2022 Financial Statements

Combined Financial Statements for Years Ended:

December 31, 2022 and 2021

Report of Management

Report of Independent Auditors

The Pension Boards
United Church of Christ, Inc.
WHERE FAITH AND FINANCE INTERSECT

Our Mission

Operating at the intersection of faith and finance, we are seven business units engaged in one shared mission: creating greater financial security and wellness for those engaged in the life of the church.

Pension Boards Core Business	Generations Financial Resources
Faith and Finance Ministries	Generations Investments
Independent Examination Functions	Formation of a Federal Credit Union

Generations Shared Services Center

Our Vision

Through its seven business units, the Pension Boards delivers benefits and services from the intersection of faith and finance, providing clergy, lay employees, and all persons served with the peace of mind that comes through greater financial security and wellness. The Pension Boards seeks to achieve these results through:

- thought leadership regarding faith-based, socially responsible investing,
- professional investment expertise that enhances returns,
- a comprehensive mix of products and services that meets diverse needs,
- innovative application of technology,
- outreach to all settings of the UCC, the greater church, and
- fees and expenses that are at or below industry average.

The Pension Boards
United Church of Christ, Inc.

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April 18, 2023

Report of Management

We have prepared the accompanying combined financial statements of The Pension Boards-United Church of Christ, Inc. (Pension Boards) for the years ended December 31, 2022, and 2021. We are responsible for the content, integrity, and objectivity of the financial information presented in this annual report. The combined financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The statements include amounts based on management's best estimates and judgments.

We believe that the combined financial statements present fairly in all material respects the financial position, activities, and cash flows for the Pension Boards in conformity with GAAP for the periods presented in this report. The 19-member Board of Trustees, all of whom are independent of the Pension Boards' management, oversees the Pension Boards' financial reporting and internal controls through its Audit Committee. The Audit Committee is responsible for the appointment, compensation, and oversight of the independent public accountants. The Audit Committee is also responsible for communications between the Board of Trustees and Pension Boards' independent public accountants, internal auditor, and financial management staff regarding the combined financial statements, audits, accounting and financial reporting practices, adequacy and effectiveness of the system of internal controls, and the scope and results of the annual audit.

The Pension Boards' combined financial statements have been audited by RSM US LLP, independent public accountants, whose report appears within. The independent public accountants, engaged to express an opinion on the combined 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 recognizes its system of internal control plays an important role for the preparation of reliable combined financial statements. The system is designed to provide reasonable assurance that assets are safeguarded and that transactions are recorded properly and executed in accordance with management's authorization. The control environment is enhanced by the selection and training of competent management, maintaining the highest standards of conduct by employees, appropriately segregating duties and delegating authority, and communicating accounting and operating policies and procedures to Pension Boards' employees.

Brian R. Bodager
President and CEO

Carolyn M. Weiss
Chief Financial Officer

Independent Auditor's Report

Board of Trustees
The Pension Boards – United Church of Christ, Inc.

Opinion
We have audited the combined financial statements of The Pension Boards – United Church of Christ, Inc. (the Pension Boards), which comprise the combined statement of financial position as of December 31, 2022, the related combined statements of activities, and cash flows for the year then ended, and the related notes to the combined financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Pension Boards as of December 31, 2022, 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.

Basis for Opinion
We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of the Pension Boards and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pension Boards' ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Pension Boards' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pension Boards' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Pension Boards' 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 30, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RSM US LLP

New York, New York
April 18, 2023

THE PENSION BOARDS-UNITED CHURCH OF CHRIST, INC.
COMBINED STATEMENTS OF FINANCIAL POSITION

	December 31, 2022	Summarized Comparative December 31, 2021
ASSETS		
Cash	$ 4,296,844	$ 17,072,646
Investments	3,045,540,105	3,867,848,856
Investments held for others managed by Generations Investment Services, Inc.	16,368,819	12,615,114
Collateral provided by securities borrowers	110,924,532	137,549,020
Accrued investment income receivable	15,667,063	13,731,344
Receivable from brokers for securities sales	1,345,951	862,678
Property and equipment, net	213,560	315,974
Right-of-use assets	4,686,932	-
Loans issued by Generations Financial Resources, Inc.	296,847	126,487
Other assets	5,370,818	5,938,409
Total assets	$ 3,204,711,471	$ 4,056,060,528
LIABILITIES AND NET ASSETS		
Payable to securities borrowers	$ 110,924,532	$ 137,549,020
Payable to brokers for securities purchases	2,868,455	10,794,233
Health benefits payable	3,284,003	3,828,315
Deferred health benefits premiums	1,979,254	1,990,398
Amounts due to others managed by Generations Investment Services, Inc.	16,368,819	12,615,114
Operating lease liabilties	4,686,932	-
Accrued expenses and other liabilities	11,927,208	13,025,274
Total liabilities	152,039,203	179,802,354
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Annuitant fund	$ 1,815,917,467	$ 2,281,771,687
Accumulation fund	1,032,735,978	1,290,129,268
Benefit services fund	124,904,344	153,892,272
Operating fund	3,419,523	6,436,856
Generations Financial Resources, Inc. and Generations Investment Services, Inc.	1,112,954	1,084,982
Total net assets without donor restrictions	2,978,090,266	3,733,315,065
NET ASSETS WITH DONOR RESTRICTIONS		
Ministerial Assistance fund	$ 71,549,766	$ 91,511,179
Operating fund	3,032,236	51,431,930
Total net assets with donor restrictions	74,582,002	142,943,109
TOTAL LIABILITIES AND NET ASSETS	$ 3,204,711,471	$ 4,056,060,528

See Notes to Combined Financial Statements

THE PENSION BOARDS-UNITED CHURCH OF CHRIST, INC.
COMBINED STATEMENTS OF ACTIVITIES

	Year Ended December 31, 2022			Summarized Comparative
	Without Donor Restrictions	With Donor Restrictions	Total	Year Ended December 31, 2021
REVENUES AND OTHER SUPPORT				
Investment return, net	$ (592,104,829)	$ (14,103,509)	$ (606,208,338)	$ 293,189,546
Health services premiums	49,548,141	-	49,548,141	52,119,605
Employer pension contributions	29,758,951	-	29,758,951	30,407,923
Member pension contributions	9,015,766	-	9,015,766	9,383,131
Christmas fund appeal	-	1,164,452	1,164,452	1,307,727
Lilly Endowment Grant receipt	-	-	-	250,000
Our Church's Wider Mission	-	243,802	243,802	223,421
Donations and legacies	106,324	472,703	579,027	361,338
Generations Investment Services management fees	26,646	-	26,646	21,491
Generations Financial Resources loan interest	9,191	-	9,191	3,086
Other	-	-	-	1,583,333
Net Assets released from donor restrictions	56,138,555	(56,138,555)	-	-
Total investment return loss and other support	(447,501,255)	(68,361,107)	(515,862,362)	388,850,601
EXPENSES				
Pension payments to annuitants	154,226,780	-	154,226,780	151,594,774
Partial withdrawals and lump-sum payments	22,942,531	-	22,942,531	23,823,615
Health services claims	45,832,878	-	45,832,878	43,822,889
Health services costs	8,985,311	-	8,985,311	11,483,377
Administrative costs	20,520,990	-	20,520,990	20,169,217
Other	48,957,655	-	48,957,655	-
Ministerial Assistance grants	2,734,100	-	2,734,100	2,138,613
Ministerial Assistance programs and administration costs	3,523,299	-	3,523,299	2,677,515
Total expenses	307,723,544	-	307,723,544	255,710,000
(DECREASE) INCREASE IN NET ASSETS	(755,224,799)	(68,361,107)	(823,585,906)	133,140,601
COMPOSITION OF CHANGE IN NET ASSETS				
(Decrease) Increase in net assets without donor restrictions	(755,224,799)	-	(755,224,799)	126,695,361
(Decrease) Increase in net assets with donor restrictions	-	(68,361,107)	(68,361,107)	6,445,240
(DECREASE) INCREASE IN NET ASSETS	(755,224,799)	(68,361,107)	(823,585,906)	133,140,601
Beginning net assets	3,733,315,065	142,943,109	3,876,258,174	3,743,117,573
Ending net assets	$ 2,978,090,266	$ 74,582,002	$ 3,052,672,268	$ 3,876,258,174

See Notes to Combined Financial Statements

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

	Year Ended December 31, 2022	Summarized Comparative Year Ended December 31, 2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from members and employers for pension plan	$ 37,416,517	$ 38,713,873
Cash received from members and employers for health services premiums	49,536,997	52,653,795
Cash received from Our Church's Wider Mission	203,074	265,475
Cash received from Christmas Fund appeal	1,164,452	1,307,727
Cash received from contributors	579,027	2,873,673
Cash received by Generations Investment Services from external entities	653,024	3,566,317
Cash received from the Lilly Endowment Grant	250,000	-
Cash received from income on investments	82,928,683	83,956,282
Cash received from management fees paid to Generations Investment Services	20,792	26,766
Cash received from loan interest paid to Generations Financial Resources	8,625	2,860
Payments made to annuitants, members and beneficiaries from the pension plan	(177,179,004)	(175,408,696)
Payments made to participants and providers from the health services claims and costs	(46,397,853)	(43,835,468)
Cash paid to employees, suppliers and providers of services	(42,579,410)	(51,194,188)
Grants disbursed	(2,734,100)	(2,138,613)
Net cash used in operating activities	(96,129,176)	(89,210,197)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	1,642,469,387	2,255,030,675
Purchase of investments	(1,559,116,013)	(2,153,439,703)
Purchase of equipment	-	(133)
Net cash provided by investing activities	83,353,374	101,590,839
NET (DECREASE) INCREASE IN CASH	(12,775,802)	12,380,642
NET CASH, BEGINNING OF YEAR	17,072,646	4,692,004
NET CASH, END OF YEAR	$ 4,296,844	$ 17,072,646

See notes to Combined Financial Statements.

1. ORGANIZATION

The Pension Boards-United Church of Christ, Inc. (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.

United Church Board for Ministerial Assistance, Inc. (Ministerial Assistance), an affiliated ministry of the UCC and controlled by the Pension Boards, holds, manages, and distributes funds to provide direct support to authorized ministers and lay church employees of the UCC whose circumstances call for compassionate responses, and offers specialized initiatives and insightful witness to promote sustainable ministry within the church. 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 small pension supplementation, health benefits supplementation for retirees, emergency grants, and Christmas “thank you” checks to lower-income retirees and their spouses/partners.

The Pension Boards is the plan sponsor of **The Annuity Plan for the United Church of Christ**, as amended, (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, as amended (ERISA). The Pension Boards is the Trustee of the Annuity Fund 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.

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 between two available annuities (Basic and Participating, as described below). Both annuities provide a lifetime income for members; all but one of the payment options make 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. Annuitants may elect to receive either a Basic or a Participating Annuity. The Basic Annuity has supporting investments in public fixed income securities and in private alternative fixed income.

1. ORGANIZATION (continued)

The Participating Annuity has supporting investments comprised of equity securities, fixed income, and real and other private assets with a target allocation of 55% to equities, 35% to fixed income securities, and 10% to real and other private assets. The commitment to pay the annuity from plan assets is reviewed annually. Each annuity is reviewed for potential adjustments to annuity benefits based on the funded status.

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 among any or all of the following investment funds managed by the Pension Boards: Stable Value, Bond, Equity, Sustainable Balanced, six Target Annuitization Date Funds; and the Northern Trust Global Sustainability Index Fund. Investment results are credited or charged to members' accounts in accordance with provisions of the Annuity Plan. With prior online or written notice, members may change their allocations of current account balances and future contributions, effective the first day of the following month. The accounts of active and inactive members who have not yet annuitized are included in the Accumulation Fund in addition to retirement savings account contributions made by or on behalf of annuitants and lump sum transfers by members at the time of annuitization.

Benefit Services Fund and Welfare Plan Trust

The Pension Boards is also a plan sponsor of church welfare benefits plans, including plans providing employer group medical, long-term, and short-term disability, death benefits, dental benefits, and vision benefits (collectively, Welfare Plans). The Pension Boards established the Welfare Plans Trust to hold title to certain assets of the Welfare Plans for the sole and exclusive benefit of the participants of the Welfare Plans. The Welfare Plans Trust is held within the Benefit Services Fund. The Benefit Services Fund includes net assets and activities relating to Welfare 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.

Operating Fund

The Operating Fund includes net assets and activities relating to the administrative functions of the Pension Boards.

Generations Investment Services, Inc.

Generations Investment Services, Inc. (GIS) is a controlled affiliate of the Pension Boards. GIS is a non-profit corporation exempt from federal income tax under Section 501(c)(3) of the Code organized exclusively for religious and charitable purposes to support the mission, and for the benefit of the UCC.

1. ORGANIZATION (continued)

Generations Financial Resources, Inc.

Generations Financial Resources, Inc. (GFR), is a controlled affiliate of the Pension Boards. GFR is a non-profit corporation exempt from federal income tax under Section 501(c)(3) of the Code organized exclusively for religious and charitable purposes to support the mission, and for the benefit, of the UCC, including to promote financial literacy of clergy members of the UCC as well as to offer loans for refinancing a portion of their education debt on favorable terms. GFR aims to further the Faith and Finance mission of Ministerial Assistance by improving the financial wellness of UCC clergy.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Combination

The accompanying combined, accrual basis, comparative financial statements include the assets, liabilities, activities, and cash flows of the Pension Boards (which include Benefit Services and Operating Funds), Ministerial Assistance, the Annuity Plan, GFR, and GIS on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). All inter-fund balances have been eliminated in the combination.

Use of Estimates

The preparation of financial statements in conformity with 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 and realized and unrealized gains and losses 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 held by a custodian bank appointed by the Pension Boards pursuant to a Master Custody Agreement. The Investment Committee of the Board of Trustees (Investment Committee) is responsible for oversight of the Pension Boards' investment program.

The Statement of Investment Policy (SIP) of the Pension Boards establishes guidelines relating to permissible investments and to diversification, liquidity, duration, concentration, and quality of investments. This SIP 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 SIP also permits use of certain exchange-traded futures to shift among asset classes and managers within the Pension Boards' Equity Fund and to rebalance the Pension Boards' Sustainable Balanced Fund among asset classes subject to certain restrictions.

Investment managers are required to attest to compliance yearly. Fixed income futures and swaps usage are approved by the Investment Committee.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Investment return, net includes gains (losses) on investment sales, change in unrealized appreciation (depreciation) on investments held at year-end, earned income, and investment management costs. Investment management costs included in investment return, net for the years ended December 31, 2022 and 2021, were $17.2 million and $18.7 million, respectively.

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. 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 financial position.

Revenue Recognition

Employer and member pension contributions and benefit services premiums are recorded in the period to which they relate. Benefit services premiums that are received prior to the insured period are shown as deferred health benefits premiums on the accompanying combined statements of financial position.

Christmas Fund appeal, Lilly Endowment grant receipt, Our Church's Wider Mission, donations and legacies are recognized as revenue in the year in which the unconditional promise to give is received.

Investments Held for Others managed by Generations Investment Services, Inc.

The Pension Boards established and controls GIS. The assets, liabilities, and activities of GIS are included in the combined financial statements of the Pension Boards.

Assets received from external entities for the purpose of investment management by GIS are recorded on the combined statement of financial position along with corresponding liability

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

related to the contractual obligation to return the asset to the investee upon request. Assets returned to external entities by GIS also bear no impact to the combined statement of activities.

The policy is consistent with FASB issued ASC 958-605-25 – *Transfers of Assets to a Not-for-Profit Entity of Charitable Trust That Raises or Holds Contributions for Others*; wherein GIS accepts assets in an agent capacity and transfers of assets are not contributions, which would otherwise impact net assets.

Amounts managed by GIS for other entities are reported as assets under Investments held for others managed by GIS, Inc. with an offset in liabilities under Amounts due to others managed by GIS, Inc. in the combined statements of financial position.

Investment management fee income due to GIS is reported as revenues in the combined statement of activities. Expenses incurred by GIS are reported as administrative costs in the combined statement of activities.

Income Taxes

The Pension Boards, a New Jersey nonprofit corporation, GFR and GIS, both Delaware nonprofit organizations, and Ministerial Assistance, a Connecticut non-stock (nonprofit) corporation, are private organizations exempt from federal income tax under Section 501(c)(3) of the Code. The Annuity Plan is exempt from federal income tax as a retirement income account plan under Section 403(b)(9) of the Code. The Welfare Plans Trust is exempt from tax pursuant to Section 501(a) of the Code. While exempt from federal income tax, the Pension Boards, Ministerial Assistance, the Annuity Plan, and the Welfare Plans Trust are subject to tax on income unrelated to their exempt purposes.

To the extent certain investments in limited partnerships generate income, the Pension Boards is required to pay federal and state income taxes. The Pension Boards annually files Internal Revenue Service Form 990-T tax return. For the years ended December 31, 2022, and 2021, there were no material interest or penalties recorded or included in the combined financial statements.

475 Fund., Ltd (475 Fund) is treated as a corporation for U.S. federal income tax purposes; there is no direct taxation in the Cayman Islands. 475 Fund, intends to conduct its business in a manner to meet the requirements of a safe harbor provision under the Code whereby 475 Fund should not be subject to U.S. federal income tax. The Pension Boards is the sole shareholder of 475 Fund. It is not anticipated that unrelated business taxable income will be generated by 475 Fund. 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 combined financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recently adopted accounting pronouncements

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)* to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and corresponding lease liabilities on the statements of financial position for all leases with a term of longer than 12 months. Leases with an initial term of 12 months or less are not recorded on the statements of financial position but are recognized as lease expense on a straight-line basis over the applicable lease terms. The Pension Boards adopted Topic 842 on January 1, 2022, using the modified retrospective method, which was applied to all leases existing at the date of initial application of the ASU. As permitted, the Pension Boards elected the package of three practical expedients under the transition guidance within the new standard. The Pension Boards has elected to not recognize leases with original lease terms of 12 months or less (short-term leases) on the Pension Boards' statements of financial position. Additionally, the Pension Boards has elected to account for any lease and non-lease components for its real estate lease as one lease component. The Pension Board has elected to use the risk-free rate. As of January 1, 2022, the Pension Boards' ROU asset and operating lease liability were $5,357,461. The adoption of ASC 842 did not materially impact the change in net assets, and it did not result in a cumulative-effect adjustment to the opening balance of net assets.

Recently issued accounting pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326)*: *Measurement of Credit Losses on Financial Instruments*. The standard's main goal is to improve financial reporting by requiring earlier recognition of credit losses on financing receivables and other financial assets in scope. In November 2018, the FASB issues ASU 2018-19, Codification Improvements to Topic 326, Financial Instruments-Credit Losses, which deferred the effective date of adoption to fiscal years beginning after December 15, 2022. The Pension Boards does not expect this update to have a material impact on the financial statements.

Prior year summarized comparative information

The combined financial statements include certain prior year summarized comparative information in total but not by net asset classifications. Such information does not include sufficient detail to constitute a presentation in accordance with GAAP. Accordingly, such information should be read in conjunction with the Pension Board's combined financial statements as of and for the year ended December 31, 2021, from which the summarized information was derived.

Reclassification

Certain 2021 amounts have been reclassified to conform to the current year presentation.

3. NET ASSETS

Net assets are classified as Net Assets Without Donor Restrictions, and Net Assets With Donor Restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Comprised of net assets of the Annuitant Fund, Accumulation Fund, Benefit Services Fund, Operating Fund, Generations Financial Services, Inc and Generations Investment Services, Inc.

Net assets that are not subject to donor-imposed restrictions, or for which the donor-imposed restrictions have expired, may be used for any purpose in performing the operations of the organization. Net assets without donor restrictions may be directed to specific uses by action of the Board of Trustees.

Net Assets With Donor Restrictions

Net assets that are subject to donor-imposed restrictions which are for finite periods or for specific purposes. When a restriction is fulfilled or when a specified period ends, amounts are reclassified to net assets without donor restrictions. Donors may stipulate perpetual restrictions, which must be adhered to indefinitely.

The changes in net assets by composition for the year ended December 31, 2022, are as follows:

	Without Donor Restriction		With Donor Restriction	Total Net Assets
	Annuity Plan	Undesignated		
Net Assets at December 31, 2021	$ 3,571,900,955	$ 161,414,110	$ 142,943,109	$ 3,876,258,174
Revenues and other support:				
Our Church's Wider Mission	-	-	243,802	243,802
Christmas Fund donations	-	-	1,164,452	1,164,452
Gifts and other receipts	-	142,161	472,703	614,864
Interfund transfers	(13,193,045)	13,193,045	-	-
Health services premiums	-	49,548,141	-	49,548,141
Annuity Plan contributions	38,774,717	-	-	38,774,717
Investment return, net	(571,659,871)	(20,444,958)	(14,103,509)	(606,208,338)
Net Asset released from restriction	-	56,138,555	(56,138,555)	-
Total investment return loss and other support	(546,078,199)	98,576,944	(68,361,107)	(515,862,362)
Expenses and grants and Endowments				
Grants	-	2,734,100	-	2,734,100
Programs costs	-	5,023,299	-	5,023,299
Health services claims and costs	-	54,818,189	-	54,818,189
Payments to annuitants	177,169,311	-	-	177,169,311
Administrative costs	-	19,020,990	-	19,020,990
Other		48,957,655	-	48,957,655
Total expenses and grants	177,169,311	130,554,233	-	307,723,544
Decrease in net assets	(723,247,510)	(31,977,289)	(68,361,107)	(823,585,906)
Net Assets at December 31, 2022	$ 2,848,653,445	$ 129,436,821	$ 74,582,002	$ 3,052,672,268

3. NET ASSETS (continued)

The changes in net assets by composition for the year ended December 31, 2021, are as follows:

	Without Donor Restrictions		With Donor Restrictions	Total Net Assets
	Annuity Plan	Undesignated		
Net Assets at December 31, 2020	$ 3,455,616,817	$ 151,002,887	$ 136,497,869	$ 3,743,117,573
Revenues and other support:				
Our Church's Wider Mission	-	-	223,421	223,421
Christmas Fund appeal	-	-	1,307,727	1,307,727
Gifts and other receipts	-	24,577	361,338	385,915
Lilly Endowment grant	-	250,000	-	250,000
Interfund transfers	(15,915,778)	15,915,778	-	-
Health services premiums	-	52,119,605	-	52,119,605
Annuity Plan contributions	39,791,054	-	-	39,791,054
Investment return, net	267,827,251	14,029,578	11,332,717	293,189,546
Other	-	1,583,333	-	1,583,333
Net Asset released from donor restrictions	-	6,779,963	(6,779,963)	-
Total revenues and other support	291,702,527	90,702,834	6,445,240	388,850,601
Expenses and grants				
Grants	-	(2,138,613)	-	(2,138,613)
Programs costs	-	(2,677,515)	-	(2,677,515)
Health services claims and costs	-	(55,306,266)	-	(55,306,266)
Payments to annuitants	(175,418,389)	-	-	(175,418,389)
Administrative costs	-	(20,169,217)	-	(20,169,217)
Total expenses and grants	(175,418,389)	(80,291,611)	-	(255,710,000)
Increase in net assets	116,284,138	10,411,223	6,445,240	133,140,601
Net Assets at December 31, 2021	$ 3,571,900,955	$ 161,414,110	$ 142,943,109	$ 3,876,258,174

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS

Stable Value Fund Investments

At December 31, 2022 and 2021, the portfolio included institutional money market fund shares and synthetic guaranteed investment contracts held for liquidity and total return strategies. The liquidity strategy includes an underlying fixed income securities portfolio of asset-backed and mortgage-backed securities, U.S. government notes, and a book value, fully-benefit-responsive wrap contract issued by one insurance company, rated “AA+” by S&P. Constant duration synthetic guaranteed investment contracts are a total return strategy consisting of an underlying fixed income securities portfolio of corporate bonds, U.S. government notes, asset-backed and mortgage-backed securities, and book value, fully-benefit-responsive wrap contracts issued by a non-U.S. investment bank and a U.S. retirement insurance and annuity company, each rated “AA+” by S&P. 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. Stable value investments are reported at contract value, which approximates fair value.

For 2022 and 2021, the average yields of the portfolio were 2.0% and 2.4%, respectively. For 2022 and 2021, the annualized crediting interest rates of the portfolio were 2.5% and 2.4%, respectively. Crediting rates are set monthly and are not less than zero.

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

Fixed Income Investments

Fixed income investments include corporate bonds, U.S. government notes and bonds, U.S. government agency bonds, commercial asset-backed and mortgage-backed securities, high-yield bonds, emerging markets debt funds and an income loan trust fund.

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

The income loan trust fund invests in a commingled fund of syndicated floating rate senior loans and other senior floating rate debt instruments issued by U.S. and non-U.S. corporations and other business entities. Investing in senior loan funds is subject to credit risk, minimal interest rate risk, liquidity risk, country risk, and redemption/withdrawal risk.

Equity Investments

Equity investments incorporate domestic and international issues diversified among 13 investment managers. The Pension Boards' equity investments included approximately 35.1% and 36.4% in non-U.S. securities at December 31, 2022 and 2021, respectively. Investments in non-U.S. securities add certain additional risks including, but not limited to, foreign currency risks related to the currency of the foreign markets in which the securities are issued. Investments with currency risk are diversified over 41 and 37 different foreign countries for December 31, 2022 and 2021, respectively, with 28 and 27 different currency denominations at December 31, 2022 and 2021, respectively. At December 31, 2022 and 2021, non-U.S. investments include securities purchased in the currencies of non-U.S. developed nations 94.4% and 92.3%, respectively.

Equity fund investment types include funds with strategies that focus on emerging markets, non-U.S. developed markets, U.S. small-cap, and ESG. 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 investments in markets in more developed countries.

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.

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

The non-U.S. developed markets fund invests primarily in diversified non-U.S. equity securities representing approximately 22 and 21 countries for 2022 and 2021, respectively. Equities in non-U.S. developed markets accounted for 79.2% and 83.2% of the fund, with emerging markets accounting for 20.8% and 16.8%, at December 31, 2022 and 2021, respectively.

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-cap companies are often less liquid than those of large companies, which could make it difficult to sell shares of a small-cap stock at a desired time or price. As a result, small-cap stocks may have more price volatility. 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.

The Northern Trust Global Sustainability Index Fund is a registered mutual fund with enhanced ESG criteria, based on the MSCI World ESG Leaders Index, which measures not only the traditional investment performance of publicly traded companies, but also the quality of their performance in ESG factors and sustainability.

Other Investments

Other Investments include investments in hedge funds and real and other private assets.

Hedge Funds

Hedge Funds are interests in limited partnerships and private investment companies that use a variety of investment strategies and whose portfolios may comprise U.S. and non-U.S., publicly and non-publicly traded equity and debt securities, options, derivatives (futures), and commodities.

The 475 Fund, Ltd (475 Fund) was established to hold investments, managed on a discretionary basis by an external investment manager. The Pension Boards' agreement with the external investment manager remained in effect through December 31, 2022 and extends automatically thereafter. As of December 31, 2022, 91.6% of the 475 Fund's assets may be liquidated within 12 months or less; 98.1% of the 475 Fund's assets may be liquidated with 24 months or less; and 100% of the 475 Fund's assets may be liquidated with 36 months or less. As of December 31, 2021, 93.9% of the 475 Fund's assets may be liquidated within 12 months or less; 98.4% of the Fund's assets may be liquidated within 24 months or less; and 100% of the Fund's assets may be liquidated with 36 months or less. As of December 31, 2022 and 2021, there are no unfunded commitments related to the 475 Fund investments.

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 over-valued.
- ***Relative value***: Managers attempt to capture pricing inefficiencies/differentials between related securities while trying to minimize the impact of general market movements.

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

- ***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 macroeconomic models, fundamental research, and quantitative algorithms.
- ***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.
- ***Merger arbitrage/event-driven***: Managers invest 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.

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' investment. The Pension Boards' hedge fund investments, by strategy type, at December 31, 2022 and 2021 were as follows:

	2022 Fair Value	2021 Fair Value
Hedge Funds		
Long/short equities	$ 51,161,012	$ 70,355,186
Relative value	37,610,248	34,447,197
Opportunistic/macro	22,004,153	15,587,078
Credit	14,346,439	11,036,590
Merger arbitrage/event-driven	1,951,880	2,768,592
Total 475 fund, Ltd.	**$ 127,073,732**	**$ 134,194,643**

Real and Other Private Assets

Real and other private assets may include real estate, energy-related investments, infrastructure, hard and soft commodities, private equity, and other strategies that derive their value from their physical properties. Leverage may be utilized in real estate strategies to enhance yields of various investments and/or facilitate the diversification of the portfolio. At December 31, 2022, the Pension Boards had 20 private equity investments with a fair value of $127.5 million. 19 out of the 20 investments have remaining investment periods ranging from 1-9 years, during which time the investments of $96.2 million cannot be liquidated. One real asset investment of $31.3 million may be redeemed at the end of any quarter with 65 days' written notice. At December 31, 2021, the Pension Boards had 18 private equity investments with a fair value of $104.9 million. 16 out of the 18 investments have remaining investment periods ranging from 3-8 years, during which time the investments of $74.8 million cannot be liquidated.

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

A real estate investment of $3.4 million has an indefinite investment period, and another real asset investment of $26.7 million may be redeemed at the end of any quarter with 65 days' written notice. 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. 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, 2022 and 2021 were $67.8 million and $77.2 million, respectively.

Derivative Financial Investments

Equity Futures

Equity Futures contracts are used by an external investment manager to equitize cash in the management of the S&P 500 Index strategy and can also be used by the investment team 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 market value of open equity futures contracts was approximately $8.5 million and $6.5 million at December 31, 2022 and 2021, respectively. The maximum gross notional exchange-traded equity futures position open for both 2022 and 2021 to equitize cash was $6.8 million and $12.6 million, respectively. Futures contracts require daily cash settlement of the prior day's change in fair value. These settlements total a loss of $1.2 million and gain of $2.4 million for the years ended December 31, 2022, and 2021, respectively, and are recorded in the accompanying combined financial statements as a component of Investment return, net.

Fixed Income Futures

Fixed income futures contracts are used as a simple and cost-effective tool to better manage portfolio interest rate exposure without reducing portfolio yield or selling attractive and illiquid bonds. Purchases of Treasury futures would increase interest rate exposure (duration); conversely, sales of Treasury futures would lower interest rate exposure. The Pension Boards had six open fixed income futures contracts as of December 31, 2022. The market value of open fixed income futures contracts was approximately $233.9 million and $241.9 million at December 31, 2022 and 2021, respectively. The maximum gross notional exchange-traded fixed income futures positions open for 2022 and 2021 was $242.8 million and $188.4 million, respectively. Futures contracts require daily cash settlement of the prior day's change in fair value. These settlements total losses of $39.2 million and $0.1 million for the years ended December 31, 2022, and 2021, respectively, and are recorded in the accompanying combined financial statements as a component of investment return, net.

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

Interest Rate Swaps

Swaps are marked to market and unrealized appreciation or (depreciation) on derivatives contracts is recorded at each valuation date. An interest rate swap is an agreement between two parties where one stream of future interest payments is exchanged for another based on a specified principal amount. Interest rate swaps often exchange a fixed payment for a floating payment that is linked to an interest rate. The Pension Boards enters interest rate swap contracts with the objective to hedge its interest rate exposure. Entering into interest rate swap contracts involves the risk of dealing with counterparties and their ability to meet the terms of the contract. Market risk exists with such contracts to the extent that the underlying index or benchmark rates change. The realized loss and unrealized gain of the interest rate swap contracts was ($14.7 million) and $1.3 million, respectively, for the year ended December 31, 2022, and are recorded in the accompanying combined financial statements as a component of investment return, net. The realized gain and unrealized loss of the interest rate swap contracts were $208,943 and ($1,165,035), respectively, for the year ended December 31, 2021. The market value of the swap contracts was ($578,989) and ($223,415) at December 31, 2022 and 2021, respectively, and is included in Payable to brokers for securities purchases in the combined statements of financial position.

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. The types of investments generally included in this category are exchange-traded equities, short-term money market instruments, actively-traded U.S. Government bonds and notes, and exchange-traded mutual funds. The fair values of these securities are generally based on quotations obtained from national securities exchanges.

- **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. Where securities are not listed on an exchange, quotations are obtained from brokerage firms. Level 2 investments generally included in this category are corporate bonds and non-exchange traded equities, debt, and mutual funds.

- **Level 3**: Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

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.

Investments Measured at Net Asset Values: As a practical expedient, the Pension Boards uses net asset value (NAV) as the fair value for certain investments. The practical expedient is applied to measure the fair value of investments in certain entities that do not have a quoted market value price but calculate NAV per share or its equivalent, including an income loan trust fund, an emerging market commingled equity fund, cash collateral provided by securities borrowers, hedge funds, and real and other private assets. These securities are excluded from the fair value hierarchy level classification. Instead, these securities are disclosed separately and shown as a reconciling item between the total amount of investments categorized within the fair value hierarchy and total investments measured at fair value on the face of the combined financial statements.

The Pension Boards may redeem its investment in the emerging markets equity fund at the beginning of each calendar month by giving notice on or before the fifteenth day of the prior month; and its investment in the income loan trust fund on the 15th day of the month by giving notice on or before the fifteenth day of the prior month. As of December 31, 2022 and 2021, there are no unfunded commitments related to the income loan trust fund, or the emerging markets equity fund.

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

The following table sets forth by level within the fair value hierarchy investment assets as of December 31, 2022:

	Investments as of December 31, 2022			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
INVESTMENTS				
Common Stock	$ 1,063,329,425	$ -	$ -	$ 1,063,329,425
Corporate Bonds	-	629,183,109	-	629,183,109
Government Bonds	289,996,941	-	-	289,996,941
Mutual Funds	174,768,735	-	-	174,768,735
Mortgage Backed Securities	-	148,322,580	-	148,322,580
Government Agencies	-	123,829,322	-	123,829,322
Institutional Money Market Fund Shares	95,676,584	-	-	95,676,584
Asset Backed Securities	-	84,891,938	-	84,891,938
Bank Loans	-	1,287,870	-	1,287,870
Stapled Securities	592,409	-	-	592,409
Preferred Stock	166,559	-	-	166,559
Beneficial Interest in Other	-	-	22,137	22,137
Rights/Warrants	6,837	-	-	6,837
SUB-TOTAL INVESTMENTS	$ 1,624,537,490	$ 987,514,819	$ 22,137	$ 2,612,074,446
INVESTMENTS VALUED AT NAV AS A PRACTICAL EXPEDIENT				
Commingled Funds				$ 187,144,244
Real and Other Assets				127,507,430
Hedge Funds				127,073,732
Private Equity				8,109,072
TOTAL INVESTMENTS VALUED AT NAV AS A PRACTICAL EXPEDIENT				$ 449,834,478
TOTAL INVESTMENTS	$ 1,624,537,490	$ 987,514,819	$ 22,137	$ 3,061,908,924
COLLATERAL PROVIDED BY SECURITIES BORROWERS				
Non-cash collateral	$ -	$ 75,620,484	$ -	$ 75,620,484
Cash collateral (Valued at NAV as Practical Expedient)	-	-	-	35,304,048
TOTAL COLLATERAL PROVIDED BY SECURITIES BORROWERS	$ -	$ 75,620,484	$ -	$ 110,924,532

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

The following table sets forth by level within the fair value hierarchy investment assets as of December 31, 2021:

	Investments as of December 31, 2021			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
INVESTMENTS				
Common Stock	$ 1,439,190,476	$ -	$ -	$ 1,439,190,476
Corporate Bonds	-	826,822,039	-	826,822,039
Government Bonds	306,861,992	-	-	306,861,992
Mutual Funds	210,432,160	-	-	210,432,160
Mortgage Backed Securities	-	193,064,984	-	193,064,984
Government Agencies	-	146,792,143	-	146,792,143
Institutional Money Market Fund Shares	110,473,966	-	-	110,473,966
Asset Backed Securities	-	84,283,402	-	84,283,402
Beneficial Interest in PMF	-	-	48,957,656	48,957,656
Index Linked Government Bonds	3,946,902	-	-	3,946,902
Bank Loans	-	2,285,396	-	2,285,396
Stapled Securities	1,425,121	-	-	1,425,121
Preferred Stock	1,497,008	-	-	1,497,008
Beneficial Interest in Other	-	-	26,953	26,953
SUB-TOTAL INVESTMENTS	$ 2,073,827,625	$ 1,253,247,964	$ 48,984,609	$ 3,376,060,198
INVESTMENTS VALUED AT NAV AS A PRACTICAL EXPEDIENT				
Commingled Funds				$ 253,814,025
Real and Other Assets				104,865,364
Hedge Funds				134,194,643
Private Equity				11,529,740
TOTAL INVESTMENTS VALUED AT NAV AS A PRACTICAL EXPEDIENT				$ 504,403,772
TOTAL INVESTMENTS	$ 2,073,827,625	$ 1,253,247,964	$ 48,984,609	$ 3,880,463,970
COLLATERAL PROVIDED BY SECURITIES BORROWERS				
Non-cash collateral	$ -	$ 78,614,984	$ -	$ 78,614,984
Cash collateral (Valued at NAV as Practical Expedient)	-	-	-	58,934,036
TOTAL COLLATERAL PROVIDED BY SECURITIES BORROWERS	$ -	$ 78,614,984	$ -	$ 137,549,020

The Pension Boards' income interest in certain funds is included at Level 3 in the fair value hierarchy. For the years ended December 2022 and 2021, the Pension Boards did not contribute funds to those funds. There were no transfers into and out of Level 3 for the years ended December 31, 2022 and 2021. The combined statements of activities include income received from PMF of $2.1 million in both 2022 and 2021, and the changes in the Pension Boards' interest in the PMF of $3.5 million in 2021, and were classified in investment return, net.

Securities Lending Program

The Pension Boards participates in a securities lending program with various brokers and dealers in securities through its custodian bank. It is the policy to hold, as collateral, cash, or short-term fixed income securities in amounts at least equal to or greater than the market value of the investments on loan until the loaned Pension Boards' securities are returned. By the end of the business day on which securities are delivered to the borrower, collateral equal to 102%

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

of the market value of a loaned U.S. security and/or 105% of a non-U.S. security, including any accrued interest, is obtained from the borrower for the benefit of the Pension Boards.

The cash collateral obtained is invested in the Northern Trust Institutional Liquid Asset Portfolio Fund and is measured at NAV per share as provided by Northern Trust. There are no known or anticipated redemptions, no unfunded commitments, and no notice required to sell the shares/units at any given time. The fair value of the Pension Boards' non-cash collateral was $75.6 million and $78.6 million at December 31, 2022 and 2021, respectively. The fair value of the non-cash collateral under a securities lending program is based upon quoted market close prices for identical securities from the exchanges upon which they trade. For securities for which market prices are not readily available, fair values are determined by a pricing service based upon quoted market close prices for similar issues, dealer quotes or pricing models utilizing market observable inputs from comparable securities. Amortized cost of short-term financial instruments, including time deposits, repurchase agreements, commercial paper, and other short-term investments approximates the fair value of these instruments. The fair value of securities on loan was $110.9 million and $137.5 million at December 31, 2022 and 2021, respectively. Loaned securities in the program include equities and fixed income securities.

5. LEASE COMMITMENTS

As of December 31, 2022, the weighted average discount rate for the Pension Boards' right-of-use lease was 1.6% and the average remaining term 6.6 years. Lease payments on short-term leases and leases with immaterial remaining payments at Adoption Date are expensed on a straight-line basis over the expected lease terms. For December 31, 2022, the Pension Boards recognized lease expense of $841,339 included within administrative costs in the combined statements of activities.

Sublease income of $28,631 was also recognized during the year ended December 31, 2022 and is included within the combined statements of activities as a reduction of administrative costs.

5. LEASE COMMITMENTS (continued)

Future minimum lease payments as of December 31, 2022, were as follow:

	Aggregate Lease Liabilities
2023	749,830
2024	749,830
2025	749,830
2026	749,830
2027	749,830
Thereafter	1,187,233
Total Operating Lease Payments	4,936,383
Less: Imputed Interest	(249,451)
Total Operating Lease Liabilities	4,686,932

6. ENDOWMENTS

During 2022 and 2021, endowments were invested in the Equity, Bond, and Sustainable Balanced Funds managed by the Pension Boards.

Endowment net asset composition as of December 31, 2022, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Designated to function as endowment	$ 2,384,030	$ -	$ 2,384,030
Donor-restricted gifts to be maintained in perpetuity	-	5,792,256	5,792,256
Accumulated investment earnings on gifts	-	6,025,076	6,025,076
Total endowments	$ 2,384,030	$ 11,817,332	$ 14,201,362

Endowment net asset composition as of December 31, 2021, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Designated to function as endowment	$ 4,804,784	$ -	$ 4,804,784
Donor-restricted gifts to be maintained in perpetuity	-	5,792,256	5,792,256
Accumulated investment earnings on gifts	-	7,812,704	7,812,704
Total endowments	$ 4,804,784	$ 13,604,960	$ 18,409,744

6. ENDOWMENTS (continued)

Changes in endowment net assets for the year ended December 31, 2022 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at December 31, 2021	$ 4,804,784	$ 13,604,960	$ 18,409,744
Donations	-	1,408,264	1,408,264
Transfer from annuity plan net assets	13,193,046	-	13,193,046
Income from the Pilgrim Memorial Fund	2,138,767	-	2,138,767
Appropriation for grants and expense	(15,585,100)	(1,393,311)	(16,978,411)
Investment return	(2,167,467)	(1,802,581)	(3,970,048)
Endowment net assets at December 31, 2022	$ 2,384,030	$ 11,817,332	$ 14,201,362

Changes in endowment net assets for the year ended December 31, 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at December 31, 2020	$ 2,826,482	$ 12,381,072	$ 15,207,554
Donations	-	1,531,463	1,531,463
Transfer from annuity plan net assets	15,915,778	-	15,915,778
Income from the Pilgrim Memorial Fund	2,105,886	-	2,105,886
Appropriation for grants and expense	(16,066,359)	(1,618,316)	(17,684,675)
Investment return	22,997	1,310,741	1,333,738
Endowment net assets at December 31, 2021	$ 4,804,784	$ 13,604,960	$ 18,409,744

The Pension Boards receives distributions from the Pilgrim Memorial Fund (PMF), a perpetual endowment fund established for the benefit of the members of the Annuity Plan of which United Church Funds (UCF) is the successor trustee. Currently, five percent of the five-year average of the aggregate assets of PMF as of the previous September 30 is distributed quarterly by UCF to the Pension Boards. The combined statements of activities include distributions received from PMF of $2.1 million in both 2022 and 2021. In 2021, investment return, net also contained $3.5 million resulting from the changes in the Pension Boards' interest in PMF.

In 2022, the Pension Boards derecognized its interest in PMF by recording an adjustment to expenses. As a result, $48 million of net assets was released from restriction. This adjustment is reflected in Other on the combined statements of activities. The adjustment did not have a material impact on the combined financial statements of the Pension Boards.

7. COMBINED ACTIVITIES BY FUND

The combined activities by fund for the year ended December 31, 2022 are as follows:

	ANNUITANT FUND	ACCUMULATION FUND	BENEFIT SERVICES FUND	MINISTERIAL ASSISTANCE FUND	OPERATING FUND	GENERATION COMPANIES	TOTAL
REVENUES AND OTHER SUPPORT							
Investment return, net	$ (379,825,640)	$ (191,834,231)	$ (23,717,880)	$ (14,686,471)	$ 3,855,884	$ -	$ (606,208,338)
Health services premiums	-	-	49,548,141	-	-	-	49,548,141
Employer pension contributions	-	29,758,951	-	-	-	-	29,758,951
Member pension contributions	-	9,015,766	-	-	-	-	9,015,766
Christmas Fund appeal	-	-	-	1,164,452	-	-	1,164,452
Our Church's Wider Mission	-	-	-	243,802	-	-	243,802
Generations Investment Services management fees	-	-	-	-	-	26,646	26,646
Generations Financail Resources loan interest earned	-	-	-	-	-	9,191	9,191
Donations and legacies	-	-	-	472,703	106,324	-	579,027
Interfund transfers	68,198,200	(81,391,245)	-	-	13,193,045	-	-
Total Investment return loss and other support	(311,627,440)	(234,450,759)	25,830,261	(12,805,514)	17,155,253	35,837	(515,862,362)
EXPENSES							
Pension payments to annuitants	154,226,780	-	-	-	-	-	154,226,780
Partial withdrawals and lump-sum payments	-	22,942,531	-	-	-	-	22,942,531
Health services claims	-	-	45,832,878	-	-	-	45,832,878
Health services costs	-	-	8,985,311	-	-	-	8,985,311
Administrative costs	-	-	-	1,500,000	19,013,125	7,865	20,520,990
Other	-	-	-	-	48,957,655	-	48,957,655
Ministerial Assistance grants	-	-	-	2,132,600	601,500	-	2,734,100
Ministerial Assistance programs and administrative costs	-	-	-	3,523,299	-	-	3,523,299
Total expenses	154,226,780	22,942,531	54,818,189	7,155,899	68,572,280	7,865	307,723,544
DECREASE IN NET ASSETS	$ (465,854,220)	$ (257,393,290)	$ (28,987,928)	$ (19,961,413)	$ (51,417,027)	$ 27,972	$ (823,585,906)

The combined activities by fund for the year ended December 31, 2021 are as follows:

	ANNUITANT FUND	ACCUMULATION FUND	BENEFIT SERVICES FUND	MINISTERIAL ASSISTANCE FUND	OPERATING FUND	GENERATION COMPANIES	TOTAL
REVENUES AND OTHER SUPPORT							
Investment return, net	$ 140,408,929	$ 127,418,322	$ 11,520,353	$ 7,803,799	$ 6,038,143	$ -	$ 293,189,546
Health services premiums	-	-	52,119,605	-	-	-	52,119,605
Employer pension contributions	-	30,407,923	-	-	-	-	30,407,923
Member pension contributions	-	9,383,131	-	-	-	-	9,383,131
Christmas Fund appeal	-	-	-	1,307,727	-	-	1,307,727
Our Church's Wider Mission	-	-	-	223,421	-	-	223,421
Generations Investment Services management fees	-	-	-	-	-	21,491	21,491
Generations Financail Resources loan interest earned	-	-	-	-	-	3,086	3,086
Donations and legacies	-	-	-	361,338	-	-	361,338
Lilly Grant Receipts	-	-	-	-	250,000	-	250,000
Interfund transfers	84,668,132	(100,583,910)	-	-	15,915,778	-	-
Other	-	-	-	-	1,583,333	-	1,583,333
Total revenues and other support	225,077,061	66,625,466	63,639,958	9,696,285	23,787,254	24,577	388,850,601
EXPENSES							
Pension payments to annuitants	151,594,774	-	-	-	-	-	151,594,774
Partial withdrawals and lump-sum payments	-	23,823,615	-	-	-	-	23,823,615
Health services claims	-	-	43,822,889	-	-	-	43,822,889
Health services costs	-	-	11,483,377	-	-	-	11,483,377
Administrative costs	-	-	-	2,512,335	17,649,692	7,190	20,169,217
Ministerial Assistance grants	-	-	-	1,590,113	548,500	-	2,138,613
Ministerial Assistance programs and administrative costs	-	-	-	2,677,515	-	-	2,677,515
Total expenses	151,594,774	23,823,615	55,306,266	6,779,963	18,198,192	7,190	255,710,000
INCREASE IN NET ASSETS	$ 73,482,287	$ 42,801,851	$ 8,333,692	$ 2,916,322	$ 5,589,062	$ 17,387	$ 133,140,601
DECEMBER 31, 2020 NET ASSETS	2,208,289,400	1,247,327,417	145,558,580	88,594,857	52,279,724	1,067,595	3,743,117,573
INCREASE IN NET ASSETS	73,482,287	42,801,851	8,333,692	2,916,322	5,589,062	17,387	133,140,601
DECEMBER 31, 2021 NET ASSETS	$ 2,281,771,687	$ 1,290,129,268	$ 153,892,272	$ 91,511,179	$ 57,868,786	$ 1,084,982	$ 3,876,258,174

8. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing plan administration, investment management, programs, and other activities are summarized on a functional basis through December 31, 2022:

	Ministerial Assistance	Benefit Service Fund	Annuity Fund	Management and General	Generation Companies	Total
Salaries and benefits	$ 2,689,860	$ 2,403,869	$ -	$ 8,645,692	$ -	$ 13,739,421
Professional services	70,674	152,183	-	3,739,930	-	3,962,787
Pension payments to annuitants	-	-	177,169,311	-	-	177,169,311
Health service claims and costs	-	52,267,694	-	-	-	52,267,694
Grants and Programs	2,132,600	-	-	601,500	-	2,734,100
Facilities	45,155	8,998	-	1,101,086	-	1,155,239
Depreciation	-	-	-	102,413	-	102,413
Information technology	26,334	-	-	1,121,193	-	1,147,527
Fundraising	94,731	1,000	-	44,777	-	140,508
Travel	182,586	10,054	-	347,917	-	540,557
Banking services	40,833	-	-	237,532	7,865	286,230
Other	1,873,126	(25,609)	-	52,630,240	-	54,477,757
Total expenses by function	$ 7,155,899	$ 54,818,189	$ 177,169,311	$ 68,572,280	$ 7,865	$ 307,723,544

The costs of providing plan administration, investment management, programs, and other activities are summarized on a functional basis through December 31, 2021:

	Ministerial Assistance	Benefit Service Fund	Annuity Fund	Management and General	Generation Companies	Total
Salaries and benefits	$ 2,033,724	$ 1,587,807	$ -	$ 9,229,824	$ -	$ 12,851,355
Professional services	81,702	30,024	-	4,027,846	-	4,139,572
Pension payments to annuitants	-	-	175,418,389	-	-	175,418,389
Health service claims and costs	-	54,720,969	-	-	-	54,720,969
Grants and Programs	1,590,113	-	-	548,500	-	2,138,613
Facilities	25,108	31,749	-	1,373,026	-	1,429,883
Depreciation	-	-	-	142,175	-	142,175
Information technology	-	-	-	959,146	-	959,146
Fundraising	133,867	-	-	28,000	-	161,867
Travel	25,351	329	-	191,669	-	217,349
Banking services	41,597	-	-	412,266	7,190	461,053
Other	336,166	(1,064,612)	-	1,285,740	-	557,294
Bad Debt	2,512,335	-	-	-	-	2,512,335
Total expenses by function	$ 6,779,963	$ 55,306,266	$ 175,418,389	$ 18,198,192	$ 7,190	$ 255,710,000

Certain costs have been allocated among Annuitant Funds, Accumulation Funds, Ministerial Assistance functions, and general management of the organization. Such allocations are determined on an equitable basis according to the following methods- time and effort, full time equivalent and square footage.

9. AVAILABILITY, LIQUIDITY and COMMITMENT

The Pension Boards had $18.5 million and $32.2 million, respectively of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure consisting of cash, marketable securities, and accrued investment income receivable and other at December 31, 2022 and 2021. The Pension Boards manages its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, cash in excess of daily requirements is invested in short-term money market accounts.

9. AVAILABILITY, LIQUIDITY and COMMITMENT (continued)

At December 31, 2022 and 2021, financial assets and liquidity resources available within one year for general expenditure are as follows:

Financial assets at year end	2022	2021
Cash	$ 4,296,844	$ 17,072,646
Investments	3,045,540,105	3,867,848,856
Accrued investment income receivable and other	16,801,232	16,011,782
Total financial assets	3,066,638,181	3,900,933,284
Less amounts not available for general expenditures to be used within one year		
Net assets with donor restrictions	(74,582,002)	(142,943,109)
Annuitant fund net asset	(1,815,917,467)	(2,281,771,687)
Accumulation fund net asset	(1,032,735,978)	(1,290,129,268)
Benefit service funds net assets	(124,904,344)	(153,892,272)
Total amounts not available within one year	(3,048,139,791)	(3,868,736,336)
Financial assets available to meet general expenditures within one year	$ 18,498,390	$ 32,196,948

Funded Status of the Basic and Participating Annuities

At retirement, the current options available to our members are the Basic Annuity or the Participating Annuity. Both the Basic and Participating Annuities are reviewed annually, each November, for potential adjustments to annuity benefits effective January 1.

Basic Annuity

The Basic Annuity is expected to produce average investment returns over the long term that are close to the assumed, and factored in, 4% annual investment return. The portfolio is expected to provide for benefits that are stable and keep the annuity payment relatively constant.

Permissible investments in the Basic Annuity Fund include U.S. Treasury securities, government agency bonds, corporate bonds, municipal bonds, mortgage-backed, and asset-backed securities, U.S. dollar-denominated foreign bonds, and cash equivalents. The Fund may also invest in senior secured bank loans, high yield bonds, non-investment grade, and emerging market debt securities denominated in U.S. dollar or any other currency within established limits. An average duration of 5 to 15 years is normally maintained in this Fund.

Predominantly fixed income-based alternative assets may be approved by the Pension Boards Investment Committee.

The present value of benefits and percent funded at market value of the Basic Annuity using the Corporate AA rate was $594.4 million (114.8%) and $632.7 million (113.5%) at December 31, 2022 and 2021, respectively.

9. AVAILABILITY, LIQUIDITY and COMMITMENT (continued)

The present value of benefits was based on the corporate AA rate of 4.9% and 2.5% at December 31, 2022 and 2021, respectively. The IAM 2012 Period Mortality Table with Scale G2 improvement was utilized to calculate the present value of benefit.

Participating Annuity

The Participating Annuity is designed to produce average returns over the long term that are higher than the assumed, and factored in, 4% annual investment return. The portfolio is expected to provide for benefits that gradually increase over time and the expectation is that it will keep pace with inflation.

The Participating Annuity is invested in a portfolio with a target allocation of 55% to equities, 35% to bonds, and 10% to real and other private assets.

For the equity portion, the Participating Annuity Fund invests primarily in a broadly diversified portfolio of domestic and international equity securities, further diversified by market capitalization, sector, and style.

For the bond portion, permissible investments include Treasury securities, government agency bonds, corporate bonds, mortgage-backed and asset-backed securities, U.S. dollar-denominated foreign bonds, and cash equivalents. The Fund may also invest in senior secured bank loans, high-yield bonds, non-investment grade and emerging market debt securities denominated in U.S. dollar or any other currency within established limits. An average duration of 5 to 15 years is normally maintained in this Fund.

Alternative assets are permitted, within limits, subject to approval by the Pension Boards Investment Committee. Alternatives may include private equity (buyouts, venture capital, distressed), real assets (real estate, infrastructure, timber, and other natural resource-based assets), and hedge fund strategies such as arbitrage, relative value, directional, and event-driven strategies.

The present value of benefits and percent funded at market value of the Participating Annuity using the Corporate AA rate was $1,046.1 million (113.4%) and $1,155.9 million (115.2%) at December 31, 2022 and 2021, respectively.

The present value of benefits was based on the corporate AA rate of 4.9% and 2.5% at December 31, 2022 and 2021, respectively. The IAM 2012 Period Mortality Table with Scale G2 improvement was utilized to calculate the present value of benefit.

Equity and Balanced Annuities

The Pension Boards also has an Equity Benefit Annuity and Balanced Benefit Annuity, which have been closed and not available for new retirees. Annuitants who retired prior to April 1, 2006, and who chose to remain in the Equity Benefit and Balanced Benefit Annuities, continue to receive payments as they have in the past, with payment adjustments effective April 1 and October 1 using investment performance from the prior six-month period ended December 31 and June 30, respectively. Funded status is not performed due to the variable nature of these annuities. All gains and losses are passed onto participants on a semi-annual basis.

10. SUBSEQUENT EVENTS

The Pension Boards has evaluated subsequent events through April 18, 2023. There were no subsequent events that required recognition or disclosure in the combined financial statements.

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