH OF CHRIST, INC.**  
**COMBINED STATEMENTS OF CASH FLOWS**

Years Ended December 31, 2013 and 2012

(Dollars in Thousands)

(Continued)

	<u>2013</u>	<u>2012</u>
<b>RECONCILIATION OF INCREASE (DECREASE) IN NET ASSETS TO NET CASH USED IN OPERATING ACTIVITIES:</b>		
Increase in net assets	\$ 230,151	\$ 198,964
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Depreciation and amortization	123	173
Realized and unrealized (gains)	(267,606)	(224,627)
Accretion of discount on investments	(9,501)	(10,687)
(Increase) in accrued investment income receivable	(592)	(333)
Decrease in other assets	2	851
Increase in health benefits payable	395	81
(Decrease) Increase in deferred income	(456)	329
Increase in other liabilities	2,353	1,327
Net cash used in operating activities	<u>\$ (45,131)</u>	<u>\$ (33,922)</u>

See notes to Combined Financial Statements.

**THE PENSION BOARDS—UNITED CHURCH OF CHRIST, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
Years Ended December 31, 2013 and 2012

**1. ORGANIZATION**

The Pension Boards-United Church of Christ, Inc. (the “Pension Boards”), an Affiliated Ministry of the United Church of Christ (“UCC”), provides retirement, disability, life insurance, medical, dental and vision benefits for clergy and lay employees of the UCC, its predecessor religious denominations and UCC-related organizations, through the administration of retirement and other benefit plans. As an Affiliated Ministry of the UCC, the Pension Boards is able to serve all other ministries of the UCC. The Pension Boards also acts as the investment-holding corporation and manages investments in commingled pools of common investment types.

United Church Board for Ministerial Assistance, Inc. (“Ministerial Assistance”) holds, manages and distributes funds for the assistance and relief of ministers of the UCC, Congregational Christian ministers who have not elected to become ministers of the UCC, and the families of any such ministers. Ministerial Assistance maintains The Christmas Fund for the Veterans of the Cross and the Emergency Fund to receive contributions from an annual church-wide appeal. These contributions help provide pension and health premium supplementation to lower-income retired church workers, emergency assistance to clergy families in need and Christmas checks to lower-income annuitants.

**2. RETIREMENT PLAN**

The Pension Boards is the plan sponsor of the Annuity Plan for the UCC, as amended (the “Annuity Plan”), which is a defined contribution plan and is a tax-exempt retirement income account program described in section 403(b)(9) of the Internal Revenue Code of 1986, as amended (“Code”). The Annuity Plan is a Church Plan within the meaning of Code section 414(e) and is not subject to the Employee Retirement Income Security Act of 1974 (“ERISA”). The Pension Boards is the Trustee of the Annuity Fund Trust (the “Trust”), which was established to hold in trust money and other property of the Annuity Plan on behalf of and for the benefit of members and beneficiaries of the Annuity Plan.

**Accumulation Fund**

The Pension Boards maintains a separate account or accounts for each member. Member and employer contributions are credited to members’ accounts and are invested according to instructions received from members. Contributions may be allocated by members, in five percent increments, among any or all of the following investment funds: the Pension Boards Stable Value Fund, the Pension Boards Bond Fund, the Pension Boards Equity Fund, the Pension Boards Balanced Fund, and four Pension Boards Target Annuitization Date Funds. Investment results are credited or charged to members’ accounts in accordance with provisions of the Annuity Plan. With prior written notice, members may change their allocation of current account balances and future contributions effective the first day of the following month. The accounts of active and inactive members who are not yet retired are included in the Accumulation Fund.

**Annuitant Fund**

Reserves for Annuitants, which contain funds designated to provide for annuity payments to annuitant members, are included in the Annuitant Fund. Upon retirement, all or a portion of the value of a member’s individual accumulation account in the Annuity Plan is transferred to Reserves for Annuitants and is used to fund actuarially determined monthly benefit payments of a variable amount. Members may choose among various annuity options, all of which provide a lifetime income for members and all but one of which makes provision for beneficiaries named by the members. Monthly retirement income is determined based upon the age of the member (and that of a Joint Annuitant, if applicable), the amount of assets in a member’s accumulation account and the form in which the benefit will be paid (for example, Single Life Annuity, or Joint and Survivor Annuity), using an assumed investment rate of return of 4% per year. Retirees may elect to receive either a Basic or Participating Annuity. The Basic Annuity has supporting investments in fixed-income securities. The Participating Annuity has supporting investments comprised of both fixed-income and equity securities with a target allocation of 60% to equities and 40% to fixed-income securities.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Fund Accounting**

The accounts of the Pension Boards are maintained in accordance with the principles of fund accounting. Under these principles, resources are classified into funds according to their nature and purpose. In addition to the Accumulation and Annuitant Funds described in Note 2, the financial statements include Benefit Services, Ministerial Assistance and Operating Funds. The Benefit Services Fund includes net assets and activities relating to medical, dental, vision, disability and life insurance plans. Self-insured short-term disability, medical, dental and vision plans are administered by third-party administrators. The Pension Boards also offers members a life insurance and long-term disability income benefit plan, which is underwritten by an independent commercial insurance carrier. The Operating Fund includes net asset and activities relating to the administrative functions of the Pension Boards.

#### **Basis of Accounting**

The accompanying combined, accrual basis, comparative financial statements include the assets, liabilities, activities and cash flows of the Pension Boards and Ministerial Assistance as if they were legally combined into one entity. All inter-corporate balances have been eliminated in the combination. Included within the Pension Boards is a consolidated entity, 475 Fund, Ltd., an exempted company with limited liability incorporated under the laws of the Cayman Islands. The Pension Boards owns 100% of the voting shares of 475 Fund, Ltd., which was established in 2013 to hold investments in hedge funds, managed on a discretionary basis, by an external investment manager. Please see Footnote 6 for additional information.

#### **Management Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The fair values of investments represent the most significant estimates and assumptions. Actual results could differ from those estimates and assumptions.

#### **Investments**

Investments under management are commingled and held by the Pension Boards’ custodial bank pursuant to a Master Custody Agreement. The Investment Committee of the Board of Trustees is responsible for supervising the Pension Boards’ investment program.

The Statement of Investment Policy of the Pension Boards establishes guidelines relating to permissible investments and to diversification, liquidity, duration, concentration and quality of investments. This policy permits the purchase and sale of S&P 500 Index futures contracts by an external investment manager to equitize cash in the management of the S&P 500 Index strategy. The policy also permits the Chief Investment Officer (“CIO”) to use certain exchange-traded futures to shift between asset classes and managers within the Pension Boards Equity Fund and to rebalance the Pension Boards Balanced Fund between asset classes subject to certain restrictions. Pension Boards staff continues to monitor adherence to the policy and guidelines by investment managers.

Investments are reported at fair value in accordance with Financial Accounting Standards Board (“FASB”), Accounting Standards Codification (“ASC”) Topic No. 820, Fair Value Measurement. Securities traded in active markets on national and international securities exchanges are valued at closing prices on the last business day of each year presented. Securities traded in markets that are not considered active are valued based on quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency. Footnote 5 provides additional information concerning fair value measurement including valuations of non-marketable securities.

Investment transactions are accounted for on the date the securities are purchased or sold, which is the trade date. A corresponding payable to or receivable from the transaction counterparty is recorded until cash and securities are exchanged on the settlement date. Dividend income is recorded on the ex-dividend date. Interest income is accrued as earned. Realized gain or loss represents the difference between the proceeds received on a sale of a security and its historical cost. Unrealized appreciation or depreciation is the difference between the fair value of a security and its historical cost.

Investments denominated in non-U.S. dollar currencies are translated at the exchange rates in effect at each financial statement date. Gains and losses from the sale of such investments are translated at the exchange rates in effect at the transaction date.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, liquidity and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the Combined Statements of Net Assets.

#### **Cash Overdraft**

The Pension Boards maintains a zero balance checking account. As checks are written, they are recorded as disbursements in the financial statements. Checks are funded as presented to the bank for payment.

#### **Revenue Recognition**

Employer and member retirement contributions and benefit services premiums are recorded when received. Benefit Services premiums that are received prior to the insured period are shown as deferred income on the accompanying Combined Statements of Net Assets.

Donations are recognized as revenue in the year in which the unconditional promise to give is received.

#### **Income Taxes**

The Pension Boards, a New Jersey nonprofit corporation, and Ministerial Assistance, a Connecticut nonstock (nonprofit) corporation, are private organizations exempt from federal income tax under Section 501(c)(3) of the Code. While exempt from federal income tax under Section 501(c)(3) of the Code, the Pension Boards is subject to tax on income unrelated to its exempt purposes, unless that income is otherwise excluded by the Code. To the extent that certain investments in limited partnerships generate income, the Pension Boards is required to pay federal income taxes. Such tax incurred during the years ended December 31, 2013 and 2012 was not material. The Pension Boards filed Internal Revenue Service Form 990-T tax returns. For the years ended December 31, 2013 and 2012, there were no interest or penalties recorded or included in the financial statements. As of December 31, 2013, the years still subject to federal income tax examination are 2009 through 2012.

Included within the Pension Boards is a consolidated entity, 475 Fund, Ltd., a Cayman Islands exempted company, which is treated as a corporation for U.S. federal income tax purposes; there is no direct taxation in the Cayman Islands. The 475 Fund, Ltd. intends to conduct its business in a manner so as to meet the requirements of a Safe Harbor provision under the Code whereby the 475 Fund, Ltd. should not be subject to U.S. federal income tax. The Pension Boards is the sole shareholder of the 475 Fund, Ltd. which, for U.S. tax purposes, is a controlled foreign corporation. It is not anticipated that unrelated business taxable income will be generated by the 475 Fund, Ltd.

ASC Topic No. 740, Income Taxes, requires management to evaluate tax positions taken by the Pension Boards and to recognize a tax liability (or asset) if the Pension Boards has taken an uncertain position that more likely than not would not be sustained upon examination by the authorities. The definition of "tax position" includes an entity's status as a tax-exempt nonprofit entity. Management believes there are no material uncertain positions that require recognition in the accompanying financial statements.

#### **Subsequent events**

The Pension Boards has evaluated events and transactions occurring between January 1, 2014 and June 30, 2014, which is the date the financial statements were available to be issued, for disclosure and recognition in the financial statements.

## **4. NET ASSETS**

Net Assets are classified as unrestricted, temporarily restricted and permanently restricted. Accordingly, net assets and changes herein are classified and reported as follows:

#### **Unrestricted net assets**

Net assets that are not subject to donor-imposed stipulations or the donor-imposed restrictions have expired. Unrestricted net assets of the Annuitant Fund and the Accumulation Fund are funds associated with providing retirement benefits for present annuitants and active and inactive members who are not retired, respectively. Unrestricted net assets of Ministerial Assistance are Board-designated funds functioning as endowments of \$46.0 million, Board-designated funds for the Next Generation Leadership Initiative of \$7.6 million and the Fund for supplementing small annuities of \$8.3 million. Unrestricted net assets of the Operating Fund as of December 31, 2013 are \$6.5 million.

**Temporarily restricted net assets**

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**

Net assets that are subject to permanent, donor-imposed restrictions.

**5. INVESTMENTS**

At December 31, 2013 and 2012 investments were as follows:  
(Dollars in Thousands)

	2013	2012
<b>STABLE VALUE FUND INVESTMENTS</b>		
Institutional Money Market Fund shares	\$ 22,089	\$ 40,048
<i>Fixed maturity synthetic guaranteed investment contracts:</i>		
Mortgage-backed and asset-backed securities	24,184	23,262
Corporate Bonds	822	-
U.S. Government Notes & Bonds	2,652	3,893
<i>Constant duration synthetic guaranteed investment contracts:</i>		
Corporate Bonds	89,005	66,992
U.S. Government Notes & Bonds	57,483	67,487
Commercial Mortgage-backed securities	3,268	4,014
<b>TOTAL STABLE VALUE FUND INVESTMENTS</b>	<b>199,503</b>	<b>205,696</b>
<b>SHORT-TERM INVESTMENTS</b>		
Institutional Money Market Fund shares	112,130	120,479
<b>TOTAL SHORT-TERM INVESTMENTS</b>	<b>112,130</b>	<b>120,479</b>
<b>FIXED-INCOME INVESTMENTS</b>		
Corporate Bonds	655,108	620,124
U.S. Government Notes & Bonds	291,550	483,063
U.S. Government Agency and Commercial Mortgage-backed securities	19,257	23,281
Emerging Markets Debt Funds	74,781	67,381
Floating Rate High-Income Fund	137,581	50,126
High-Income Bond Fund	29,463	27,383
<b>TOTAL FIXED-INCOME INVESTMENTS</b>	<b>1,207,740</b>	<b>1,271,358</b>
<b>EQUITY INVESTMENTS</b>		
<i>Common Stock:</i>		
U.S. Large-Cap Equity	727,276	630,144
U.S. Mid-Cap Equity	135,330	119,571
Non-U.S. Developed Markets	210,994	173,618
U.S. Small-Cap Equity	138,406	109,568
<i>Equity funds:</i>		
Emerging Markets	186,157	160,706
Non-U.S. Developed Markets	128,013	93,830
U.S. Small-Cap Equity	41,761	53,216
<b>TOTAL EQUITY INVESTMENTS</b>	<b>1,567,937</b>	<b>1,340,653</b>
<b>OTHER INVESTMENTS</b>		
Participation in United Church Funds, Inc.	44,095	41,013
Hedge Funds	130,944	58,640
Private Equity	14,001	9,237
<b>TOTAL OTHER INVESTMENTS</b>	<b>189,040</b>	<b>108,890</b>
<b>TOTAL INVESTMENTS</b>	<b>\$ 3,276,350</b>	<b>\$ 3,047,076</b>

### **Stable Value**

At December 31, 2013 and 2012, the portfolio included institutional money market fund shares accounted for at fair value. The Pension Boards has contracted for fully-benefit-responsive wrap agreements that permit members to make routine withdrawals and transfers as permitted by the Annuity Plan, at a stable unit value of \$1.00. Fixed maturity synthetic guaranteed investment contracts ("GICs") include an underlying fixed-income security portfolio of mortgage-backed and asset-backed securities, U.S. government notes, and book value, fully-benefit-responsive wraps and in 2013 corporate bonds. They were issued by one major money center bank rated "AAA" by S&P and one insurance company, rated "AA+" by S&P. Constant duration synthetic GICs are investments which include an underlying fixed-income security portfolio of corporate bonds, U.S. government notes and bonds, U.S. government agency bonds, commercial mortgage-backed securities and book value, fully-benefit-responsive wraps. They were issued by two major money center banks, one non-U.S. investment bank and one non-U.S. life insurance & annuity company, each rated "AA-" by S&P. For 2013 and 2012, the average yield of the portfolio was 2.35% and 2.64%, respectively, while the annualized crediting interest rates at December 31, 2013 and 2012 were 2.03% and 2.76%, respectively. Crediting rates are set monthly and are not less than zero.

### **Short-Term Investments**

Short-Term Investments consist of institutional money market fund shares.

### **Fixed-Income Investments**

Fixed-Income Investments include corporate bonds, U.S. government notes and bonds, U.S. government agency bonds, U.S. government agency mortgage-backed securities, non-agency mortgage-backed securities, two emerging market debt funds, a U.S. dollar-denominated bank loans fund, and a high-income bond fund.

The emerging market debt funds invest primarily in emerging market fixed-income securities and derivative instruments that are economically tied to an emerging market country, which are denominated in the predominant currency of the local market of an emerging market country or whose performance is linked to those countries' currencies, markets, economies or ability to repay loans. Investing in emerging markets has special risks such as currency market volatility, and political, and social instability.

The high-income bond fund invests in a diversified portfolio of U.S. dollar-denominated high-yield bonds with an emphasis on debt securities below investment grade. High-yield bonds are debt securities that are rated in the lowest investment grade category (BBB by S&P) or lower. Investing in high-income bond funds is subject to credit risk, market volatility, interest rate risk and prepayment risk.

The U.S. dollar-denominated bank loans fund invests primarily in adjustable rate bank loans and high yield corporate debt securities. Investing in floating rate high-income funds has special risks such as credit risk, prepayment risk and extension risk.

### **Equity Investments**

*Common Stock* includes domestic and international issues diversified among 9 investment managers at December 31, 2013 who emphasize various investment styles. At December 31, 2013 and 2012, common stock included approximately 17.4% and 16.8% respectively, in non-U.S. securities. Investments in non-U.S. securities add certain risks related to the currency of the foreign markets in which the securities are issued. Those investments with currency risk are spread over 21 different foreign countries at December 31, 2013 and 2012, with 13 different currency denominations at December 31, 2013 and 2012. At December 31, 2013 and 2012, Non-U.S. investments include securities purchased in the currencies of non-U.S. developed nations (97.5% and 97.6%, respectively) and in U.S. dollars (2.3% and 2.4%, respectively).

*Equity funds* include emerging markets, non-U.S. developed markets and U.S. Small-Cap equity funds. Equity funds are recorded at the reported net asset value on the day of valuation.

Emerging markets funds purchase a broad and diverse group of securities associated with emerging markets, including frontier markets (emerging market countries in an earlier stage of development). Investments in emerging markets may be more likely to experience political turmoil or rapid changes in market or economic conditions than more developed countries. Additional restrictions may be imposed under other conditions. Frontier market countries generally have smaller economies or less developed capital markets and, as a result, the risks of investing in emerging market countries are magnified in frontier market countries.

The non-U.S. developed market fund invests primarily in a diversified portfolio of non-U.S. equity securities. At December 31, 2013, this portfolio included 81 stocks representing 24 countries. Equities in non-U.S. developed markets accounted for 82.5% of the portfolio, with emerging markets accounting for 17.5%.



The U.S. Small-Cap equity fund invests in a broad and diverse group of readily marketable common stocks of U.S. small-cap companies. Securities of small companies are often less liquid than those of large companies and this could make it difficult to sell a small company security at a desired time or price. As a result, small company stocks may fluctuate relatively more in price. In general, smaller capitalization companies are also more vulnerable than larger companies to adverse business or economic developments and they may have more limited resources.

### **Derivative Financial Investments**

Futures contracts are used by an external investment manager to equitize cash in the management of the S&P 500 Index strategy and by the CIO for asset rebalancing purposes. Such futures contracts trade on recognized exchanges and margin requirements are met by pledging cash and cash equivalents. The contracts are liquid instruments, usually with a 90-day settlement period and their prices are observable daily on a nationally recognized exchange. The contractual amount of open futures contracts aggregated approximately \$12.2 million at December 31, 2013; the fair value of futures contracts at December 31, 2013 was not material. The maximum gross notional exchange-traded futures positions open during 2013 to equitize cash and for asset rebalancing purposes was \$30.6 million and \$30.0 million, respectively.

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. During the period the futures contract is open, changes in the value of the contracts are recognized on a daily basis to reflect the fair value at the end of each day's trading. Settlements, which resulted in gains of \$3.3 million for the year ended December 31, 2013, are recorded in the accompanying financial statements as a component of realized investment gains and losses.

### **Other Investments**

Other Investments include participation in the UCF Alternatives Balanced Fund of United Church Funds, Inc. ("UCF"), an Associated Ministry of the UCC, and investments in hedge funds and private equity.

### **Participation in United Church Funds, Inc.**

The Pension Boards is the income beneficiary of the Pilgrim Memorial Fund ("PMF"), an endowment fund held in perpetual trust by UCF. Under the terms of the endowment, income calculated at five percent (5%) of the five-year moving average of PMF as of the previous September 30 is distributed quarterly by UCF to the Pension Boards. The interest in the PMF endowment fund is included in Investments in the Combined Statements of Net Assets and is valued based on the fair market value of the investments held in the UCF Alternatives Balanced Fund at December 31, 2013 and 2012, respectively. The Combined Statements of Activities includes income transferred from PMF of \$2.0 million in 2013 and 2.1 million in 2012, respectively, classified as Investment Income and the change in the Pension Boards' interest in the PMF endowment fund of \$3.1 million in 2013 and \$2.6 million in 2012, respectively, classified as realized and unrealized investment gains.

### **Hedge Funds**

Hedge Funds are interests in limited partnerships and investment companies which use a variety of investment strategies and whose portfolios may comprise of U.S. and non-U.S., publicly and non-publicly traded equity and debt securities, options, derivatives (futures) and commodities. The Pension Boards made direct investments in hedge funds until the 475 Fund, Ltd. was established in 2013 to hold investments, managed on a discretionary basis, by an external investment manager. The Pension Boards' agreement with the external investment manager remains in effect through December 31, 2014 and is automatically extended for additional one-year terms thereafter. The practical effect of this agreement is that the fund could not be redeemed completely for more than one year from the balance sheet date. Most of the direct investment in hedge funds were transferred to the 475 Fund, Ltd. during 2013 while certain of the direct investments were sold. At December 31, 2013, two direct investments in hedge funds, aggregating \$11.0 million in fair value, were held outside of the 475 Fund, Ltd. These investments were transferred to the 475 Fund, Ltd. in January 2014.

The Pension Boards hedge fund investments utilize various strategies such as:

- Long/Short equities: Managers make long and short investments in equity securities that are deemed to be under or overvalued.
- Merger arbitrage/event-driven: Managers seek to make profitable investments by investing in securities of companies involved in mergers, acquisitions, restructurings, liquidations, spin-offs, or other special situations that alter a company's financial structure or operating strategy.
- Relative value opportunistic/macro: Managers invest in a wide variety of instruments using a broad range of primarily directional strategies. It is common for portfolio managers in this strategy to assume an aggressive risk posture relying on

a combination of macro-economic models, fundamental research and quantitative algorithms. Relative value attempts to capture pricing inefficiencies/differentials between related securities while trying to minimize the impact of general market movements.

- Credit: Managers may take long or short positions in corporate bonds, loans, credit derivatives, convertible bonds, asset-backed securities, equities and equity derivatives. In most cases, portfolio managers will take long or short positions that reflect fundamental views on underlying credits.
- Portfolio hedge: Allocations are used for any number of strategies to offset risks inherent in other parts of the portfolio.

In accordance with ASC Topic No. 820, Fair Value Measurement, the Pension Boards uses the net asset value reported by each fund as a practical expedient to estimate the fair value of the Pension Boards' interest therein. The Pension Boards' hedge fund investments, by strategy type, at December 31, 2013 were as follows:

(Dollars in Thousands)	Fair Value
<b>Hedge Funds</b>	
Relative Value	\$ 22,283
Opportunistic/Macro	31,416
Long/Short Equities	32,736
Merger Arbitrage/Event Driven	26,564
Credit	17,945
<b>Total Hedge Funds</b>	<u><u>\$ 130,944</u></u>

#### Private Equity

Private equity investments are illiquid investments with multi-year investment horizons. The Pension Boards' private equity investments include limited partnerships and limited liability companies with underlying investments in commercial real estate, collateralized loans to venture capital-backed companies, distressed real estate debt and debtor-in-possession financial arrangements. At December 31, 2013, the Pension Boards had four private equity investments with a fair value of \$14.0 million. These investments are subject to "lock-up" provisions, ranging from 7-9 years, during which time the investment cannot be liquidated. The Pension Boards is not permitted to redeem these investments until the termination of the investment period. The fair value of these investments is based upon the Pension Boards' share of the fair value of the partnership while giving consideration, from a market participant's perspective, to the features unique to the 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. Unfunded commitments at December 31, 2013 were \$9.5 million.

Net investment gains include realized gains (losses) on investment sales and the change in unrealized appreciation on investments held at year-end. The net amounts are comprised of the following:

(Dollars in Thousands)	2013	2012
Realized gains on investment sales	\$ 115,665	\$ 86,567
Unrealized appreciation (depreciation) on investments	<u>151,941</u>	<u>138,060</u>
Net Investment Gains (Losses)	<u><u>\$ 267,606</u></u>	<u><u>\$ 224,627</u></u>



## 6. FAIR VALUE MEASUREMENTS

### Fair Value Hierarchy

The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (the exit price). All financial instruments that are measured and reported on a fair value basis are classified according to a fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. The three levels of fair value hierarchy are:

- Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities.
- Level 2: Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly.
- Level 3: Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A review of fair value hierarchy classifications is conducted annually. Changes in the observability of valuation inputs may result in a reclassification for certain financial assets or liabilities. Reclassifications of the fair value hierarchy are reported as transfers in/out of the category as of the beginning of the period in which the reclassifications occur.

Hedge Fund investments measured at net asset value (“NAV”) which can be withdrawn within 90 days from the balance sheet date are classified as Level 2 in the fair value hierarchy while hedge fund investments measured at NAV which cannot be withdrawn within 90 days from the balance sheet date are classified as Level 3 in the fair value hierarchy. The Pension Boards may redeem shares of the 475 Fund, Ltd., on a monthly basis, upon giving notice to the investment manager by the 25th day of the month prior to the month-end in which the redemption is requested. Given the redemption notice period of the underlying hedge fund investments, \$18.8 million is classified as Level 2 and \$101.1 million is classified as Level 3.

Private Equity investments are classified as Level 3 because the Pension Boards does not have readily observable market comparable prices as of the valuation date.

The following table sets forth by level within the fair value hierarchy investment assets and liabilities as of December 31, 2013.

(Dollars in Thousands)	Investments as of December 31, 2013		
	Level 1	Level 2	Level 3
<b>STABLE VALUE INVESTMENTS</b>			
Institutional Money Market Fund shares	\$ 22,089	\$ -	\$ -
<i>Fixed maturity synthetic guaranteed investment contracts:</i>			
Mortgage-backed and asset-backed securities	-	24,184	-
Corporate Bonds	-	822	-
U.S. Government Notes & Bonds	2,652	-	-
<i>Constant duration synthetic guaranteed investment contracts:</i>			
Corporate Bonds	-	89,005	-
U.S. Government Notes & Bonds	57,483	-	-
U.S. Government Agency and Commercial Mortgage-backed securities	-	3,268	-
<b>TOTAL STABLE VALUE FUND INVESTMENTS</b>	<b>82,224</b>	<b>117,279</b>	<b>-</b>
<b>SHORT-TERM INVESTMENTS</b>			
Institutional Money Market Fund shares	112,130	-	-
<b>TOTAL SHORT-TERM INVESTMENTS</b>	<b>112,130</b>	<b>-</b>	<b>-</b>
<b>FIXED-INCOME INVESTMENTS</b>			
Corporate Bonds	-	655,108	-
U.S. Government Notes & Bonds	291,550	-	-
U.S. Government Agency and Commercial Mortgage-backed securities	-	19,257	-
Emerging Markets Debt Funds	74,781	-	-
Floating Rate High-Income Fund	-	137,581	-
High-Income Bond Fund	29,463	-	-
<b>TOTAL FIXED-INCOME INVESTMENTS</b>	<b>395,794</b>	<b>811,946</b>	<b>-</b>
<b>EQUITY INVESTMENTS</b>			
<i>Common Stock:</i>			
U.S. Large-Cap Equity	727,276	-	-
U.S. Mid-Cap Equity	135,330	-	-
Non-U.S. Developed Markets	210,994	-	-
U.S. Small-Cap Equity	138,406	-	-
<i>Equity funds:</i>			
Emerging Markets	120,823	65,334	-
Non-U.S. Developed Markets	128,013	-	-
U.S. Small-Cap Equity	41,761	-	-
<b>TOTAL EQUITY INVESTMENTS</b>	<b>1,502,603</b>	<b>65,334</b>	<b>-</b>
<b>OTHER INVESTMENTS</b>			
Participation in United Church Funds, Inc.	-	-	44,095
Hedge Funds	-	26,030	104,914
Private Equity	-	-	14,001
<b>TOTAL OTHER INVESTMENTS</b>	<b>-</b>	<b>26,030</b>	<b>163,010</b>
<b>TOTAL INVESTMENTS</b>	<b>\$ 2,092,751</b>	<b>\$ 1,020,589</b>	<b>\$ 163,010</b>

In accordance with ASC Topic No. 820, *Fair Value Measurement*, a roll-forward of activities including transfers into level 3, transfers out of level 3, realized and unrealized gains and losses, purchases, sales and settlements is provided below for the year ended December 31, 2013.

CHANGES IN LEVEL 3 INVESTMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013

(Dollars in Thousands)	Participation in United Church Funds, Inc.	Hedge Funds	Private Equity	Total
<b>OTHER INVESTMENTS</b>				
Balance as of December 31, 2012	\$ 41,013	\$ 23,068	\$ 9,237	\$ 73,318
Transfers into Level 3	-	-	-	-
Transfers out of Level 3	-	-	-	-
Realized gains/(losses) - net	347	366	-	713
Unrealized gains/(losses) - net	4,283	8,175	869	13,327
Purchases	484	74,497	5,054	80,035
Sales	(2,032)	(1,192)	(1,159)	(4,383)
Settlements	-	-	-	-
<b>TOTAL OTHER INVESTMENTS</b>	<b>\$ 44,095</b>	<b>\$ 104,914</b>	<b>\$ 14,001</b>	<b>\$ 163,010</b>

The following table sets forth by level within the fair value hierarchy investment assets and liabilities as of December 31, 2012.

(Dollars in Thousands)	Investments as of December 31, 2012		
	Level 1	Level 2	Level 3
<b>STABLE VALUE INVESTMENTS</b>			
Institutional Money Market Fund shares	\$ 40,048	\$ -	\$ -
<i>Fixed maturity synthetic guaranteed investment contracts:</i>			
Mortgage-backed and asset-backed securities	-	23,262	-
U.S. Government Notes & Bonds	3,893	-	-
<i>Constant duration synthetic guaranteed investment contracts:</i>			
Corporate Bonds	-	66,992	-
U.S. Government Notes & Bonds	67,487	-	-
U.S. Government Agency and Commercial Mortgage-backed securities	-	4,014	-
<b>TOTAL STABLE VALUE FUND INVESTMENTS</b>	<b>111,428</b>	<b>94,268</b>	<b>-</b>
<b>SHORT-TERM INVESTMENTS</b>			
Institutional Money Market Fund shares	120,479	-	-
<b>TOTAL SHORT-TERM INVESTMENTS</b>	<b>120,479</b>	<b>-</b>	<b>-</b>
<b>FIXED-INCOME INVESTMENTS</b>			
Corporate Bonds	-	620,124	-
U.S. Government Notes & Bonds	483,063	-	-
U.S. Government Agency and Commercial Mortgage-backed securities	-	23,281	-
Emerging Markets Local Currency Debt Fund	67,381	-	-
Floating Rate High-Income Fund	-	50,126	-
High-Income Bond Fund	27,383	-	-
<b>TOTAL FIXED-INCOME INVESTMENTS</b>	<b>577,827</b>	<b>693,531</b>	<b>-</b>
<b>EQUITY INVESTMENTS</b>			
<i>Common Stock:</i>			
U.S. Large-Cap Equity	630,144	-	-
U.S. Mid-Cap Equity	119,571	-	-
Non-U.S. Developed Markets	173,618	-	-
U.S. Small-Cap Equity	109,568	-	-
<i>Equity funds:</i>			
Emerging Markets	126,943	33,763	-
Non-U.S. Developed Markets	93,830	-	-
U.S. Small-Cap Equity	53,216	-	-
<b>TOTAL EQUITY INVESTMENTS</b>	<b>1,306,890</b>	<b>33,763</b>	<b>-</b>
<b>OTHER INVESTMENTS</b>			
Participation in United Church Funds, Inc.	-	-	41,013
Hedge Funds	-	35,572	23,068
Private Equity	-	-	9,237
<b>TOTAL OTHER INVESTMENTS</b>	<b>-</b>	<b>35,572</b>	<b>73,318</b>
<b>TOTAL INVESTMENTS</b>	<b>\$ 2,116,624</b>	<b>\$ 857,134</b>	<b>\$ 73,318</b>

In accordance with ASC Topic No. 820, *Fair Value Measurement*, a roll-forward of activities including transfers into level 3, transfers out of level 3, realized and unrealized gains and losses, purchases, sales and settlements is provided below for the year ended December 31, 2012.

CHANGES IN LEVEL 3 INVESTMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

(Dollars in Thousands)	Participation in United Church Funds, Inc.	Hedge Funds	Private Equity	Total
<b>OTHER INVESTMENTS</b>				
Balance as of December 31, 2011	\$ 38,409	\$ 23,468	\$ 5,482	\$ 67,359
Transfers into Level 3	-	-	-	-
Transfers out of Level 3	-	(7,530)	-	(7,530)
Realized gains/(losses) - net	205	-	-	205
Unrealized gains/(losses) - net	3,889	1,530	117	5,536
Purchases	604	5,600	4,827	11,031
Sales	(2,094)	-	(1,189)	(3,283)
Settlements	-	-	-	-
<b>TOTAL OTHER INVESTMENTS</b>	<b>\$ 41,013</b>	<b>\$ 23,068</b>	<b>\$ 9,237</b>	<b>\$ 73,318</b>

Hedge fund investments were transferred from level 3 to level 2 because of expiration of “lock-up” provisions.

## 7. ENDOWMENTS

Endowments include both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Endowment funds are administered in accordance with the laws of the state in which the corporations are incorporated and are accounted for in accordance with applicable generally accepted accounting principles.

Board-designated funds functioning as endowments include the original principal amounts of gifts and legacies received which have no donor-imposed restrictions on their use and related accumulated gains and losses and income. These funds, which can be used for the general purpose of the corporation to which they were donated, are classified as unrestricted net assets.

Donor-restricted endowment funds are classified as restricted net assets. Permanently restricted endowment funds include the Pension Boards’ interest in the PMF endowment fund as described in Note 5 and receipts of gifts and legacies where the principal balance must be maintained in perpetuity. The original principal of permanently restricted gifts and legacies which has donor-imposed restrictions on income was \$2,472,209 at December 31, 2013 and \$2,421,415 at December 31, 2012. The original principal amount of permanently restricted gifts and legacies which has no donor-imposed restrictions on the use of income was \$3,307,537 at December 31, 2013 and \$3,252,314 at December 31, 2012. Accumulated gains and losses and interest income on permanently restricted gifts and legacies, in addition to temporarily restricted donations, are classified as temporarily restricted net assets until appropriated for expenditure.

During 2013 and 2012, permanently restricted endowments were invested in the Equity, Bond and Balanced Funds of the Pension Boards and the Alternatives Balanced and Moderate Balanced Funds of United Church Funds.

In making a determination to appropriate or accumulate donor-restricted endowment funds, the following factors are taken into consideration: the duration and preservation of the fund, the purposes of the organization and the donor-restricted endowment fund, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation of investment, other resources and investment policies.

## 8. OTHER ASSETS AND OTHER LIABILITIES

(Dollars in Thousands)

	<u>December 31, 2013</u>	<u>December 31, 2012</u>
<b>OTHER ASSETS</b>		
Accounts receivable	\$ 72	\$ 227
Receivable from affiliated entities and deposits	1,435	1,345
Prepaid expenses	317	254
Fixed assets	1,310	209
Miscellaneous assets	186	90
<b>TOTAL OTHER ASSETS</b>	<u>\$ 3,320</u>	<u>\$ 2,125</u>

	<u>December 31, 2013</u>	<u>December 31, 2012</u>
<b>OTHER LIABILITIES</b>		
Accounts payable	\$ 5,087	\$ 3,078
Miscellaneous liabilities	883	548
<b>TOTAL OTHER ASSETS</b>	<u>\$ 5,970</u>	<u>\$ 3,626</u>

## 9. LEASE COMMITMENTS

The Pension Boards has entered into several non-cancelable operating leases for office space and equipment. At December 31, 2013, the aggregate future minimum payments for these commitments were as follows:

<u>Year Ending</u>	<u>Amount (000's)</u>
2014	\$ 512
	<u>\$ 512</u>

The annual lease amount for rent is subject to modification based upon actual operating costs of the building. The Pension Boards' rental expense for the years ended December 31, 2013 and 2012 was \$616,618 and \$576,520, respectively.

## 10. COMBINED ACTIVITIES BY FUND

The combined activities by fund for the year ended December 31, 2013 is as follows:

(Dollars in Thousands)	ANNUITANT FUND	ACCUMULATION FUND	BENEFIT SERVICES FUND	MINISTERIAL ASSISTANCE FUND	OPERATING FUND	TOTAL
<b>ADDITIONS:</b>						
Realized and unrealized investment gains	\$ 110,215	\$ 135,837	\$ 10,237	\$ 7,440	\$ 3,877	\$ 267,606
Investment income	48,004	30,154	3,407	1,647	2,084	85,296
Health Services premiums			54,279			54,279
Employer pension contributions		32,164				32,164
Member pension contributions		8,859				8,859
Christmas Fund appeal				1,545		1,545
Our Church's Wider Mission				408		408
Donations and Legacies				239	28	267
Interfund transfers	104,528	(110,593)			6,065	-
Other				20	1	21
<b>TOTAL ADDITIONS</b>	<b>262,747</b>	<b>96,421</b>	<b>67,923</b>	<b>11,299</b>	<b>12,055</b>	<b>450,445</b>
<b>DEDUCTIONS:</b>						
Pension payments to annuitants	119,661					119,661
Partial withdrawals and lump-sum payments		18,825				18,825
Health Services claims			50,884			50,884
Health Services costs			5,323			5,323
Retirement benefits administration and investment costs	6,344	5,776	545	334	8,105	21,104
Ministerial Assistance grants				2,830	-	2,830
Ministerial Assistance programs and administration costs				1,667		1,667
<b>TOTAL DEDUCTIONS</b>	<b>126,005</b>	<b>24,601</b>	<b>56,752</b>	<b>4,831</b>	<b>8,105</b>	<b>220,294</b>
<b>INCREASE IN NET ASSETS</b>	<b>\$ 136,742</b>	<b>\$ 71,820</b>	<b>\$ 11,171</b>	<b>\$ 6,468</b>	<b>\$ 3,950</b>	<b>\$ 230,151</b>
<b>DECEMBER 31, 2012 NET ASSETS</b>	<b>1,586,113</b>	<b>1,237,164</b>	<b>117,804</b>	<b>64,151</b>	<b>48,535</b>	<b>3,053,767</b>
<b>INCREASE IN NET ASSETS</b>	<b>136,742</b>	<b>71,820</b>	<b>11,171</b>	<b>6,468</b>	<b>3,950</b>	<b>230,151</b>
<b>DECEMBER 31, 2013 NET ASSETS</b>	<b>\$ 1,722,855</b>	<b>\$ 1,308,984</b>	<b>\$ 128,975</b>	<b>\$ 70,619</b>	<b>\$ 52,485</b>	<b>\$ 3,283,918</b>

The combined activities by fund for the year ended December 31, 2012 is as follows:

(Dollars in Thousands)	ANNUITANT FUND	ACCUMULATION FUND	BENEFIT SERVICES FUND	MINISTERIAL ASSISTANCE FUND	OPERATING FUND	TOTAL
<b>ADDITIONS:</b>						
Realized and unrealized investment gains	\$ 104,847	\$ 102,135	\$ 8,762	\$ 5,819	\$ 3,064	\$ 224,627
Investment income	46,484	30,699	3,326	1,624	2,197	84,330
Health Services premiums			55,244			55,244
Employer pension contributions		32,438				32,438
Member pension contributions		7,054				7,054
Christmas Fund appeal				1,465		1,465
Our Church's Wider Mission				435		435
Donations and Legacies				142	22	164
Interfund transfers	92,507	(98,184)			5,677	-
Other					10	10
<b>TOTAL ADDITIONS</b>	<b>243,838</b>	<b>74,142</b>	<b>67,332</b>	<b>9,485</b>	<b>10,970</b>	<b>405,767</b>
<b>DEDUCTIONS:</b>						
Pension payments to annuitants	114,896					114,896
Partial withdrawals and lump-sum payments		16,205				16,205
Health Services claims			47,416			47,416
Health Services costs			5,329			5,329
Retirement benefits administration and investment costs	4,782	4,763	414	259	8,225	18,443
Ministerial Assistance grants			554	2,384		2,938
Ministerial Assistance programs and administration costs				1,576		1,576
<b>TOTAL DEDUCTIONS</b>	<b>119,678</b>	<b>20,968</b>	<b>53,713</b>	<b>4,219</b>	<b>8,225</b>	<b>206,803</b>
<b>INCREASE IN NET ASSETS</b>	<b>\$ 124,160</b>	<b>\$ 53,174</b>	<b>\$ 13,619</b>	<b>\$ 5,266</b>	<b>\$ 2,745</b>	<b>\$ 198,964</b>
<b>DECEMBER 31, 2011 NET ASSETS</b>	<b>1,461,953</b>	<b>1,183,990</b>	<b>104,185</b>	<b>58,885</b>	<b>45,790</b>	<b>2,854,803</b>
<b>INCREASE IN NET ASSETS</b>	<b>124,160</b>	<b>53,174</b>	<b>13,619</b>	<b>5,266</b>	<b>2,745</b>	<b>198,964</b>
<b>DECEMBER 31, 2012 NET ASSETS</b>	<b>\$ 1,586,113</b>	<b>\$ 1,237,164</b>	<b>\$ 117,804</b>	<b>\$ 64,151</b>	<b>\$ 48,535</b>	<b>\$ 3,053,767</b>



*Partners in Ministry Since 1914*

475 Riverside Drive  
Room 1020  
New York, NY 10115-0059

p 800.642.6543  
f 212.729.2701

[www.pbucc.org](http://www.pbucc.org)  
[info@pbucc.org](mailto:info@pbucc.org)