



THE BOARD OF PENSIONS  
OF THE PRESBYTERIAN CHURCH (U.S.A.)

2020

# Statement of Management Responsibility and Independent Auditors' Report

Combined Financial Statements  
and Supplemental Schedules  
as of and for the years ended  
December 31, 2018, 2019 and 2020





THE BOARD OF PENSIONS  
OF THE PRESBYTERIAN CHURCH (U.S.A.)

## Statement of Management Responsibility

The management of The Board of Pensions of the Presbyterian Church (U.S.A.) is responsible for the preparation and integrity of the accompanying combined financial statements. The statements are prepared in conformity with accounting principles generally accepted in the United States of America and include amounts based on our best judgments and estimates.

Management has established and maintains internal accounting controls and procedures to provide reasonable assurance that assets are safeguarded and that transactions are authorized, recorded and reported properly. In our opinion, these internal accounting controls provide this assurance and the financial records are reliable.

The Board of Pensions is governed by an independent Board of Directors elected by the General Assembly of the Presbyterian Church (U.S.A.). The independent auditors, Deloitte & Touche LLP, are recommended by the Audit and Compliance Committee of the Board of Directors and approved by the Board of Directors.

The Audit and Compliance Committee meets with the independent auditors, management, and the internal auditors periodically to discuss internal accounting controls, auditing and financial reporting matters. The independent auditors review with the Audit and Compliance Committee the scope and results of the audit. To help ensure auditor independence and objectivity, the Audit and Compliance Committee meets with both the independent and internal auditors without management present.

The report of the independent auditors, based upon their audits of the combined financial statements, is contained in this financial report.

A handwritten signature in blue ink, appearing to read 'Frank Spencer'.

The Reverend Frank Clark Spencer  
President

A handwritten signature in blue ink, appearing to read 'Michael F. Fallon'.

Michael F. Fallon Jr.  
Executive Vice President and  
Chief Financial Officer

March 16, 2021

## INDEPENDENT AUDITORS' REPORT

The Board of Pensions of the Presbyterian Church (U.S.A.)  
Philadelphia, Pennsylvania

We have audited the accompanying combined statements of net assets available for benefits and statements of accumulated plan benefit obligations of The Board of Pensions of the Presbyterian Church (U.S.A.) (the "Board of Pensions") as of December 31, 2018, 2019 and 2020, and the related combined statements of changes in net assets available for benefits and changes in accumulated plan benefit obligations for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

The Board of Pensions' management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

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

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

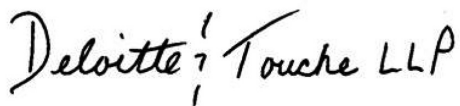
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined net assets available for benefits and accumulated plan benefit obligations of The Board of Pensions of the Presbyterian Church (U.S.A.) at December 31, 2018, 2019 and 2020, and the combined changes in its net assets available for benefits and accumulated plan benefit obligations for the years then ended in conformity with accounting principles generally accepted in the United States of America.

## Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules of benefits provided for the years ended December 31, 2018, 2019 and 2020; administrative expenses for the years ended December 31, 2018, 2019 and 2020; and changes in net assets available for benefits by program and activity for the years ended December 31, 2018, 2019 and 2020 are presented for the purpose of additional analysis and are not a required part of the financial statements. These schedules are the responsibility of the Board of Pensions' management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such schedules have been subjected to the auditing procedures applied in our audits of the financial statements and certain additional procedures, including comparing and reconciling such schedules directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such schedules are fairly stated in all material respects in relation to the financial statements as a whole.

The image shows a handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style.

March 16, 2021

# The Board of Pensions of the Presbyterian Church (U.S.A.)

December 31, 2018, 2019 and 2020

(000's Omitted)

Combined Statement of Net Assets Available for Benefits	2018	2019	2020
<b>Assets</b>			
Investments – at fair value (Notes 2, 4)	\$ 9,799,463	\$ 11,189,342	\$ 12,353,341
Operating cash	1,776	1,246	2,322
Dues receivable, net (Note 2)	2,851	2,343	3,940
Christmas Joy Offering receivable	407	355	297
Other assets (Note 2)	29,898	30,200	28,336
<b>Total Assets</b>	<b>9,834,395</b>	<b>11,223,486</b>	<b>12,388,236</b>
<b>Liabilities</b>			
Bank drafts payable	617	475	2,119
Accrued expenses and other liabilities	32,384	32,961	30,941
Current medical benefit obligations (Notes 2, 5)	14,624	16,384	15,781
Future medical benefit obligations (Notes 2, 6)	7,220	5,594	5,594
<b>Total Liabilities</b>	<b>54,845</b>	<b>55,414</b>	<b>54,435</b>
<b>Net Assets Available For Benefits</b>	<b>\$ 9,779,550</b>	<b>\$ 11,168,072</b>	<b>\$ 12,333,801</b>
<b>Net Assets Available For Benefits By Program</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
<b>Retirement Programs</b>			
Defined Benefit Pension Plan	\$ 7,959,463	\$ 9,005,604	\$ 9,821,618
Retirement Savings Plans	672,654	844,325	1,042,419
Other Plans and Reserves	3,637	5,116	12,177
<b>Total Retirement Programs</b>	<b>8,635,754</b>	<b>9,855,045</b>	<b>10,876,214</b>
<b>Financial Protection Programs</b>			
Death and Disability Plan	759,514	878,769	980,865
Supplemental Death and Disability Benefits	42,630	50,422	58,155
<b>Total Financial Protection Programs</b>	<b>802,144</b>	<b>929,191</b>	<b>1,039,020</b>
<b>Health Programs</b>			
Medical Plan	198,672	222,348	242,443
Medicare Supplement Plan	18,895	22,263	24,646
Dental Plan	2,633	3,136	4,689
<b>Total Health Programs</b>	<b>220,200</b>	<b>247,747</b>	<b>271,778</b>
<b>Assistance Program</b>	<b>121,452</b>	<b>136,089</b>	<b>146,789</b>
<b>Total Net Assets Available For Benefits By Program</b>	<b>\$ 9,779,550</b>	<b>\$ 11,168,072</b>	<b>\$ 12,333,801</b>

The accompanying notes are an integral part of the combined financial statements.

# The Board of Pensions of the Presbyterian Church (U.S.A.)

Years Ended December 31, 2018, 2019 and 2020

(000's Omitted)

Combined Statements of Changes in Net Assets Available for Benefits	2018	2019	2020
<b>Additions To (Deductions From) Net Assets</b>			
Investment Income (Loss) (Notes 2, 4)			
Investment income	\$ 139,609	\$ 146,145	\$ 125,748
Net gains (losses)	(577,000)	1,626,034	1,440,715
Net Investment Income (Loss)	(437,391)	1,772,179	1,566,463
Contributions (Note 3)			
Benefits Plan Dues	294,353	293,444	287,918
Retirement Savings Plans	48,711	56,266	52,959
Medicare Part D Subsidy	9,139	13,855	14,794
Christmas Joy Offering	1,262	1,402	1,218
Other	1,574	2,407	2,786
Total Contributions	355,039	367,374	359,675
Other			
Decrease in future medical benefit obligations (Note 6)	–	1,626	–
<b>Total Additions</b>	(82,352)	2,141,179	1,926,138
<b>Deductions From Net Assets</b>			
Benefits provided	661,445	693,137	701,864
Administrative expenses	58,294	59,520	58,545
<b>Total Deductions</b>	719,739	752,657	760,409
Increase (Decrease) in Net Assets Available for Benefits	(802,091)	1,388,522	1,165,729
<b>Net Assets Available for Benefits</b>			
<b>Beginning of Year</b>	10,581,641	9,779,550	11,168,072
<b>End of Year</b>	\$ 9,779,550	\$ 11,168,072	\$ 12,333,801

The accompanying notes are an integral part of the combined financial statements.

## The Board of Pensions of the Presbyterian Church (U.S.A.)

December 31, 2018, 2019 and 2020

(000's Omitted)

Statements of Accumulated Plan Benefits	2018	2019	2020
<b>Defined Benefit Pension Plan</b>			
Actuarial Present Value of Accumulated Plan Benefits (Notes 2, 7, 13)			
Participants currently receiving benefits	\$ 4,039,040	\$ 4,560,587	\$ 4,928,784
Other participants	2,292,343	2,695,236	2,940,372
Total Vested Benefits	6,331,383	7,255,823	7,869,156
Non-Vested Benefits	5,925	8,956	6,983
<b>Total Accumulated Defined Benefit Pension Plan Benefits</b>	<b>\$ 6,337,308</b>	<b>\$ 7,264,779</b>	<b>\$ 7,876,139</b>
<b>Death and Disability Plan</b>			
Actuarial Present Value of Accumulated Plan Benefits (Notes 2, 7, 13)			
Vested Benefits	\$ 159,646	\$ 171,065	\$ 162,028
Non-Vested Benefits	86,302	93,523	92,379
<b>Total Accumulated Death and Disability Plan Benefits</b>	<b>\$ 245,948</b>	<b>\$ 264,588</b>	<b>\$ 254,407</b>

The accompanying notes are an integral part of the combined financial statements.



# The Board of Pensions of the Presbyterian Church (U.S.A.)

Years Ended December 31, 2018, 2019 and 2020

(000's Omitted)

Statements of Changes in Accumulated Plan Benefits	2018	2019	2020
<b>Defined Benefit Pension Plan</b>			
Increase (decrease) during the year attributable to:			
Interest, as a result of the decrease in the discount period	\$ 203,866	\$ 230,235	\$ 194,886
Plan changes (Note 8)	250,500	228,142	145,295
Benefits accumulated and actuarial experience	108,192	85,675	67,868
Change in interest rate assumption (Note 7)	(428,147)	782,492	677,689
Change in other assumptions (Note 7)	(15,104)	–	(64,226)
Benefits paid	(382,748)	(399,073)	(410,152)
Net Increase (Decrease)	(263,441)	927,471	611,360
<b>Accumulated Plan Benefit Obligations</b>			
<b>Beginning of Year</b>	6,600,749	6,337,308	7,264,779
<b>End of Year</b>	\$ 6,337,308	\$ 7,264,779	\$ 7,876,139
<b>Death and Disability Plan</b>			
Increase (decrease) during the year attributable to:			
Interest, as a result of the decrease in the discount period	\$ 8,038	\$ 8,854	\$ 7,016
Plan changes (Note 8)	396	11,296	396
Benefits accumulated and actuarial experience	8,501	(5,058)	1,375
Change in interest rate assumption (Note 7)	(12,875)	23,419	18,809
Change in other assumptions (Note 7)	(229)	–	(16,838)
Benefits paid	(21,149)	(19,871)	(20,939)
Net Increase (Decrease)	(17,318)	18,640	(10,181)
<b>Accumulated Plan Benefit Obligations</b>			
<b>Beginning of Year</b>	263,266	245,948	264,588
<b>End of Year</b>	\$ 245,948	\$ 264,588	\$ 254,407

The accompanying notes are an integral part of the combined financial statements.

# The Board of Pensions of the Presbyterian Church (U.S.A.)

## Notes to Combined Financial Statements Years Ended December 31, 2018, 2019 and 2020

### 1. DESCRIPTION OF THE ORGANIZATION AND THE BENEFITS PLAN

The Board of Pensions of the Presbyterian Church (U.S.A.) (the "Board of Pensions") administers a comprehensive benefits program for the members of The Benefits Plan of the Presbyterian Church (U.S.A.) (the "Benefits Plan") as well as programs that provide financial assistance to eligible members (the "Assistance Program").

Eligibility for membership in the Benefits Plan is open to employees of the Presbyterian Church (U.S.A.) (the "Church") or any board, agency or local church under the jurisdiction of the Church; any employment approved by the General Assembly, Presbytery, or Synod of the Church; and any employees whose employment was approved by the Board of Pensions and who commenced eligible service. The complete provisions and summary description of the Benefits Plan have been published and made available to Benefits Plan members.

The Benefits Plan is a Church Plan as defined in Section 414(e) of the Internal Revenue Code and in Title 1 of the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended. The Benefits Plan has not elected to be subject to ERISA. The Board of Pensions files Form 990-T, Exempt Organization Business Income Tax Return, with the Internal Revenue Service. Form 990-T is available for public inspection at the Board of Pensions' offices during normal business hours.

The Board of Pensions groups its Benefits Plan and other programs for reporting and management purposes into categories that are briefly described below. The Board of Pensions partners with several third-party organizations to provide claims administration and management services. Members should refer to the Benefits Plan's documents for a complete description of the coverage and other programs.

**RETIREMENT PROGRAMS** – The Retirement Programs are part of the Benefits Plan and consist of:

- **The Defined Benefit Pension Plan** is a defined benefit plan and provides lifetime income benefits (based on accrued service and salary), as defined by the plan's formula, to members and eligible survivors during retirement. The assets of the pension plan are held under a trust agreement.
- **The Supplemental Retirement Plan** is an unfunded, nonqualified deferred compensation plan for employees of the Board of Pensions whose pension accruals, under the Pension Plan, are restricted by compensation and benefit limits imposed by the Internal Revenue Code.
- **The Retirement Savings Plans** include a 403(b)(9) defined contribution plan and a 401(k) plan. The 403(b)(9) plan is available to church workers to supplement their retirement income and serves as a primary retirement plan to employees not enrolled in the Pension Plan. The 401(k) plan is available to employees of the New Covenant Trust Company, a subsidiary of the Presbyterian Church (U.S.A.) Foundation.
- **Other Plans and Reserves** include the Strategic Technology Infrastructure Reserve, the Chaplains Deposit Fund, and the Reserve for Organizing Pastors.

The Strategic Technology Infrastructure Reserve provides funding for the cost of replacing the core information technology systems of the Board of Pensions, including related portal and technological capability to assist employers and members in the management of their benefits.

The Chaplains Deposit Fund (the "Fund") provides benefits for military personnel to achieve comparable benefits to those members covered under the Benefits Plan. The Board of Pensions administers the Fund on behalf of the Presbyterian Council for Chaplains and Military Personnel.

The Special Dues Programs Reserve provides funding for special dues programs established by the Board of Pensions to support the work of the Church.

**FINANCIAL PROTECTION PROGRAMS** – The Financial Protection Programs are part of the Benefits Plan and consist of:

- **The Death and Disability Plan** includes death benefits, payable upon a member's death to the member's eligible survivors and provides members with long-term disability benefits should they become disabled. Members who are receiving disability benefits continue to receive Medical Plan benefits and continue to accrue pension credits if they were participating in the Pension Plan immediately before becoming disabled. The Death and Disability Plan is a self-funded plan.
- **The Supplemental Death and Disability Benefits** are available to members of the Death and Disability Plan to provide additional protection to beneficiaries. This coverage is available subject to eligibility criteria. For members who become disabled while in active service, any supplemental death benefits coverage in effect for the member, the member's spouse and family, is continued at no charge to the member while he/she is receiving disability benefits under the Death and Disability Plan.
- **The Term Life Plan** provides income security to employees not offered coverage through the Death and Disability Plan. This Plan provides death benefits coverage up to \$50,000.

**HEALTH PROGRAMS** – The Health Programs are part of the Benefits Plan and consist of:

- **The Medical Plan** provides comprehensive medical benefits, including preventative care, hospitalization and medical/surgical coverage, prescription drug coverage, behavioral health benefits, vision examinations and treatments, and resources to improve health and well-being. Members who retire or terminate and are not eligible for Medicare may continue their coverage under the Medical Continuation provisions. The Medical Plan is self-funded.
- **The Medicare Supplement Plan** is available to eligible retired members on a self-paid basis, and supplements the coverage provided by the original Medicare (Parts A and B). It also provides Part D and supplemental prescription drug coverage. The Medicare Supplement Plan covers a range of medical services, supplies and outpatient prescription drugs. The Medicare Supplement Plan is self-funded.

**OPTIONAL BENEFITS** – The optional benefit programs consist of:

- **The Dental Plan** is an optional group dental plan that provides coverage for preventive and many basic and major services, subject to eligibility requirements. The Dental Plan is self-funded by the Board of Pensions.

- **The Vision Eyewear Plan** reimburses individuals enrolled for this benefit in accordance with a schedule of benefits. The Vision Eyewear Plan is an insured program underwritten by a third-party insurance carrier.

**ASSISTANCE PROGRAM** – The Assistance Program of the Board of Pensions provides financial assistance to eligible workers in the Presbyterian Church (U.S.A.) and their families, and to qualified retired church workers and their families for needs that lie beyond the scope of the Benefits Plan. The program provides a way for caring Presbyterians to support those who serve the Church during their times of need. The program offers nine distinct programs in one of three categories: retired church workers with financial and housing needs, church workers with urgent financial needs, and pastors with vocational leadership needs. The program is not part of the Benefits Plan and consists of:

- **The General Assistance Fund** consists of unrestricted gifts and provides special grants to eligible active and retired church workers and member education.
- **The Retirement Housing Fund** provides assistance in the form of income supplements for housing for eligible retired members.
- **The Benefit Supplement Fund** provides supplemental retirement income, based on need, to eligible retired church workers and to their surviving spouse and grants to active and retired church workers for special needs.
- **The Restricted Funds** are used for specific donor-designated purposes consistent with the mission of the Board of Pensions.
- **The Endowment Fund** invests gifts that are restricted as to use of principal and distributes income to donor-specified programs of the Board of Pensions.

## 2. SUMMARY OF ACCOUNTING POLICIES

**BASIS OF PRESENTATION** – The accompanying financial statements are prepared on a combined basis. The Board of Pensions presents its financial statements in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic No. 960, *Plan Accounting – Defined Benefit Pension Plans* (ASC 960).

**BASIS OF ACCOUNTING** – The statements are prepared on the accrual basis of accounting.

**INVESTMENTS** – Investments and other financial instruments are reported at fair value in accordance with ASC Topic No. 820, *Fair Value Measurements* (ASC 820), as of the reporting date. Fair value is the price 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. See Note 4 for additional information on fair value measurements.

Realized and unrealized changes in fair values are recognized as net gains or losses during the period in which the changes occur. Investments in securities traded on domestic and foreign security exchanges are valued at the last reported sales price on the primary exchange of the respective security on the last business day of the period. Securities traded on the over-the-counter market and securities for which no sale was reported on the last business day of the period are valued at the latest available sales price or bid quotation. Securities transactions are accounted for on a trade-date basis. Investment income is recorded on the accrual basis and dividends are recorded on the ex-dividend date.

Debt securities are reported using recent sales price when those issues trade frequently. Debt securities that do not trade frequently are reported at estimated fair values calculated by use of pricing matrices and models.

Marketable Diversifying Strategies include investments in risk parity, commodity, real estate and inflation protection strategies. These investments include shares or units in commingled investment funds whose underlying holdings include both domestic and foreign, as well as equity, fixed income and real estate securities. These investments provide periodic liquidity and are reported at their estimated fair value.

The Board of Pensions uses the term “Private Partnerships” to include limited partnerships, investing in distressed debt, private equity, venture capital, secondary markets, and real estate.

In the absence of readily determinable market values, management of the Board of Pensions values private partnerships at fair value, which ordinarily is the value determined by the respective general partners, in accordance with procedures established by the Board of Pensions. These investments are not traded, have restrictions on resale, and are subject to the terms of the partnerships’ offering documents. Due to the inherent uncertainty in valuation, the estimated values may differ from the values that would have been used had a ready market for these investments existed, and the differences could be material.

Investments denominated in non-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. The fair values of derivatives (forward foreign exchange contracts and interest rate futures) are based on quoted market prices or dealer quotes. See Note 4 for additional information on investments.

**DUES RECEIVABLE** – Receivables represent dues that have been billed to employers and members. Receivables are reported net of an allowance for doubtful accounts of \$532,000, \$499,000, and \$427,000 as of December 31, 2018, 2019 and 2020, respectively.

**OTHER ASSETS** – Other assets include notes receivables, subsidy amounts receivable from the federal government under Medicare Part D, prepaid expenses, property, capitalized software, and equipment.

**PROPERTY AND AMORTIZATION** – Capitalized internal-use software, leasehold improvements, and property and equipment with a net book value of \$5,901,000, \$4,022,000 and \$3,493,000 at December 31, 2018, 2019 and 2020, respectively, are recorded at cost and included in other assets. Depreciation and amortization on such property is recorded on the straight-line basis over the estimated service lives of the assets or, in the case of leasehold improvements, over the remaining portion of the lease term, if shorter. Depreciation and amortization expense of \$2,259,000, \$1,988,000 and \$1,008,000 for the years ended December 31, 2018, 2019 and 2020, respectively, is included in administrative expenses in the combined financial statements.

The Board of Pensions holds an \$11,200,000, five-year, 5%, interest-only collateralized note from the 2015 sale of condominium units occupied by retired Benefits Plan members and their survivors and is included in other assets in the combined financial statements. In 2020, the Board of Pensions extended the maturity of this note for one additional year, maturing in 2021. Under the terms of the sale, the residents may continue to live in their homes as long as they are physically able to do so. A \$4,800,000 liability was recorded for the present value of future supplemental rent owed to the purchaser. The present value of the remaining liability was \$3,831,000, \$3,484,000, and \$3,046,000 as of December 31, 2018, 2019 and 2020, respectively, and is included in accrued expenses and other liabilities in the combined financial statements.

**PLAN LIABILITIES** – Independent actuarial firms assist the Board of Pensions in determining certain liabilities of the Benefits Plan.

For the Medical Plan, these liabilities include the Current Medical Benefit Obligations for claims incurred but not reported at the end of the year and the Future Medical Benefit Obligations, an actuarially determined estimate of medical expenses expected to be paid in subsequent years for current plan participants.

For the Defined Benefit Pension Plan and the Death and Disability Plan, liabilities include Accumulated Plan Benefits that reflect the actuarially determined future benefit payments. Accumulated Plan Benefits are attributable to services rendered by members through the reporting date. Such benefits are payable at a member’s future retirement, death, disability, or termination of employment under the Defined Benefit Pension Plan and the Death and Disability Plan.

**LEASES** – The Board of Pensions leases office space under an operating lease that contains rent escalation clauses, tenant incentives and requires the Board of Pensions to pay certain costs such as real estate taxes and common area maintenance. Rent expense for the non-cancellable portion of the operating lease, including scheduled rent increases, is recognized on a straight-line basis over the lease term.

**BENEFITS PLAN DUES** – The Board of Pensions recognizes revenue from Benefits Plan dues as collected.

For the Defined Benefit Pension Plan, each employer simultaneously receives and consumes the Defined Benefit Pension Plan benefits as the Board of Pensions administers the Defined Benefit Pension Plan. Defined Benefit Pension Plan dues are billed and recorded in the period that Defined Benefit Pension Plan benefits are earned.

For the Death & Disability, Medical, and Optional Benefits Plans, members receive coverage during the plan year enrolled. For these Plans, each employer simultaneously receives and consumes Death & Disability, Medical, and/or Optional Benefits Plan coverage as the Board of Pensions administers these Plans. Dues for these Plans are also billed and recorded in the period that coverage is provided.

The Board of Pensions reports a high degree of collectability from Benefits Plan dues.

**INCOME TAXES** – The Board of Pensions is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from taxes on related income. The Board of Pensions files U.S. federal tax and various state and local tax returns. U.S. federal tax returns remain open for the years ended December 31, 2017 through 2020.

The Board of Pensions evaluates its tax positions pursuant to the principles of FASB ASC Topic No. 740, *Income Taxes*, and has determined that there is no material impact on the Board of Pensions' financial statements. Accordingly, the Board of Pensions has not recognized federal or state deferred tax benefits related to cumulative unrelated business taxable losses.

Recent federal income tax reform, enacted into law under the Tax Cuts and Jobs Act of 2017 and the Further Consolidated Appropriations Act of 2020, includes certain provisions that affect tax-exempt organizations. These provisions include revisions to taxes on unrelated business activities and various other tax law changes. The adoption of these regulations is not expected to have a material impact on the combined financial statements.

**NEW AUTHORITATIVE PRONOUNCEMENTS** – The FASB issued ASU 2016-02, *Leases* (Topic No. 842). The new ASU establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. This ASU, and related subsequent amendments, are effective for reporting periods beginning after December 15, 2021. The Board of Pensions is evaluating the impact of the new standard on the combined financial statements.

The FASB issued ASU 2018-13, *Fair Value Measurement; Disclosure Framework – Changes to the Disclosure Requirement for Fair Value Measurement* (Topic No. 820). This update modifies the disclosure requirements on fair value measurements. The adoption of this ASU in 2020 did not have a material impact on the combined financial statements.

The FASB issued ASU 2018-15, *Goodwill and Other Internal Use Software* (Subtopic 350-40). This update aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. This ASU is effective for reporting periods beginning after December 15, 2020. The Board of Pensions is evaluating the impact of the new standard on the combined financial statements.

The FASB issued ASU 2020-07, *Not-for-Profit Entities; Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This update requires a not-for-profit entity to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. In addition, not-for-profit entities are required to disclose additional qualitative and quantitative information related to nonfinancial assets. This update is effective for reporting periods beginning after June 15, 2021. The Board of Pensions is evaluating the impact of this new standard on the combined financial statements.

**USE OF ESTIMATES** – The preparation of 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, liabilities, benefit obligations, and changes therein. Fair value of investments, benefits plan liabilities, and accumulated plan benefits represent the most significant estimates.

Actual results may differ materially from estimates. The estimates and assumptions used are based on the presumption that the Benefits Plan will continue indefinitely. Different accounting estimates and actuarial assumptions would be applicable if the Benefits Plan were terminated.

**REPORT AND VALUATION DATES** – Report dates are December 31, 2018, 2019 and 2020 unless otherwise indicated. The independent actuarial firms valued the obligations of the Benefits Plan as of the same dates.

**IMPACT OF COVID-19 PANDEMIC** – The Board of Pensions continues to closely monitor developments relating to the novel coronavirus COVID-19 pandemic (the “Pandemic”) and assess its impact on the business. The Board of Pensions has not participated in any governmental financial assistance program and has been able to maintain financial and operational stability throughout the Pandemic. In business operations, the Board of Pensions has implemented risk management and business continuity plans and taken preventive measures and other precautions, such as employee business travel restrictions and remote work arrangements which, to date, have been able to maintain critical business processes, customer service levels, and relationships with key vendors. The Board of Pensions expects that the Pandemic, as well as the sustained low interest rate environment, will continue to be a significant factor across the investment portfolio, plan reserves and business operations. The Pandemic has negatively impacted churches, employing organizations and members; therefore, the Board of Pensions offered financial relief from dues payment based on need, extended dues payment terms, expanded benefits plan coverage for care and testing – all with no adverse impact on income or plan reserves. The future impact of the pandemic is uncertain and dependent on the future pacing and intensity of the pandemic, the duration of policies and initiatives to address COVID-19, and the progress of an uncertain economic recovery.

### 3. FUNDING POLICIES

**BENEFITS PLAN DUES** – The Benefits Plan provides coverage to members under the Defined Benefit Pension Plan, the Death and Disability Plan, the Medical Plan, and the Supplemental Benefits Plans. All pastors serving in called and installed positions, as defined by the Presbyterian Church (U.S.A.), are mandated to be enrolled in full participation.

With certain restrictions, employers may elect to enroll other eligible employees in the Benefits Plan, subject to the Benefits Plan provisions. Participation under the Benefits Plan is funded with dues paid by churches and other employing organizations.

Benefits for installed pastors (“Pastor’s Participation”) include on a non-contributory basis participation in the Defined Benefit Pension Plan, the Death and Disability Plan and the Medical Plan, providing preferred provider (PPO) medical benefits. Annual Pension, Death and Disability Plan dues were 12% of effective salary in 2018, 2019 and 2020. Medical Plan dues were 25% of effective salary in 2018, 2019 and 2020.

Employers have the option to offer benefits from various menu options on a stand-alone basis to eligible employees. Pension, Death and Disability Plan dues were 12% of a member’s effective salary in 2018, 2019 and 2020. Annual Death and Disability Plan dues for members not participating in the Pension Plan were 2.5% of effective salary in 2018, 2019 and 2020. For medical coverage, the cost is expressed in dollar-denominated coverage-level rates and may involve cost sharing by employees. Employing organizations may provide other ministers of the church with either Pastor’s Participation or Menu-based options.

Effective January 1, 2019, churches have the option to offer benefits to young ministers through Pathways to Renewal. This plan brings young ministers into the Benefits Plan with the full benefits of Pastor’s Participation at substantially reduced dues for five years. Annual Pension, Death and Disability Plan dues were 3% of effective salary in 2019 and 2020. Medical Plan dues were 16.75% in 2019 and 2020.

Supplemental Death Benefits, Supplemental Disability Benefits, the Dental Plan, and Vision Eyewear Plan are available to all members subject to certain restrictions. Eligible retired members and their spouses can subscribe to the Medicare Supplement Plan. The Board of Pensions sets individual contribution rates and eligibility.

In 2018, the Board of Pensions transferred \$45,000,000 from the Death and Disability Plan to the Medical Plan to create a high cost claims reserve. The high cost claims reserve was established to stabilize the impact of the Medical Plan’s high cost claims.

**RETIREMENT SAVINGS PLANS** – The Retirement Savings Plans contributions for individuals are at the discretion of the employing organization and the participant.

**MEDICARE PART D SUBSIDY** – Subsidies from the federal government of \$9,139,000, \$13,855,000, and \$14,794,000 were recorded in 2018, 2019 and 2020, respectively, under the Medicare Part D Employer Group Waiver Plan (EGWP).

**ASSISTANCE AND OTHER** – Benefits provided under the Assistance Program are funded entirely by investment income, charitable gifts to the program, legacies, grants, endowments, and one-half of the net proceeds of the Christmas Joy Offering. The Assistance Program receives no funding from dues.



## 4. INVESTMENTS

The majority of the investment assets of the Benefits Plan and programs are commingled for investment purposes and are principally held in two master trusts, the Balanced Investment Portfolio and the Fixed Income Portfolio. The Benefits Plan and programs hold a 100%, undivided interest in the Balanced Investment Portfolio and the Fixed Income Portfolio. Other investments include assets of the Retirement Savings Plan and short-term investments. Independent investment advisors manage the investments according to guidelines approved by the Board of Pensions.

**LIQUIDITY** – The Balanced Investment Portfolio provides funding for pension, death and disability benefit payments, assistance and retirement housing programs, and expenses in excess of dues. The Fixed Income Portfolio provides funding for programs with generally shorter investment horizons. Other investments provide funding for the healthcare benefit payments and short-term cash requirements. Disruptions in the global markets and economic conditions may affect the demand for benefits, the ability of churches and employing organizations to pay dues, as well as the Board of Pensions' investment performance. Sufficient liquidity is maintained to meet the current needs of the benefits programs.

**PRIVATE PARTNERSHIPS** – Investments in short-term, fixed income and equity securities include investments through various limited partnerships that are exempt from registration under applicable state and federal law. The partnerships were formed to invest in distressed debt, private equity, venture capital, secondary markets and real estate.

Distributions of proceeds from sales of the underlying private partnership investments can occur throughout the term of the partnership. Partnership agreements contain substantial restrictions on the transfer of partnership interests.

There are certain risks normally associated with these investments, such as lack of liquidity, absence of readily determinable market values, exposure to non-traditional asset classes, and, upon termination of investments made through limited partnerships, the risk of reimbursement of some or all of previous distributions and commitment amounts. Where such exposure exists, the reimbursement period is limited by the terms of the partnership agreement or, if silent, by state law.

**FOREIGN SECURITIES** – Investments in short-term, fixed income, equity, and real estate securities include investments in foreign financial instruments.

Such investments are subject to the risks normally associated with foreign investing, such as changes in foreign currency exchange rates, decreased liquidity, increased market volatility, and government instability.

**DERIVATIVE FINANCIAL INSTRUMENTS** – Investment managers retained by the Board of Pensions, subject to guideline approval, maintain active trading positions in derivative financial instruments. The Balanced Investment Portfolio held investments in futures and foreign currency forward contracts on December 31, 2020.

Interest rate futures contracts are commitments to either purchase or sell a financial instrument at a future date for a specified price. These instruments are used to add incremental value and to hedge or reduce investment risk. Although the contract or notional amounts of these instruments are not recorded on the financial statements, these instruments are recognized as either an asset or a liability, depending on the rights or obligations of the contract measured at fair value.

The contract may be settled in cash or through delivery of the underlying financial instrument. The open exposure of interest rate futures contracts was \$15,688,000, \$53,770,000 and \$49,624,000 at December 31, 2018, 2019 and 2020, respectively.

Interest rate risk is limited due to daily cash settlement of the net change in value of open contracts, which represents the margin call that is recorded as an unrealized gain or loss. The margin balance of open interest rate futures contracts was a receivable of \$159,000 at December 31, 2018, and a payable of \$1,300,000 and \$277,000 at December 31, 2019, and 2020, respectively, and is included in investments. The average margin balance of open interest rate futures contracts was a payable of \$481,000 and \$338,000 during 2018 and 2019, respectively, and a receivable of \$1,155,000 during 2020.

Foreign currency forward contracts are agreements to exchange fixed amounts of two different currencies at a specified future date and at a specified future rate. These instruments are used to facilitate transactions in foreign securities, and as a hedge against specific transactions. The contracts are valued based upon the applicable foreign exchange rates and any resulting unrealized gains or losses are recorded in the financial statements. Realized gains or losses are recorded at the time the forward contract is closed or the currency is delivered.

Foreign currency forward contracts receivable had a fair value of \$141,145,000, \$232,998,000 and \$305,990,000 at December 31, 2018, 2019 and 2020, respectively. The average fair value of foreign currency forward contracts receivable was \$207,028,000, \$243,943,000 and \$279,093,000 during 2018, 2019 and 2020, respectively. Foreign currency forward contracts payable had a fair value of \$137,207,000, \$234,605,000 and \$315,581,000 at December 31, 2018, 2019 and 2020, respectively. The average fair value of foreign currency forward contracts payable was \$206,685,000, \$241,727,000, and \$281,411,000 during 2018, 2019 and 2020, respectively.

The following schedules reflect the fair value, the income earned, and the net gains and losses of all the investments of the Board of Pensions.

## Fair Value of Investments (\$ in millions)

Investments by Source	2018	2019	2020
<b>Balanced Investment Portfolio</b>			
Cash Equivalents and Short-term Investments	\$ 476	\$ 318	\$ 366
Fixed Income			
Fixed Income Securities	1,473	1,966	2,213
Commingled Funds	1,151	1,045	695
Private Debt	153	161	164
Total Fixed Income	2,777	3,172	3,072
Equities			
Equity Securities	3,176	3,629	4,276
Commingled Funds	1,824	2,303	2,515
Private Equity	686	703	791
Total Equities	5,686	6,635	7,582
Real Estate			
Private Real Estate	63	72	106
Commingled Funds	53	64	69
Total Real Estate	116	136	175
Due for Securities Purchased	(168)	(140)	(256)
Receivable for Securities Sold	57	57	204
Interest and Dividends Receivable	16	20	20
Forward Foreign Exchange Contracts			
Receivable	141	233	306
Payable	(137)	(235)	(316)
Net Forward Foreign Exchange Contracts	4	(2)	(10)
<b>Total Balanced Investment Portfolio</b>	\$ 8,964	\$ 10,196	\$ 11,153
<b>Fixed Income Portfolio</b>			
Cash Equivalents	\$ 13	\$ –	\$ 1
Fixed Income Securities	35	35	38
<b>Total Fixed Income Portfolio</b>	\$ 48	\$ 35	\$ 39
<b>Other Investments</b>			
Cash Equivalents	\$ 44	\$ 38	\$ 44
Fixed Income Securities	70	76	75
Mutual Funds	673	844	1,042
<b>Total Other Investments</b>	\$ 787	\$ 958	\$ 1,161
<b>Total Investments</b>	\$ 9,799	\$ 11,189	\$ 12,353
<b>Investments by Program</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Retirement Programs	\$ 8,652	\$ 9,872	\$ 10,887
Financial Protection Programs	803	930	1,041
Healthcare Programs	229	258	286
Assistance Programs	115	129	139
<b>Total Investments</b>	\$ 9,799	\$ 11,189	\$ 12,353



## Investment Income (\$ in millions)

Investment Income (Loss) by Source	2018	2019	2020
<b>Balanced Investment Portfolio</b>			
Interest	\$ 39	\$ 53	\$ 56
Dividends	73	57	41
Real Estate	—	—	(1)
Subtotal	112	110	96
<b>Fixed Income Portfolio</b>			
Interest	2	1	1
Subtotal	2	1	1
<b>Other Investments</b>			
Interest	4	3	1
Mutual Fund Dividends	22	32	28
Subtotal	26	35	29
<b>Total Investment Income</b>	<u>\$ 140</u>	<u>\$ 146</u>	<u>\$ 126</u>

## Net Gain (Loss) From Investments (\$ in millions)

Net Gain (Loss) by Source	2018	2019	2020
<b>Balanced Investment Portfolio</b>			
Cash Equivalents	\$ 1	\$ 1	\$ —
Fixed Income Securities	(48)	189	181
Equity Securities	(487)	1,281	1,100
Real Estate	11	19	2
Forward Foreign Exchange Contracts	7	—	(11)
Subtotal	(516)	1,490	1,272
<b>Fixed Income Portfolio</b>			
Fixed Income Securities	(2)	2	2
Subtotal	(2)	2	2
<b>Other Investments</b>			
Mutual Funds	(59)	134	167
Subtotal	(59)	134	167
<b>Total Net Gain (Loss) by Source</b>	<u>\$ (577)</u>	<u>\$ 1,626</u>	<u>\$ 1,441</u>

## FAIR VALUE MEASUREMENTS

ASC 820 requires disclosure regarding the relative objectivity of the data used to determine fair value. Investments must be categorized and reported according to the data inputs and valuation techniques used to measure fair value. The three classification levels of fair value are described as follows:

**LEVEL 1:** Assets or liabilities whose values are based on unadjusted quoted prices in active markets for identical assets or liabilities.

**LEVEL 2:** Assets and liabilities whose values are determined using models or other valuation methodologies that utilize inputs that are observable either directly or indirectly, including; (i) quoted prices for similar assets or liabilities in active markets; (ii) quoted prices for identical or similar assets or liabilities in markets that are not active; (iii) pricing models whose inputs are observable for substantially the full term of the assets or liability and; (iv) pricing models whose inputs are derived principally from or corroborated by observable market data through correlation of other means for substantially the full term of the assets or liabilities.

**LEVEL 3:** Assets and liabilities whose values are determined using pricing models that utilize significant inputs that are primarily unobservable, discounted cash flow methodologies, or similar techniques, as well as assets and liabilities for which the determination of fair value requires significant management judgment or estimation.

The fair value of investments is ideally determined using observable market prices (Level 1); for a significant portion of the Board of Pensions' financial instruments no quoted market prices are readily available.

In instances where quoted market prices are not readily available, fair value is determined using present value (Level 2) or other valuation techniques (Level 3) appropriate for the particular investment. These techniques involve some degree of judgment and as a result are not necessarily indicative of the amounts the Board of Pensions would realize in a current market exchange. Different assumptions or estimation techniques may have a material effect on the estimated fair values.

The following table presents, by fair value classification, the investment securities of the Board of Pensions at fair value as of December 31, 2018, 2019 and 2020.

## Investments at Fair Value by Classification

December 31, 2018 (\$ in millions)

Investment Assets	Level 1	Level 2	Level 3	Total
Cash Equivalents and Short-term Investments	\$ 533	\$ –	\$ –	\$ 533
Fixed Income Securities	498	1,080	–	1,578
Equities				
Equity Securities	3,176	–	–	3,176
Commingled Funds	2	–	–	2
<b>Total Equities</b>	3,178	–	–	3,178
Mutual Funds	673	–	–	673
Receivable for Securities Sold	57	–	–	57
Interest and Dividends Receivable	16	–	–	16
Forward Foreign Exchange Contracts Receivable	–	141	–	141
<b>Investment Assets</b>	\$ 4,955	\$ 1,221	\$ –	\$ 6,176
<b>Investment Liabilities</b>				
Due for Securities Purchased	\$ (168)	\$ –	\$ –	\$ (168)
Forward Foreign Exchange Contracts Payable	–	(137)	–	(137)
<b>Investment Liabilities</b>	\$ (168)	\$ (137)	\$ –	\$ (305)
<b>Subtotal</b>				\$ 5,871
<b>Other Investments</b>				
Investments measured using NAV or its equivalent				\$ 3,928
<b>Total Investments – at fair value</b>				\$ 9,799

## Investments at Fair Value by Classification

December 31, 2019 (\$ in millions)

Investment Assets	Level 1	Level 2	Level 3	Total
Cash Equivalents and Short-term Investments	\$ 355	\$ 1	\$ –	\$ 356
Fixed Income Securities	689	1,388	–	2,077
Equities				
Equity Securities	3,629	–	–	3,629
Mutual Funds	844	–	–	844
Receivable for Securities Sold	57	–	–	57
Interest and Dividends Receivable	20	–	–	20
Forward Foreign Exchange Contracts Receivable	–	233	–	233
<b>Investment Assets</b>	<b>\$ 5,594</b>	<b>\$ 1,622</b>	<b>\$ –</b>	<b>\$ 7,216</b>
<b>Investment Liabilities</b>				
Due for Securities Purchased	\$ (140)	\$ –	\$ –	\$ (140)
Forward Foreign Exchange Contracts Payable	–	(235)	–	(235)
<b>Investment Liabilities</b>	<b>\$ (140)</b>	<b>\$ (235)</b>	<b>\$ –</b>	<b>\$ (375)</b>
<b>Subtotal</b>				<b>\$ 6,841</b>
<b>Other Investments</b>				
Investments measured using NAV or its equivalent				\$ 4,348
<b>Total Investments – at fair value</b>				<b>\$ 11,189</b>

## Investments at Fair Value by Classification

December 31, 2020 (\$ in millions)

Investment Assets	Level 1	Level 2	Level 3	Total
Cash Equivalents and Short-term Investments	\$ 408	\$ 3	\$ –	\$ 411
Fixed Income Securities	666	1,660	–	2,326
Equity Securities	4,273	–	3	4,276
Mutual Funds	1,042	–	–	1,042
Receivable for Securities Sold	204	–	–	204
Interest and Dividends Receivable	20	–	–	20
Forward Foreign Exchange Contracts Receivable	–	306	–	306
<b>Investment Assets</b>	<b>\$ 6,613</b>	<b>\$ 1,969</b>	<b>\$ 3</b>	<b>\$ 8,585</b>
Investment Liabilities				
Due for Securities Purchased	\$ (256)	\$ –	\$ –	\$ (256)
Forward Foreign Exchange Contracts Payable	–	(316)	–	(316)
<b>Investment Liabilities</b>	<b>\$ (256)</b>	<b>\$ (316)</b>	<b>\$ –</b>	<b>\$ (572)</b>
<b>Subtotal</b>				<b>\$ 8,013</b>
Other Investments				
Investments measured using NAV or its equivalent				\$ 4,340
<b>Total Investments – at fair value</b>				<b>\$ 12,353</b>

In 2020, the Board of Pensions had \$3 million in gross purchases of equity securities categorized as Level 3 investments. These investments were held as of December 31, 2020. The Board of Pensions had no transfers into or out of Level 3 in 2020.

The following table presents the fair value, redemption frequency, and unfunded commitment for those investments whose fair value is not readily determinable and is estimated using net asset value per share or its equivalent.

## Commingled Funds (\$ In Millions)

	2018	2019	2020	Redemption Frequency and Notice Period
Fixed Income	\$ 1,151	\$ 1,045	\$ 695	Monthly/ 5-90 days
Equity	1,824	2,303	2,515	Monthly/ 5-90 days
Real Estate	53	64	69	Monthly/ 5-90 days
<b>Total</b>	<b>\$ 3,028</b>	<b>\$ 3,412</b>	<b>\$ 3,279</b>	

table continues on next page

## Non-Marketable Investment Partnerships (\$ In Millions)

	2018	2019	2020	Unfunded Commitment
Private Debt	\$ 153	\$ 161	\$ 164	\$ 68
Private Equity	686	703	791	535
Private Real Estate	63	72	106	194
<b>Total</b>	<b>\$ 902</b>	<b>\$ 936</b>	<b>\$ 1,061</b>	<b>\$ 797</b>
<b>Grand Total</b>	<b>\$ 3,930</b>	<b>\$ 4,348</b>	<b>\$ 4,340</b>	

## 5. CURRENT MEDICAL BENEFITS OBLIGATIONS

The Benefits Plan allows medical claims to be submitted for payment up to twelve months from the date of service. The Board of Pensions utilizes an independent medical actuary to determine the estimated medical claims incurred but not reported, based on Benefits Plan experience.

## 6. FUTURE MEDICAL BENEFITS OBLIGATIONS

The Medical Plan provides eligible members and their families' access to post-retirement and post-employment medical benefits following disability, termination, or retirement. The Board of Pensions utilizes an independent medical actuary to determine these estimated liabilities.

## 7. ACCUMULATED PLAN BENEFITS

Accumulated plan benefits are attributable to services rendered by members through the reporting date. Such benefits are payable at a member's future retirement, death, disability, or termination of employment under the Pension Plan and the Death and Disability Plan.

The Board of Pensions utilizes an independent pension actuary to calculate and determine the actuarial present value of accumulated plan benefits. The actuary adjusts the accumulated plan benefits to reflect the time value of money, the duration of payments, and the probability of payment between the valuation date and the expected date of payment.

The actuarial assumptions used in the valuations as of December 31, 2018, 2019 and 2020 were:

- A. Investment returns and discount rate: 3.75% in 2018, 2.76% in 2019 and 2.02% in 2020, per annum, for both the Defined Benefit Pension Plan and the Death and Disability Plan. The discount rate changes annually and reflects assumptions, at the benefit information date, to obtain a contract with an insurance entity to provide participants with their accumulated plan benefits.

- B. Rates of mortality, disability, withdrawal and retirement, and family composition for non-retired members:

- 2018 and 2019 – as developed from the 2016 Mortality Assumption Study.
- 2020 – as developed from the 2020 Mortality Assumption Study.

- C. Rates of mortality for pensioners and disabled members:

- 2018 and 2019 – Rates of mortality in accordance with the Society of Actuaries Annuity RP-2014 table, adjusted to reflect actual experience for the Benefits Plan, regressed to 2006 using MP-2014 and projected forward with generational improvement using Scale MP-2018.
- 2020 – Rates of mortality in accordance with the Society of Actuaries Annuity Pri-2012 table, adjusted to reflect actual experience for the Benefits Plan and projected forward with generational improvement using Scale MP-2020. MP-2020 does not contain any adjustments for COVID-19.

## 8. PLAN CHANGES

The Board of Pensions may voluntarily improve benefits and make other plan changes. During the period 2018 through 2020, the Board of Pensions made the following plan changes:

- An experience apportionment is an increase to the benefits of current pensioners and survivors and the pension credits of future pensioners. The Board of Pensions granted experience apportionments in the Defined Benefit Pension Plan of 3.9%, 3.6% and 2.0%, effective July 1, 2018, 2019 and 2020, respectively. The effect of these experience apportionments increased the Defined Benefits Pension Plan Accumulated Plan Benefit Obligations by \$250,500,000, \$228,142,000 and \$145,295,000 as of December 31, 2018, 2019 and 2020, respectively.
- Amendments to the Death and Disability Plan fixed benefit limits were approved by the Board of Directors on March 16, 2019 and became effective as of January 1, 2020. The changes increased the minimum salary

continuation death benefit, increased the maximum death benefit basis, and changed the maximum disability benefits basis. These benefit changes had the effect of increasing the accumulated Death and Disability Plan Benefit Obligations by \$10,901,000.

## 9. SUPPLEMENTAL RETIREMENT PLAN

The Board of Pensions established a Trust for accumulating assets to assist in fulfilling its future obligations to participants in the Supplemental Retirement Plan. The Board of Pensions serves as trustee and, from time to time, contributes assets to the Trust. The assets of the Trust are commingled with other funds in the Balanced Investment Fund. The Board of Pensions contributed \$333,000, \$366,000 and \$397,000 to the Trust in 2018, 2019 and 2020, respectively. As of December 31, 2018, 2019 and 2020, the fair value of the Trust assets were \$3,742,000, \$4,689,000 and \$5,631,000, respectively. The projected benefit obligation at December 31, 2018, 2019 and 2020 was \$5,680,000, \$7,348,000 and \$9,564,000, respectively.

## 10. LINE OF CREDIT

The Board of Pensions maintains an unsecured committed \$3,000,000 line of credit with a financial institution. Borrowings are payable on demand. The interest on this line of credit is LIBOR-based, with a commitment fee on the undrawn portion. The line of credit had no outstanding balance as of December 31, 2018, 2019 or 2020, is subject to annual renewal, and expires on September 15, 2021.

## 11. LEASE COMMITMENTS

The Board of Pensions has operating leases for office space. The term of the home office lease is through September 2028 with a contraction option in 2023. The Board of Pensions also leases office space for church consultants for periods generally less than three years.

Rental expense was \$1,684,000, \$1,598,000, and \$1,605,000 for the years ended December 31, 2018, 2019 and 2020, respectively. The following is a schedule of future minimum rental payments.

### Future Minimum Lease Payments

Year ending December 31:	Amount
2021	\$ 1,935,000
2022	1,973,000
2023	2,012,000
2024	2,050,000
2025	2,088,000
Thereafter	5,938,000
Total	\$ 15,996,000

## 12. ASSETS HELD IN TRUST BY OTHER ORGANIZATIONS

The Board of Pensions is the beneficiary of certain assets held in trust by several external organizations. Generally, these organizations have variance power that, among other things, means the organizations control the amount and timing of distributions of these assets. Consequently, these assets are not reflected in the combined financial statements. The net present value of the Board of Pensions' proportionate share of these assets totals \$10,852,000, \$11,770,000 and \$12,325,000 as of December 31, 2018, 2019 and 2020, respectively.

Distributions received from these organizations are reported as other contributions in the amounts of \$403,000, \$413,000 and \$445,000 for the years ended December 31, 2018, 2019 and 2020, respectively, and are primarily designated to support the Assistance Program.

## 13. SUBSEQUENT EVENTS

In accordance with FASB ASC Topic No. 855, *Subsequent Events* (ASC 855), the Board of Pensions has evaluated through March 16, 2021 subsequent events which occurred after the balance sheet date but before financial statements are issued.

At its March 2021 meeting, the Board of Pensions granted certain benefit increases.

The Board of Pensions granted a disability benefit increase of 1.5% for those receiving such benefits on December 31, 2020. This benefit increase will become effective as of July 1, 2021 and has the effect of increasing the actuarial present value of accumulated Death and Disability Plan benefits by approximately \$244,000.

The Board of Pensions granted an experience apportionment, in the form of a 2.0% increase in retirement and survivor pension benefits for members and survivors receiving benefits on July 1, 2021 and a 2.0% increase in the pension credits accrued as of December 31, 2020. This benefit increase has the effect of increasing the actuarial present value of accumulated Pension Plan benefits by approximately \$157,521,000.

The Board of Pensions has concluded that no other events or transactions have occurred that would require adjustments to, or disclosures in, the financial statements.

**The Board of Pensions of the Presbyterian Church (U.S.A.)**  
*Years Ended December 31, 2018, 2019 and 2020*  
*(000's Omitted)*

Schedule 1

Supplemental Schedule of Benefits Provided	2018	2019	2020
<b>Retirement Programs</b>			
<b>Defined Benefit Pension Plan</b>			
Members' Pension	\$ 308,736	\$ 321,327	\$ 330,892
Survivors' Pension	72,021	75,627	77,900
Pension Dues for Disabled Members	1,125	1,091	1,011
Member Education	866	1,028	349
<b>Retirement Savings Plans</b>	47,827	50,235	50,353
<b>Total Retirement Programs</b>	430,575	449,308	460,505
<b>Financial Protection Programs</b>			
<b>Death and Disability Plan</b>			
Disability Benefits	4,782	4,797	4,504
Salary Continuation	7,162	6,919	7,627
Death Benefits	1,014	1,338	1,072
Medical Dues for Disabled Members	7,822	6,621	7,481
Children's Education Benefit	215	250	192
Member Education	118	133	45
<b>Supplemental Death Benefits Plan</b>	909	1,152	702
<b>Supplemental Disability Plan</b>	36	36	18
<b>Term Life Plan</b>	–	50	–
<b>Total Financial Protection Programs</b>	22,058	21,296	21,641
<b>Health Programs</b>			
<b>Medical Plan</b>			
Medical Claims	128,224	137,485	127,252
Prescription Drug Claims	31,157	32,245	39,909
Medicare Part B Premiums Paid	234	216	208
Member Education	448	525	181
<b>Medicare Supplement Plan</b>			
Medical Claims	13,657	13,713	11,731
Prescription Drug Claims	24,338	24,862	25,802
<b>Dental Plan</b>	5,288	5,566	4,928
<b>Vision Eyewear Benefits</b>	–	331	452
<b>Total Health Programs</b>	203,346	214,943	210,463
<b>Assistance Program</b>			
Income Supplements	2,824	2,832	2,741
Emergency Grants	445	187	432
Retirement Housing Supplements	1,486	1,464	1,403
Minister Education Debt Assistance	69	318	471
Healthy Pastors Healthy Congregations	230	2,345	3,905
Other	412	444	303
<b>Total Assistance Program</b>	5,466	7,590	9,255
<b>Total Benefits Provided</b>	\$ 661,445	\$ 693,137	\$ 701,864



# The Board of Pensions of the Presbyterian Church (U.S.A.)

Schedule 2

Years Ended December 31, 2018, 2019 and 2020

(000's Omitted)

Supplemental Schedule of Administrative Expenses	2018	2019	2020
<b>Personnel and Benefits</b>			
Compensation	\$ 21,639	\$ 22,792	\$ 24,080
Benefits	7,624	7,971	8,497
Employer Taxes	1,246	1,298	1,417
Other	713	890	663
<b>Total Personnel and Benefits</b>	<b>31,222</b>	<b>32,951</b>	<b>34,657</b>
<b>Contract Services</b>			
Outsourced Plan Administration	8,513	6,831	6,882
Health Promotion	1,759	2,173	2,068
Outsourced Support	3,070	3,333	3,203
Other Contract Services	1,319	1,226	1,110
<b>Total Contract Services</b>	<b>14,661</b>	<b>13,563</b>	<b>13,263</b>
<b>Occupancy</b>			
Rent, Maintenance and Utilities	1,973	1,872	1,778
Depreciation and Amortization	2,259	1,988	1,008
Insurance	422	540	600
<b>Total Occupancy</b>	<b>4,654</b>	<b>4,400</b>	<b>3,386</b>
<b>Professional Services</b>			
Actuarial	1,052	1,188	1,184
Consultant	1,780	1,950	2,390
Legal	736	715	922
Independent Audit	316	316	322
<b>Total Professional Services</b>	<b>3,884</b>	<b>4,169</b>	<b>4,818</b>
<b>Travel and Meetings</b>			
Staff and Consultant	1,019	1,123	316
Board of Directors	493	463	213
Benefits Consultations	195	286	85
<b>Total Travel and Meetings</b>	<b>1,707</b>	<b>1,872</b>	<b>614</b>
<b>General Office</b>	<b>2,166</b>	<b>2,565</b>	<b>1,807</b>
<b>Total Administrative Expenses</b>	<b>\$ 58,294</b>	<b>\$ 59,520</b>	<b>\$ 58,545</b>

# The Board of Pensions of the Presbyterian Church (U.S.A.)

Years Ended December 31, 2018, 2019 and 2020

(000's Omitted)

## Supplemental Schedule of Changes in Net Assets Available for Benefits by Program and Activity

	Retirement Programs			Financial Protection Programs		
	2018	2019	2020	2018	2019	2020
<b>Operating Activity</b>						
<b>Contributions</b>						
Benefits Plan Dues	\$ 60,213	\$ 60,398	\$ 58,049	\$ 8,077	\$ 8,005	\$ 7,858
Retirement Savings Plans	48,711	56,266	52,959	–	–	–
Medicare Part D Subsidy	–	–	–	–	–	–
Christmas Joy Offering	–	–	–	–	–	–
Other	183	190	200	–	–	–
<b>Total Contributions</b>	<b>109,107</b>	<b>116,854</b>	<b>111,208</b>	<b>8,077</b>	<b>8,005</b>	<b>7,858</b>
<b>Expenses and Obligations</b>						
Benefits Provided	430,575	449,308	460,505	22,058	21,296	21,641
Administrative Expenses	24,189	25,768	25,808	4,011	4,066	3,899
<b>Total Expenses and Obligations</b>	<b>454,764</b>	<b>475,076</b>	<b>486,313</b>	<b>26,069</b>	<b>25,362</b>	<b>25,540</b>
<b>(Decrease) Increase in Net Assets from Operating Activities</b>	<b>(345,657)</b>	<b>(358,222)</b>	<b>(375,105)</b>	<b>(17,992)</b>	<b>(17,357)</b>	<b>(17,682)</b>
<b>Investing Activity</b>						
Investment Income	123,922	130,471	112,760	10,111	9,966	8,819
Net Gains (Losses)	(513,700)	1,447,042	1,280,114	(45,846)	134,438	119,192
<b>(Decrease) Increase in Net Assets from Investing Activities</b>	<b>(389,778)</b>	<b>1,577,513</b>	<b>1,392,874</b>	<b>(35,735)</b>	<b>144,404</b>	<b>128,011</b>
<b>Other Activity</b>						
Change in Future Medical Benefit Obligations	–	–	–	–	–	–
<b>Transfers to (from)</b>						
Establish High Cost Claims Reserve	–	–	–	(45,000)	–	–
Fund Administrative Expense Reserve	–	–	(2,600)	–	–	(500)
Establish Administrative Expense Reserve	–	–	6,000	–	–	–
Assistance gifts to support Medicare Supplement	–	–	–	–	–	–
<b>(Decrease) Increase in Net Assets from Other Activities</b>	<b>–</b>	<b>–</b>	<b>3,400</b>	<b>(45,000)</b>	<b>–</b>	<b>(500)</b>
<b>(Decrease) Increase in Net Assets</b>	<b>(735,435)</b>	<b>1,219,291</b>	<b>1,021,169</b>	<b>(98,727)</b>	<b>127,047</b>	<b>109,829</b>
<b>Net Assets Available For Benefits</b>						
<b>Beginning of Year</b>	<b>9,371,189</b>	<b>8,635,754</b>	<b>9,855,045</b>	<b>900,871</b>	<b>802,144</b>	<b>929,191</b>
<b>End of Year</b>	<b>\$ 8,635,754</b>	<b>\$ 9,855,045</b>	<b>\$10,876,214</b>	<b>\$ 802,144</b>	<b>\$ 929,191</b>	<b>\$ 1,039,020</b>

## Schedule 3

2018	Health Programs 2019	2020	2018	Assistance Program 2019	2020	2018	Combined Programs 2019	2020
\$ 226,063	\$ 225,041	\$ 222,011	\$ –	\$ –	\$ –	\$ 294,353	\$ 293,444	\$ 287,918
–	–	–	–	–	–	48,711	56,266	52,959
9,139	13,855	14,794	–	–	–	9,139	13,855	14,794
–	–	–	1,262	1,402	1,218	1,262	1,402	1,218
–	–	–	1,391	2,217	2,586	1,574	2,407	2,786
235,202	238,896	236,805	2,653	3,619	3,804	355,039	367,374	359,675
203,346	214,943	210,463	5,466	7,590	9,255	661,445	693,137	701,864
29,327	28,850	28,187	767	836	651	58,294	59,520	58,545
232,673	243,793	238,650	6,233	8,426	9,906	719,739	752,657	760,409
2,529	(4,897)	(1,845)	(3,580)	(4,807)	(6,102)	(364,700)	(385,283)	(400,734)
3,892	4,116	2,962	1,684	1,592	1,207	139,609	146,145	125,748
(11,366)	26,667	25,678	(6,088)	17,887	15,731	(577,000)	1,626,034	1,440,715
(7,474)	30,783	28,640	(4,404)	19,479	16,938	(437,391)	1,772,179	1,566,463
–	1,626	–	–	–	–	–	1,626	–
45,000	–	–	–	–	–	–	–	–
–	–	(2,800)	–	–	(100)	–	–	(6,000)
–	–	–	–	–	–	–	–	6,000
34	35	36	(34)	(35)	(36)	–	–	–
45,034	1,661	(2,764)	(34)	(35)	(136)	–	1,626	–
40,089	27,547	24,031	(8,018)	14,637	10,700	(802,091)	1,388,522	1,165,729
180,111	220,200	247,747	129,470	121,452	136,089	10,581,641	9,779,550	11,168,072
\$ 220,200	\$ 247,747	\$ 271,778	\$ 121,452	\$ 136,089	\$ 146,789	\$ 9,779,550	\$ 11,168,072	\$12,333,801



**THE BOARD OF PENSIONS**  
OF THE PRESBYTERIAN CHURCH (U.S.A.)

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