

No. 1115

PENSION FUND OF THE CHRISTIAN CHURCH (DISCIPLES OF CHRIST)

JAMES P. HAMLETT, PRESIDENT

130 E. WASHINGTON

INDIANAPOLIS, IN 46204-3659

PH: 317.713.2633 FAX: 317.364.4071

Service Center: 317.364.4504 Toll Free: 866.495.7322

E-MAIL: jhamlett@pension.disciples.org

REPORT TO THE GENERAL BOARD

2010 ANNUAL REPORT

The Pension Fund of the Christian Church (Disciples of Christ) continues to provide effective, compassionate service to members, congregations and wider ministries of the church on behalf of those dedicated saints who serve so faithfully. For the Pension Fund's ministry, wholeness in a fragmented world is the outcome that we seek to achieve for all who look to it for financial support. Since 1895, the Pension Fund, founded as the Board of Ministerial Relief, has provided support to persons serving the church as ministers or lay employees. The Pension Fund provides retirement, disability and survivor benefits through the Pension Plan as well as related financial services to enable participants to live comfortably in their retirement years. It also administers health and wellness programs on behalf of the Church.

The Pension Fund seeks, in all of its activities, to serve in a manner consistent with its core values – Trust, Security and Compassion. These values form the basis of our Ministerial Relief and Assistance programs, which provide support for ministers and others who retire with little or no pension, due to their service to congregations that offered low salaries or minimal pension dues contributions. Support for these deserving saints of the Church is sustained by direct gifts, Disciples Mission Fund dollars and earnings on Endowment Funds.

The Pension Fund continued its recovery from the worst market decline in more than eighty years. Notwithstanding news accounts of financial challenges among church pension plans, the Pension Fund expanded its reserve position and remained fully funded for all retirement pension programs. No participant in the Pension Fund, Tax Deferred or Benefit Accumulation accounts lost a penny of value, nor were benefits reduced or delayed in payment. The Pension Fund remains one of the most well funded retirement programs in existence.

1. CONTRACTUAL PROGRAMS

- a. The Pension Fund was able achieve substantial recovery in asset values in 2009. Total return for 2009 was 20.84%. Assets under management grew from \$2 billion at the beginning of the year to \$2.35 billion. While historic reserves were partially restored, they did not reach the level that is necessary for

approval of Special Apportionments in 2010. However, there has been no decrease in pensions or pension credits. Over the past ten years, pensions and pension credits have been increased an average of approximately 5% per year through Special Apportionments. This is well ahead of rates of inflation and consistent with our objective of enhancing the financial well being of our retirees and active members.

- b. As indicated above, positive investment performance enabled the restoration of some reserves, but not sufficiently to enable the declaration of Good Experience Credits in 2010. However, all accounts were maintained at full value and no investor suffered any loss during the economic downturn. Throughout the market downturn, the primary focus of the Pension Fund has been on the protection of assets for the benefit of those we serve. Further restoration of reserves is the goal. Until reserves have been adequately restored, it is likely that future Good Experience Credits will be substantially reduced or foregone.
- c. The Pension Fund serves as trustee of the Christian Church (Disciples of Christ) Health Care Benefit Trust and as such administers Churchwide Health Care, Dental and Flexible Spending Account programs on behalf of the Church. Churchwide Health Care is a “self funded program” meaning that premiums must cover actual claims experience. In each of the past four years, Churchwide Health Care has been able to reduce the operating deficit. At December 2004, the deficit stood at \$5.4 million and the program was facing demise. At the end of 2010, the deficit has been greatly reduced and, exclusive of the \$1.4 million in funds received in the Heartbeats of Faith Campaign, stands just over \$850,000.

We give thanks for the strong support of those who worked so diligently on the campaign. While we have discontinued promotion efforts, we continue to encourage every congregation and organization of the Church to focus on health and wellness activities among employees. We also encourage every congregation to consider using Churchwide Health Care for their clergy and lay employees. We believe it is an excellent health care program, one that is fairly priced to the benefits and markets in which we serve. For more information, check our website - www.discipleshealth.org.

- d. The Pension Fund continues to offer Churchwide Accident Insurance and Long Term Care insurance to participants of the Pension Plan and related programs. Churchwide Accident Insurance is provided through Reliance Standard Life Insurance Company. Long Term Care insurance is provided by CNA Insurance Company. All billing and services related to the Long Term Care insurance is provided directly by CNA.

2. CONTRACTUAL PROGRAMS - INTERNATIONAL

The Pension Fund provides access to membership in the Pension Plan by clergy and lay employees of congregations in Canada, Puerto Rico, Mexico and certain other

service areas. The Pension Fund was successful in its efforts to restore full benefits in the Pension Plan - Canada and was able to declare a 3.5% special apportionment for Canada pensioners and active employees designed to partially offset the tax impact of the current account structure. We are delighted with the result and trust those served feel well supported. In 2011, we expect to launch growth efforts in Canada among pastors and lay employees throughout the Stone Campbell heritage ministries. In 2010, we completed compliance review for participants from Puerto Rico and continue to serve pastors in Puerto Rico as part of the U. S. Plan. Other changes may be made in the future with respect to participation, reporting and taxation as dictated by the applicable laws and regulations.

3. INVESTMENTS

During 2010, total net assets of the Pension Fund rose from \$2.35 billion to \$2.55 billion. Growth was achieved in large measure through the adherence to sound long term investment strategies properly adjusted to the market circumstances. The Pension Fund continues to maintain a fully-invested policy with long-term asset allocation of 55% equities, 30% fixed income and 15% alternative investments. However, we continue to monitor liquidity objectives and stand ready to take additional actions to preserve our ability to make pension payments when due and respond to other financial events as they unfold. Even though the investment climate remains unsettled, the Pension Fund is well positioned to outperform the investment benchmarks by which we measure our results. We believe the portfolio is positioned for further recovery in the months and years ahead. Long term investment strategies, although frequently reviewed, rarely shift as a result of market fluctuations.

4. 2010 FINANCIAL OVERVIEW

The 2010 actuarial valuation and financial audit are in process and when completed will be reported to the directors. We are grateful that the Pension Fund was able to outperform most of the benchmarks used to evaluate performance. We are equally grateful that all programs are fully funded on an actuarial basis.

5. MINISTERIAL RELIEF AND ASSISTANCE

The Pension Fund distributed \$1.7 million in Ministerial Relief and Assistance in 2009 of behalf of the Christian Church (Disciples of Christ). Only 16.8% of the Ministerial Relief and Assistance funds came from congregations through Disciples Mission Funding. Another 23.6% was contributed directly by concerned individuals. The remainder was derived from earnings on the Endowment Fund for Ministerial Relief and Assistance or funds previously placed in escrow for these purposes.

Supplemental Gift Pensions are gift distributions to those retirees who have extremely low pensions. It is a way for the Church to assist those who are most affected by economic turmoil. The Pension Fund was unable to increase supplemental gift pensions for qualifying pension retirees and surviving spouses this year. In the future, increases will be possible only when additional resources from gifts from individuals and additional income from Endowment Funds allow. Reductions in Disciples Mission Funding have a direct impact upon the benefits that can be provided for these worthy servants.

The “Thirteenth Check,” which is a gift to all persons on the Ministerial Relief roll and some of the most needy on the low pension roll, was sent between Thanksgiving and Christmas. The Indianapolis General Assembly offering for this purpose, along with contributions from individuals and churches, provided the gift funds for 2009 and 2010. We are gratified that the generosity of the assembly participants and other supporters enabled the 13th checks to be increased over prior years. We give thanks for the generosity of all donors who made this increase possible, even as we prepare for another offering at the Nashville General Assembly.

6. GOVERNANCE

The Board of Directors and Staff of the Pension Fund are keenly aware of their fiduciary responsibilities to the Church and those served. The Pension Fund was created to provide a unique ministry to clergy and lay employees on behalf of congregations and their members. The Pension Fund seeks to fulfill these responsibilities, with compassion, wisdom and prudence.

The Board of Directors of the Pension Fund of the Christian Church (Disciples of Christ) adheres to practices intended to provide oversight and accountability. These are consistent with practices now required of public corporations. In this respect:

- a. The Board of Directors has assigned to its Financial Affairs Committee the function of “audit committee” through which independent auditors report directly to the board. This committee includes at least one person who is a financial expert (e.g., a CPA).
- b. The Board of Directors enforces their written “Conflict of Interest Policy, a written board member evaluation policy and a board member education policy.”
- c. The independent auditor is required to provide the directors with a management letter addressing any material internal control weaknesses or suggesting improvements to internal controls.
- d. The Pension Fund staff is required to provide written response to each issue raised in the management letter as to the steps taken or to address or resolve the issue or the rationale for disagreement with the conclusions presented.
- e. Each standing committee has a written committee charter approved and periodically reviewed by the Board of Directors.
- f. The President and Treasurer certify in writing to the Board of Directors the “appropriateness” of the financial statements and disclosures contained in periodic reports prepared in accordance with accounting conventions appropriate to the Pension Fund, and that such financial statements and disclosures fairly present, in all material respects, the operations and financial condition of the organization.
- g. Staff and Directors enforce their historic prohibition on the extension of credit to any director or executive officer except as “de minimus” reimbursable charges

may arise in the normal course of business.

7. KEY FOCUS

The Pension Fund is a unique financial services ministry, focusing its efforts and resources toward the care and support of clergy and lay employees of the Christian Church (Disciples of Christ). The Directors and Staff believe the Pension Fund fulfills its historic mandate when it functions as an innkeeper (Luke 10:35) assisting whomever the Church presents for care.

Because of the unique nature of the Pension Fund's ministry, one can describe its activities within the context of the mission goals of the Christian Church (Disciples of Christ), although most impacts are tangential rather than direct initiatives. For example:

The Pension Fund seeks to support the establishment of new congregations by assisting the pastors with subsidized health care. New congregation pastors may qualify for three years of health care premium subsidy on a declining basis, beginning with a year of full subsidy, if the congregation agrees to continue in Churchwide Health Care following the subsidy period. However, reductions in gifts which make this support possible could cause a reduction in access to this service in future years.

The Pension Fund believes that revitalization of congregations will require vibrant and healthy clergy. Addressing stress, depression, spiritual healing and the life choices these issues bring, which reduce effectiveness and cause illness, is the new ministerial relief issue of our day. Staff, directors, consultants, and other key participants are working to form strategies to address these issues. Success in this arena will benefit congregations, the clergy, Churchwide Health Care and the Church.

Leadership development is crucial to the growth and vitality of the Church. Pension Fund efforts in this area are related to our efforts to develop a financial net through Pension Plan membership and health care resources. Pension Fund will continue to work on this task in the years ahead. Of particular concern is the enrollment and support of seminarians and pastors of racial/ethnic heritage historically not served well.

To enhance our ability to serve the Church effectively, the staff and directors continues to address systemic racism within the organization, board membership, staffing, and culturally sensitive service capabilities. A multi-cultural staff team is working with outside guidance to assist in this process. Our goal is to serve all constituencies with equal vigor and effectiveness. This is essential to broadening our ability to serve throughout all of our church family.

Finally, the Pension Fund believes that its efforts can best assist in the achievement of wholeness in a fragmented world by seeking to promote and support the work of healthy vibrant ministry leaders. We celebrate and give thanks for the faithful efforts of clergy and lay employees.

8. TAX INFORMATION

The Pension Fund continues to keep its constituents informed of changes in tax laws and government regulations. The Pension Fund continues to work with the Church Alliance, an interdenominational coalition of pension boards, to understand and respond to issues which could affect the services, reporting and taxation requirements which relate to the programs and services offered by the Pension Fund. The Church Alliance expects to be actively engaged on several issues in 2008 and beyond.

9. OTHER SERVICES

In addition to those services already described, the Pension Fund provides other services to those who serve the church and its organizations. These include the conducting of workshops and seminars on Financial Planning and Preparation for Retirement and administering a Churchwide Accident Insurance program.

10. CLOSING WORD

The Board of Directors and Staff of the Pension Fund are grateful for the opportunity to serve the Church, its ministers and lay employees. There is no secret that effects of the recession are severe and long lasting. Concern about the safety of pensions and retirement savings remain for some participants. This is quite understandable. To address such concerns, regular call in question and answer programs were provided in 2009. We anticipate further sessions will be scheduled throughout 2010. We believe that these call in opportunities provide participants with a unique opportunity to raise questions directly with staff and hear those of other participants.

Pension Fund staff and directors continue their efforts to protect the pensions and retirement savings of all participants. We ask God's continuing guidance and your trust as we continue to focus on our ability to serve our constituents. This ministry is an expression of Thanksgiving from a grateful Church to those who accepted the call to the ministry, as clergy or lay employees, and who have carried out that ministry faithfully.

The General Board has reviewed Report No. 1115 from the Pension Fund. The report is submitted to the General Assembly for consideration and discussion. No action is required. (Discussion time 12 minutes)

Pension Fund of the Christian Church (Disciples of Christ), Inc.

Combined Financial Statements and
Supplemental Schedules as of and for the
Years Ended December 31, 2010 and 2009
and Independent Auditors' Report

**PENSION FUND OF THE CHRISTIAN CHURCH
(DISCIPLES OF CHRIST), INC.**

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**PENSION FUND OF THE CHRISTIAN CHURCH
(DISCIPLES OF CHRIST), INC.**

**COMBINED STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
DECEMBER 31, 2010 AND 2009**

	2010	2009
ASSETS		
CASH	\$ 10,674,548	\$ 12,354,576
COLLATERAL UNDER SECURITIES LENDING AGREEMENT	<u>207,074,742</u>	<u>186,831,466</u>
INVESTMENTS:		
Short-term	<u>287,848,407</u>	<u>296,633,741</u>
Fixed income:		
U.S. treasury and government agency bonds	462,292,282	343,413,026
Industrial bonds	342,713,085	380,750,481
Utility bonds	<u>12,673,068</u>	<u>10,902,900</u>
	<u>817,678,435</u>	<u>735,066,407</u>
Equities:		
Mutual fund	58,916,761	64,681,533
Common stock	<u>1,164,058,676</u>	<u>1,034,198,608</u>
	<u>1,222,975,437</u>	<u>1,098,880,141</u>
Other:		
Private equity:		
Emerging market	14,756,860	12,539,877
Fund of funds	82,455,586	81,448,857
Venture capital	34,420,043	29,416,182
Real estate	55,151,558	41,271,878
Joint Investment Trusts	157,314	
Private company preferred stock	<u>22,332,126</u>	<u>15,332,126</u>
	<u>209,273,487</u>	<u>180,008,920</u>
Total investments	<u>2,537,775,766</u>	<u>2,310,589,209</u>
OTHER ASSETS:		
Interest and dividends receivable on investments	10,427,604	9,427,649
Amounts receivable on securities transactions	21,539,520	4,114,698
Foreign exchange contracts	115,877,762	102,493,227
Pension Fund Canada Trust	10,194,967	9,282,761
Other	<u>1,275,873</u>	<u>980,659</u>
Total other assets	<u>159,315,726</u>	<u>126,298,994</u>
TOTAL ASSETS	<u>2,914,840,782</u>	<u>2,636,074,245</u>

(Continued)

**PENSION FUND OF THE CHRISTIAN CHURCH
(DISCIPLES OF CHRIST), INC.**

**COMBINED STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
DECEMBER 31, 2010 AND 2009**

	2010	2009
LIABILITIES		
AMOUNTS DUE ON SECURITIES TRANSACTIONS	\$ 22,749,512	\$ 12,356,532
PAYABLE UNDER SECURITIES LENDING AGREEMENT	207,074,742	186,831,466
FOREIGN EXCHANGE CONTRACTS	116,353,931	102,173,327
HEALTH CARE CLAIMS PAYABLE	1,640,467	1,617,258
UNEARNED HEALTH CARE PREMIUMS	421,427	314,133
ESCROW FUNDS AND OTHER LIABILITIES	<u>4,444,568</u>	<u>7,121,620</u>
TOTAL LIABILITIES	<u>352,684,647</u>	<u>310,414,336</u>
NET ASSETS AVAILABLE FOR BENEFITS		
PENSION PLAN FUND	1,674,747,787	1,685,548,706
ADDITIONAL BENEFITS FUND	442,127,501	444,498,382
ANNUITY FUND	6,726,653	7,334,871
ENDOWMENT FUND	30,432,518	30,086,819
GENERAL RESERVE FUND	395,142,171	145,761,662
MINISTERIAL RELIEF AND ASSISTANCE FUND	2,466,130	2,361,688
PENSION FUND CANADA TRUST	10,629,078	10,191,486
HEALTH CARE BENEFIT TRUST	<u>(115,703)</u>	<u>(123,705)</u>
TOTAL NET ASSETS AVAILABLE FOR BENEFITS	<u>\$ 2,562,156,135</u>	<u>\$ 2,325,659,909</u>

See notes to combined financial statements.

**PENSION FUND OF THE CHRISTIAN CHURCH
(DISCIPLES OF CHRIST), INC.**

**COMBINED STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

	Pension Plan Fund	Additional Benefits Fund	Annuity Fund	Endowment Fund	General Reserve Fund	Ministerial Relief and Assistance Fund	Pension Fund Totals	Pension Fund Canada Trust	Health Care Benefit Trust	2010 Totals	2009 Totals
ADDITIONS:											
Pension plan dues	\$ 19,752,735	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,752,735	\$ 50,121	\$ -	\$ 19,802,856	\$ 20,376,933
Additional benefits deposits		25,710,566					25,710,566			25,710,566	24,308,973
Annuity agreements issued										-	31,359
Gift receipts:											
Church Finance Council						287,692	287,692			287,692	323,181
Other gifts and offerings						442,420	442,420	24,146		466,566	478,455
Bequests and gifts				345,699			345,699			345,699	317,835
Health care premiums								20,884,893		20,884,893	21,145,661
Net investment gain					355,479,095		355,479,095	903,221	19,525	356,401,841	434,180,216
Interest credited to funds	75,598,716	14,386,255			(90,962,499)	977,528				-	
Total additions	95,351,451	40,096,821	-	345,699	264,516,596	1,707,640	402,018,207	953,342	20,928,564	423,900,113	501,162,613
DEDUCTIONS:											
Pension plan benefits	105,550,994						105,550,994	436,745		105,987,739	105,934,033
Annuity payments			608,218				608,218			608,218	673,303
Additional benefits withdrawals		42,467,702					42,467,702			42,467,702	40,672,301
Pension plan membership payouts	601,376						601,376			601,376	624,587
Supplemental gift benefits						523,626	523,626	6,841		530,467	609,061
Other ministerial relief and assistance						1,077,717	1,077,717	5,550		1,083,267	1,072,014
Special gifts						1,855	1,855			1,855	1,611
Health care claims								20,199,690		20,199,690	20,164,871
Management and general expense					15,136,087		15,136,087	66,614	720,872	15,923,573	14,078,560
Total deductions	106,152,370	42,467,702	608,218	-	15,136,087	1,603,198	165,967,575	515,750	20,920,562	187,403,887	183,830,341
NET INCREASE (DECREASE)	(10,800,919)	(2,370,881)	(608,218)	345,699	249,380,509	104,442	236,050,632	437,592	8,002	236,496,226	317,332,272
NET ASSETS AVAILABLE FOR BENEFITS — Beginning of year	1,685,548,706	444,498,382	7,334,871	30,086,819	145,761,662	2,361,688	2,315,592,128	10,191,486	(123,705)	2,325,659,909	2,008,327,637
FUND TRANSFERS										-	
NET ASSETS AVAILABLE FOR BENEFITS — End of year	\$ 1,674,747,787	\$ 442,127,501	\$ 6,726,653	\$ 30,432,518	\$ 395,142,171	\$ 2,466,130	\$ 2,551,642,760	\$ 10,629,078	\$ (115,703)	\$ 2,562,156,135	\$ 2,325,659,909

See notes to financial statements.

PENSION FUND OF THE CHRISTIAN CHURCH (DISCIPLES OF CHRIST), INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS

The Pension Fund of the Christian Church (Disciples of Christ), Inc. (the “Pension Fund”) was organized to provide benefits to its members who are employed in serving the church and related organizations. It is incorporated as a not-for-profit organization under the laws of the State of Indiana. Benefits provided by the Pension Fund include retirement, disability and death benefits, supplemental pensions and support, healthcare, and participation in additional benefits programs. Such benefits are provided through member contributions, gifts and special apportionments from Pension Fund operations.

The Pension Fund is a Church Plan as defined in Section 414 (e) of the Internal Revenue Code (the “Code”) and in Title 1 of the Employee Retirement Income Security Act of 1974 (“ERISA”), as amended. The Pension Fund has not elected to be subject to ERISA.

By virtue of its inclusion in the group exemption ruling of the General Assembly of the Christian Church (Disciples of Christ), the Pension Fund is exempt from federal income taxes under Section 501(c)(3) of the Code.

In the event of termination of the Pension Fund, the Board of Directors of the Pension Fund would determine the priority order of participating members’ claims to the assets of the Pension Fund.

The Pension Fund groups its plans and operations for reporting and managing purposes into funds that are briefly described as follows:

- a. *Pension Plan Fund* — Reserves required to meet the Defined Benefit Pension Plan (the “Plan”) member retirement, death and disability benefit obligations. Contributions are made to the Pension Plan Fund by its members and participating churches or organizations based upon a specified percentage of members’ compensation and are credited to the members’ individual accounts. The Plan provides for retirement benefits generally at age 65 based upon such accrued pension credits and includes provisions for early retirement, disability and death benefits. Certain members of the Plan are fully vested immediately while others vest after two years of participation.
- b. *Additional Benefits Fund* — Program established under provisions of the Pension Plan to accept funds from the membership so as to provide additional benefits. Such amounts earn stipulated rates of interest and are subject to withdrawal on demand, periodically or on a specified date, under rules and regulations adopted by the Board of Directors.
- c. *Annuity Fund* — Funds received from donors and members to purchase annuities and make periodic annuity payments as specified.
- d. *Endowment Fund* — Gift funds including those received through estates, bequests or memorials, which are restricted and are to be retained for designated purposes.

- e. *General Reserve Fund* — Effective January 1, 2008 the reserves that were previously allocated for reporting purposes to the individual fund balances noted above were consolidated into a single General Reserve Fund. This unencumbered reserve fund accumulates net investment income and realized and unrealized gains and losses. These funds are expendable for current operating and capital purposes as well as allocations for special apportionments and good experience credits upon Board approval.
- f. *Ministerial Relief and Assistance Fund* — Gifts and gift allocations of the church for the express purpose of meeting members' needs, such as supplemental gift pensions, ministerial relief, emergency aid and other services.
- g. *Pension Fund Canada Trust* — Effective January 1, 2006, the Pension Fund Canada Trust began to execute the operations of the Pension Plan Fund as it pertains to members and beneficiaries in the fund who reside in Canada. The Pension Fund Canada Trust maintains separate reserves to meet the benefit obligations of the Pension Plan Fund in Canada. Canadian members and beneficiaries are entitled to substantially the same benefits as U.S. members and beneficiaries based upon the same contribution percentage.
- h. *Health Care Benefit Trust* — Effective September 1, 2003, the Health Care Benefit Trust began to execute the operations of the former Health Care Fund and Health Care Claims Reserve Fund. In connection therewith, the Health Care Benefit Trust captures premiums received by members and claims paid to members to provide healthcare benefits (up to \$225,000, per occurrence) pursuant to a church wide self-funded healthcare program.

The Pension Fund serves as the Trustee of the Health Care Benefit Trust and the Pension Fund Canada Trust (collectively, the "Trusts"). As a result, the accompanying combined financial statements include the accounts of the Pension Fund and the Trusts. All significant transactions between the Pension Fund and the Trusts have been eliminated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting — The accompanying combined financial statements are prepared under the accrual method of accounting, in accordance with accounting principles generally accepted in the United States of America.

Investment Valuation, Income Recognition and Presentation — Investments are stated at fair value, except for private company preferred stock, which is stated at cost. If available, quoted market prices are used to value investments. Purchases and sales of investments are recorded on a trade-date basis. Realized gains and losses on investments, recorded as the difference between proceeds received and carrying value, and net unrealized gains and losses on investments for the year are reflected in the combined statement of changes in net assets available for benefits as net investment gain or loss. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Investments with original maturities of one year or less are reported as short-term investments.

Valuation of Investments (Securities with No Quoted Market Prices) — Certain investments held by the Pension Fund do not have quoted market prices available. Such investments are valued at estimated fair value. Fair values for such investments are based on market value information provided by the investment brokers or managers of the investment funds.

Derivative Financial Instruments — The Pension Fund’s assets and liabilities include certain derivative financial instruments, including treasury and other interest rate futures contracts, options and forward currency exchange contracts. These financial instruments with off-balance-sheet market risk are used to enhance the overall yield of investments and are entered into as alternatives to investments in actual U.S. treasury securities or other investments. These financial instruments are also used on a daily basis to maintain the Pension Fund’s long-term asset class target allocations of the investment portfolio. Credit loss exposure exists in the event of nonperformance by the other parties, principally large brokerage firms, to such instruments. The gross and net credit risk associated with the related counterparties on open futures and option positions is insignificant. The market risk for these open futures and option positions is directly linked with exchange rates or market interest rates as the underlying securities bear a fixed rate of interest.

A futures contract is a contractual agreement to make or take delivery of a standardized quantity of a specified grade or type of commodity or financial instrument at a specified future date in accordance with terms specified by a regulated future exchange. Upon entering into a futures contract, the Pension Fund deposits U.S. treasury bills or other short-term investments as a margin deposit required under the futures contract. Subsequent payments are then made or received by the Pension Fund, depending on the daily fluctuation in the value of the underlying contracts. Interest rate futures contracts and options are valued at the settlement price established daily by the exchange on which they are traded. The carrying values of these derivative financial positions are adjusted to net fair market value based on fiscal year-end settle prices as determined by the Pension Fund’s investment manager.

An option contract is a contract in which the writer of the option grants the buyer of the option the right to purchase from, or sell to, the writer a designated instrument at a specified price within a specified period of time. When the Pension Fund purchases or writes an option, an amount equal to the premium paid or received by the plan is recorded as an asset or liability and is subsequently adjusted to the current market value of the option purchased or written. Gain or loss is recognized when the option contract expires or is closed. The carrying value of these derivative financial instruments are adjusted to net fair market value based on fiscal year-end settle prices as determined by the Pension Fund’s investment manager.

Forward currency exchange contracts are open contracts for the purchase or sale of foreign currencies and are included in other assets and liabilities based upon translated exchange rates effected at the end of the reporting period. The fair values associated with the foreign currency contracts have been estimated by valuing the net position of the contracts using the applicable spot rates and forward rates as of the reporting date.

Health Care Claims Payable — Health care claims payable are recorded as expense when the related claim is incurred by the participant.

Estimates — The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, disclosure of contingent assets and liabilities, and the actuarial present value of accumulated plan benefits and changes therein at the date of the financial statements. Actual results could differ from those estimates.

Payment of Benefits — Benefit payments to participants are recorded upon distribution.

Risks and Uncertainties — The Pension Fund utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the combined financial statements.

New Accounting Pronouncements — In January 2010, the FASB issued and the Pension Fund adopted ASU No. 2010-06, *Fair Value Measurements and Disclosures* (ASU No. 2010-06), which amends ASC 820 (originally issued as FASB Statement No. 157, *Fair Value Measurements*), adding new disclosure requirements for Levels 1 and 2, separate disclosures of purchases, sales, issuances, and settlements relating to Level 3 measurements and clarification of existing fair value disclosures. ASU No. 2010-06 is effective for periods beginning after December 15, 2009, except for the requirement to provide Level 3 activity of purchases, sales, issuances, and settlements on a gross basis, which will be effective for fiscal years beginning after December 15, 2010.

3. INVESTMENTS

The following schedule summarizes net investment gains/(losses) for the years ended December 31:

	2010	2009
Interest and dividend income	\$ 64,680,800	\$ 52,050,464
Securities lending fees	781,487	908,788
Net realized and unrealized gains (losses) on investments	<u>290,939,554</u>	<u>381,220,964</u>
Net investment gain (loss)	<u>\$356,401,841</u>	<u>\$434,180,216</u>

Investments (including investments bought and sold, as well as held during the year) appreciated (depreciated) in fair value for the years ended December 31 as follows:

	2010	2009
Short-term investments	\$ 751,217	\$ 8,182,191
Other investments:		
Fixed income	107,998,565	160,591,735
Equities	170,915,735	278,191,167
Other	<u>11,274,037</u>	<u>(65,744,129)</u>
Net appreciation (depreciation)	<u>\$290,939,554</u>	<u>\$381,220,964</u>

Included in U.S. treasury and government agency bonds are written futures and option contracts. Open forward and written option positions as of December 31 are summarized below:

	Notional Value Liability	
	<u>2010</u>	<u>2009</u>
Written Options:		
SWAP — fixed income	\$ (373,954)	\$ (184,962)
U.S. equities	(42,732)	
Futures	(39,000)	

Included in short term investments are futures contracts. The notional value of open futures positions were \$7,132,006.13 and \$8,957,938.21 as of December 31 2010 and 2009 respectively. The Pension Fund's exposure on these contracts is equal to a margin deposit of approximately 10% of the notional value.

The Pension Fund's investments include certain investments that do not have quoted market prices available. These include investments in private equity partnerships, private company preferred stock, and a joint investment trust. In the absence of readily ascertainable market values, the amounts used by the Pension Fund were supplied by management of the funds. The market value of these types of investments that do not have quoted market prices available were \$209,273,487 and \$180,008,920 as of December 31, 2010 and 2009, respectively, which represent approximately 7% of total assets as of December 31, 2010 and 2009. However, because of the inherent uncertainty of valuation, those estimated market values may differ significantly from the values that would have been used had a ready market for the securities existed.

Fair Value Measurements and Disclosures — On January 1, 2008, the Pension Fund adopted Accounting Standards Codification (ASC) 820-10 (formerly FAS 157), *Fair Value Measurements and Disclosures*. ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC 820-10 are described below. Additionally, the disclosures below include those required by ASU 2010-06.

Basis of Fair Value Measurement

Level 1 — Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or 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 financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

For the investment assets classified as Level 2 or 3 in the following tables as of December 31, 2010 and 2009, the following valuation techniques and inputs were used:

- Fixed income investments – Net Asset Values provided by fund manager are used to determine market value
- Private Equity Funds – Market values are provided by fund managers
- Joint Investment Trusts – Market values are provided by the sponsoring foundation
- Private company preferred stock - the cost of investment in this private investment as of December 31, 2010 and 2009 is used as the market value
- Pension Fund Canada Trust – Net Asset Values provided by the fund manager who controls all assets of this trust are used to determine market value

The following tables set forth by level within the fair value hierarchy the Pension Fund's investment assets and investment liabilities at fair value, as of December 31, 2010 and 2009. As required by ASC 820-10, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Total Pension Fund investment assets at fair value classified within level 3 were \$209,273,487 and \$180,008,920, as of December 31, 2010 and 2009, respectively, which consists of the Pension Fund's private equity partnerships, a private company preferred stock investment and a joint investment trust.

	Investment Assets at Fair Value as of December 31, 2010			
	Level 1	Level 2	Level 3	Total
Cash and short-term investments	\$ 279,539,698	\$ 18,983,257	\$ -	\$ 298,522,955
Fixed income investments:				
Global Institutional Bond Fund	63,015,025			63,015,025
International:				
NonUS government bonds	73,154,250			73,154,250
Supranational issues	18,850,326			18,850,326
NonUS corporate bonds	18,454,239			18,454,239
Private placements more than 1 year	16,312,005			16,312,005
Gov't of Canada — direct (canadian)	14,594,334			14,594,334
Other	65,070,468			65,070,468
Total international fixed income investments	206,435,622	-	-	206,435,622
Domestic:				
Inflation indexed securities	183,608,750			183,608,750
Banking & finance	61,226,586			61,226,586
Industrial	43,447,621			43,447,621
US Regulated Investment Co (Topic 820 L3)		78,096,842		78,096,842
Other	181,847,989			181,847,989
Total domestic fixed income investments	470,130,946	78,096,842	-	548,227,788
Total fixed income investments	\$ 739,581,593	\$ 78,096,842	\$ -	\$ 817,678,435
Collateral under securities lending agreement	\$ 207,074,742	\$ -	\$ -	\$ 207,074,742
Institutional Mutual Fund (Foreign Equity Series)	58,916,761			58,916,761
Common and preferred stocks:				
Preferred securities	10,648,311			10,648,311
Convertible securities	20,766,636			20,766,636
International:				
Technology	40,554,274			40,554,274
Financial services	35,847,741			35,847,741
Basic industries	29,835,319			29,835,319
Energy	28,263,845			28,263,845
Capital goods	21,268,498			21,268,498
Consumer services	20,641,357			20,641,357
Other	161,948,589			161,948,589
Total international stocks	338,359,623	-	-	338,359,623
Domestic				
Financial services	75,408,955			75,408,955
Technology	54,835,800			54,835,800
Consumer services	44,629,390			44,629,390
Health care	39,731,127			39,731,127
Other	579,678,834			579,678,834
Total domestic stocks	794,284,106	-	-	794,284,106
Total common and preferred stocks	\$ 1,164,058,676	\$ -	\$ -	\$ 1,164,058,676
Private Equity Funds	\$ -	\$ -	\$ 186,784,047	\$ 186,784,047
Joint Investment Trusts			157,314	157,314
Private company preferred stock			22,332,126	22,332,126
Interest and dividends receivable on investments	10,427,604			10,427,604
Amounts receivable on securities transactions	21,539,520			21,539,520
Foreign exchange contracts	115,877,762			115,877,762
Pension Fund Canada Trust		10,194,967		10,194,967
Total investment assets at fair value	\$ 2,597,016,356	\$ 107,275,066	\$ 209,273,487	\$ 2,913,564,909

Investment Liabilities at Fair Value as of December 31, 2010

	Level 1	Level 2	Level 3	Total
Amounts due on securities transactions	\$ 22,749,512			\$ 22,749,512
Amounts payable under securities lending agreement	207,074,742			207,074,742
Foreign exchange contracts	<u>116,353,931</u>			<u>116,353,931</u>
	<u>\$ 346,178,185</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 346,178,185</u>

Investment Assets at Fair Value as of December 31, 2009

	Level 1	Level 2	Level 3	Total
Cash and short-term investments	\$ 308,988,317	\$ -	\$ -	\$ 308,988,317
Fixed income investments	688,510,090	46,556,317		735,066,407
Collateral under securities lending agreement	186,831,466			186,831,466
Mutual Funds	64,681,533			64,681,533
Common stock	1,034,198,608			1,034,198,608
Private Equity			\$ 164,676,794	164,676,794
Private company preferred stock			15,332,126	15,332,126
Interest and dividends receivable on investments	9,427,649			9,427,649
Amounts receivable on securities transactions	4,114,698			4,114,698
Foreign exchange contracts	102,493,227			102,493,227
Pension Fund Canada Trust	<u>9,282,761</u>			<u>9,282,761</u>
Total investment assets at fair value	<u>\$ 2,408,528,349</u>	<u>\$ 46,556,317</u>	<u>\$ 180,008,920</u>	<u>\$ 2,635,093,586</u>

Investment Liabilities at Fair Value as of December 31, 2009

	Level 1	Level 2	Level 3	Total
Amounts due on securities transactions	\$ 12,356,532	\$ -	\$ -	\$ 12,356,532
Amounts payable under securities lending agreement	186,831,466			186,831,466
Foreign exchange contracts	<u>102,173,327</u>			<u>102,173,327</u>
	<u>\$ 301,361,325</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 301,361,325</u>

Level 3 Gains and Losses — The tables below set forth a summary of changes in the fair value of Pension Fund’s level 3 investment assets for the year ended December 31, 2010 and 2009. As reflected in the table below, the net unrealized gain/(loss) on level 3 investment assets and investment liabilities was \$11,274,037 and (\$56,095,369) for the years ended December 31, 2010 and 2009, respectively.

	Year Ended December 31, 2010			Total
	Private Equity	Private Company Preferred Stock	Joint Investment Trusts	
Balance, beginning of year	\$ 164,676,794	\$ 15,332,126		\$ 180,008,920
Realized gains	9,497,345			9,497,345
Unrealized gains	11,274,037			11,274,037
Purchases	20,705,864	7,000,000	\$ 157,314	27,863,178
Settlements	<u>(19,369,993)</u>			<u>(19,369,993)</u>
Balance, end of year	<u>\$ 186,784,047</u>	<u>\$ 22,332,126</u>	<u>\$ 157,314</u>	<u>\$ 209,273,487</u>

	Year Ended December 31, 2009		
	Private Equity	Private Company Preferred Stock	Total
Balance, beginning of year	\$ 209,483,541	\$ 8,333,328	\$ 217,816,869
Realized gains	3,971,798		3,971,798
Unrealized losses	(56,095,369)		(56,095,369)
Purchases and settlements	<u>7,316,824</u>	<u>6,998,798</u>	<u>14,315,622</u>
Balance, end of year	<u>\$ 164,676,794</u>	<u>\$ 15,332,126</u>	<u>\$ 180,008,920</u>

4. SECURITIES LENDING

The Pension Fund participates in a securities lending program through its master custodian bank, Bank of New York Mellon, in which the Pension Fund lends securities to brokers who collateralize the loans with either U.S. securities or foreign securities that must be collateralized equal to 102% of the fair market value of the U.S. security and/or 106% of the non-U.S. loaned security (including accrued interest, if any). Fees earned from participation in the program are recorded as investment income. In accordance with ASC 860 (formerly FAS 140), *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, the Pension Fund continues to carry the loaned securities as investments. In addition, the Pension Fund has recorded an asset and offsetting liability of \$207,074,742 and \$186,831,466 as of December 31, 2010 and 2009, respectively, to reflect the cash collateral and the related liability under the securities lending agreement. Non-cash collateral, primarily consisting of securities issued or guaranteed by the United States Government or its agencies or instrumentalities, for securities on loan was \$11,367,365 and \$12,594,960 as of December 31, 2010 and 2009, respectively.

5. ACTUARIAL VALUATION OF PENSION PLAN FUND

Actuarial valuations were performed by an outside actuary as of December 31, 2010 and 2009, to determine the adequacy of reserves of the Pension Plan Fund to cover the present value of accumulated benefits as of such date, which is that amount that results from applying actuarial assumptions to adjust the accumulated benefits to reflect the time value of money (through discounts for interest) and the probability of payment by means of decrements (such as for death, disability, or retirement) between the valuation date and the expected date of payment. It is at least reasonably possible that the actuarial assumptions used to calculate the actuarial present value of accumulated benefits will change in the near term, and the effect of such change could be significant.

The more significant assumptions underlying the actuarial computations used in the valuation as of December 31, 2010 and 2009, are as follows:

Assumed rate of return on investments:	5% per annum, compounded annually
Investment and administrative expense loading:	0.5% of net assets per annum, compounded annually
Mortality basis (Ministers):	2000 Individual Annuity Mortality Table with ages set back one year for males and with no age adjustment for females; 2009: 1983 Individual Annuity Mortality Table
Mortality basis (Lay Employees):	RP2000 Annuity Mortality Table with no age adjustment for either male or female; 2009: 1983 Group Annuity Mortality Table
Retirement of present and future disability pensioners and inactive members:	Latest of age 65, immediately, or date disability pension benefits are scheduled to terminate
Salary increase:	3% per annum, compounded annually; 2009: 4% per annum, compounded annually

The foregoing actuarial assumptions are based on the presumption that the Plan will continue. If the Plan were to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

The actuarial benefit information used in the actuarial valuations is as of December 31 of the Plan year. The actuarial present value of accumulated plan benefits and changes in accumulated plan benefits as of December 31, 2010 and 2009, are as follows:

	2010	2009
Actuarial present value of accumulated plan benefits:		
Participants and/or beneficiaries currently receiving payments	\$ 1,065,085,188	\$ 1,075,320,207
Other participants	<u>528,370,841</u>	<u>555,440,827</u>
Total vested benefits	1,593,456,029	1,630,761,034
Nonvested benefits	<u>8,168,385</u>	<u>7,084,516</u>
Total actuarial present value of accumulated plan benefits	<u>\$ 1,601,624,414</u>	<u>\$ 1,637,845,550</u>
Actuarial present value of accumulated plan benefits — beginning of year	\$ 1,637,845,550	\$ 1,656,588,634
Increase (decrease) during the year attributable to:		
Benefits accumulated and experience gains or losses	24,030,541	9,714,557
Increase in interest due to the decrease in the discount period	70,017,908	71,975,051
Benefits paid	(105,550,994)	(105,494,893)
Increase due to actuarial assumption changes prior to 2007 evaluation		5,062,201
(Decrease) due to actuarial assumption changes based on 2007 evaluation	<u>(24,718,591)</u>	<u> </u>
Actuarial present value of accumulated plan benefits — end of year	<u>\$ 1,601,624,414</u>	<u>\$ 1,637,845,550</u>

Effective December 31, 2010, pursuant to a recently completed actuarial evaluation, the Board of Directors approved changes to certain provisions for future experience changes. The actuarial present value decreased for present pensioners (other than disability pensioners prior to retirement) by \$11,139,212. The actuarial present value decreased for pensions and disability benefits for future pensioners and present disability pensioners not yet retired by \$13,579,379.

Effective December 31, 2009, pursuant to a recently completed actuarial evaluation, the Board of Directors approved changes to certain provisions for future experience changes. The actuarial present value increased to 6.75% (from 6.5% in 2008) for present pensioners (other than disability pensioners prior to retirement) resulting in an increase of \$2,444,877. The actuarial present value increased to 10.5% (from 10% in 2008) for pensions and disability benefits for future pensioners and present disability pensioners not yet retired resulting in an increase of \$2,617,324.

6. POSTRETIREMENT PLAN

The Pension Fund provides postretirement healthcare coverage to certain eligible administrative staff retirees through its participation in the church wide defined-benefit health plan which it administers. It continues to fund benefit costs on a pay-as-you-go basis and, for the years ended December 31, 2010 and 2009, the Pension Fund made benefit payments to the church wide health plan of approximately \$47,214 and \$56,390, respectively.

As of December 31, 2010 and 2009, the related accumulated postretirement benefit obligation was \$600,504 and \$581,300, respectively. This liability was calculated using premium costs rather than claims experience, based on the nature of the church wide plan.

The weighted-average discount rate used in determining the accumulated postretirement benefit obligation was 7%. For measurement purposes, a 10% annual rate of increase in the per capita cost of covered healthcare benefits was assumed for the years ended December 31, 2010 and 2009. The rate was assumed to decrease gradually to 5% by the year 2011 and remain level thereafter.

7. COMMITMENTS

The Pension Fund is a limited partner in real estate private equity partnerships to which it is committed to invest up to \$150,000,000. As of December 31, 2010, the remaining outstanding commitment under which funds may be requested from time to time was approximately \$57,640,000.

The Pension Fund is a limited partner in venture capital partnerships to which it is committed to invest up to \$95,000,000. As of December 31, 2010, the remaining outstanding commitment under which funds may be requested from time to time was approximately \$6,090,000.

The Pension Fund is a limited partner in buyout private equity partnerships to which it is committed to invest up to \$85,000,000. As of December 31, 2010, the remaining outstanding commitment under which funds may be requested from time to time was approximately \$16,320,000.

The Pension Fund is a limited partner in special situation private equity partnerships to which it is committed to invest up to \$95,000,000. As of December 31, 2010, the remaining outstanding commitment under which funds may be requested from time to time was approximately \$42,120,000.

The Pension Fund is a limited partner in a natural resources partnership to which it is committed to invest up to \$15,000,000. As of December 31, 2010, the remaining outstanding commitment under which funds may be requested from time to time was approximately \$15,000,000.

8. SUBSEQUENT EVENTS

Management has evaluated subsequent events and transactions through April 4, 2011, the date of issuance of these financial statements, for possible adjustments or disclosures in the financial statements. Through this date, the Company did not identify any matters which would require adjustment or disclosure in the financial statements.

9. NET ASSET VALUE (NAV) PER SHARE

In accordance with ASU No. 2009-12, *Fair Value Measurements and Disclosures: Investments in Certain Entities That Calculate Net Asset per Share (or Its Equivalent)*, the disclosures below include the category, fair value, redemption frequency and redemption notice period for those assets whose fair value is estimated using the net asset value per share as of December 31, 2010.

The following table for December 31, 2010, sets forth a summary of the Plan's investments with a reported NAV.

Fair Value Estimated Using Net Asset Value per Share					
December 31, 2010					
		Unfunded	Redemption	Other	Redemption
Investment	Fair Value *	Commitment	Frequency	Restrictions	Notice
					Period
Short-term Institutional Fund	\$ 1,991,717	None	Immediate	None	None
Investment grade corporate Institutional Fund	16,395,468	None	Immediate	None	None
Short-term floating NAV portfolio Institutional Fund	596,072	None	Immediate	None	None
Asset backed securities Institutional Fund	1,996,188	None	Immediate	None	None
Emerging Markets local currency Institutional Fund	696,892	None	Immediate	None	None
U.S. government Institutional Fund	17,030,383	None	Immediate	None	None
Mortgage portfolio Institutional Fund	40,658,980	None	Immediate	None	None
Municipal Securities Institutional Fund	2,273,498	None	Immediate	None	None
Real return bond portfolio Institutional Fund	3,949,203	None	Immediate	None	None
Emerging Markets Institutional Fund	2,992,718	None	Immediate	None	None
International Institutional Fund	7,149,562	None	Immediate	None	None
High Yield Institutional Fund	1,349,418	None	Immediate	None	None
Global Advantage Institutional Fund	63,015,025	None	Immediate	None	None
Foreign Equity Series Mutual Fund	<u>58,916,761</u>	None	Immediate	None	None
Total	<u>\$219,011,885</u>				

* The fair values of the investments have been estimated using the net asset value of the investment.

The investment strategies of each of the above institutional funds is to gain actively managed diversified exposure to the applicable sector of the fixed income market.

The investment strategy of the Foreign Equity Series Mutual Fund is to gain actively managed diversified exposure to the international equity markets.

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