2022 Audited Financial Statement of The Board of Pensions of the Presbyterian Church (U.S.A.)

Combined Financial Statements and Supplemental Schedules as of and for the Years Ended December 31, 2020, 2021 and 2022

2022

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.

The Reverend Dr. Frank Clark Spencer
President

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

March 8, 2023

Deloitte.

Deloitte & Touche LLP
1700 Market Street
Philadelphia, PA 19103
USA

Tel: +1-215-246-2300
Fax: +1-215-569-2441
www.deloitte.com

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the combined financial statements of The Board of Pensions of the Presbyterian Church (U.S.A.) (the "Board of Pensions"), which comprise the combined statements of net assets available for benefits and statements of accumulated plan benefits as of December 31, 2022, 2021 and 2020, and the related combined statements of changes in net assets available for benefits and changes in accumulated plan benefits for the years then ended, and the related notes to the combined financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the net assets available for benefits and accumulated plan benefits of the Board of Pensions as of December 31, 2022, 2021 and 2020, and the changes in net assets available for benefits and changes in accumulated plan benefits for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 the Financial Statements section of our report. We are required to be independent of the Board of Pensions and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Board of Pensions' ability to continue as a going concern for one year after the date that the financial statements are 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 the Board of Pensions' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies 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 Board of Pensions' 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 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, 2022, 2021 and 2020; administrative expenses for the years ended December 31, 2022, 2021 and 2020; and changes in net assets available for benefits by program and activity for the years ended December 31, 2022, 2021 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 GAAS. In our opinion, such schedules are fairly stated in all material respects in relation to the financial statements as a whole.

Deloitte + Touche LLP

March 8, 2023

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

December 31, 2020, 2021 and 2022

(000's Omitted)

Combined Statements of Net Assets Available for Benefits	2020	2021	2022
Assets			
Investments – at fair value (Notes 2, 4)	$ 12,353,341	$ 13,710,059	**$ 11,520,979**
Operating cash	2,322	3,582	**3,768**
Dues receivable, net (Note 2)	3,940	2,040	**1,823**
Christmas joy offering receivable	297	396	**352**
Other assets (Note 2)	28,336	26,945	**35,430**
Total Assets	12,388,236	13,743,022	**11,562,352**
Liabilities			
Bank drafts payable	2,119	121	**99**
Accrued expenses and other liabilities	30,941	36,722	**42,092**
Current medical benefit obligations (Notes 2, 5)	15,781	15,394	**16,444**
Future medical benefit obligations (Notes 2, 6)	5,594	7,909	**7,909**
Total Liabilities	54,435	60,146	**66,544**
Net Assets Available For Benefits	$ 12,333,801	$ 13,682,876	**$ 11,495,808**

Net Assets Available For Benefits By Program	2020	2021	2022
Retirement Programs			
Defined Benefit Pension Plan	$ 9,821,618	$ 10,835,791	**$ 9,149,352**
Retirement savings plans	1,042,419	1,212,942	**956,562**
Other plans and reserves	12,177	20,824	**18,206**
Total Retirement Programs	10,876,214	12,069,557	**10,124,120**
Financial Protection Programs			
Primary death and disability benefits	980,902	1,103,569	**949,397**
Supplemental death and disability benefits	58,118	65,689	**56,463**
Total Financial Protection Programs	1,039,020	1,169,258	**1,005,860**
Health Programs			
Medical Plan	242,443	251,602	**205,211**
Medicare Supplement Plan	24,646	25,123	**15,318**
Dental Plan	4,689	5,160	**4,744**
Total Health Programs	271,778	281,885	**225,273**
Assistance Program	146,789	162,176	**140,555**
Total Net Assets Available For Benefits By Program	$ 12,333,801	$ 13,682,876	**$ 11,495,808**

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, 2020, 2021 and 2022

(000's Omitted)

Combined Statements of Changes in Net Assets Available for Benefits	2020	2021	2022
Additions To (Deductions From) Net Assets			
Investment Income (Notes 2, 4)			
Investment income	$ 125,748	$ 125,476	**$ 119,440**
Net gains (losses)	1,440,715	1,662,455	**(1,821,984)**
Net Investment Income (Loss)	1,566,463	1,787,931	**(1,702,544)**
Contributions (Note 3)			
Benefits plan dues	287,918	289,157	**282,710**
Retirement savings plans	52,959	69,789	**54,666**
Medicare Part D subsidy	14,794	13,894	**14,788**
Christmas joy offering	1,218	1,131	**1,218**
Other	2,786	2,785	**3,944**
Total Contributions	359,675	376,756	**357,326**
Total Additions	1,926,138	2,164,687	**(1,345,218)**
Deductions From Net Assets			
Benefits provided	701,864	751,040	**773,782**
Administrative expenses	58,545	62,257	**68,068**
Future medical benefit obligations increase (Note 6)	–	2,315	**–**
Total Deductions	760,409	815,612	**841,850**
Increase (Decrease) in Net Assets Available for Benefits	1,165,729	1,349,075	**(2,187,068)**
Net Assets Available for Benefits			
Beginning of Year	11,168,072	12,333,801	**13,682,876**
End of Year	$ 12,333,801	$ 13,682,876	**$ 11,495,808**

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, 2020, 2021 and 2022

(000's Omitted)

Statements of Accumulated Plan Benefits	2020	2021	2022
Defined Benefit Pension Plan			
Actuarial present value of accumulated plan benefits (Notes 2, 7, 13)			
Participants currently receiving benefits	$ 4,928,784	$ 4,844,631	**$ 4,265,511**
Other participants	2,940,372	2,677,186	**1,824,330**
Total vested benefits	7,869,156	7,521,817	**6,089,841**
Non-vested benefits	6,983	7,165	**3,643**
Total Accumulated Defined Benefit Pension Plan Benefits	$ 7,876,139	$ 7,528,982	**$ 6,093,484**
Financial Protection Programs			
Actuarial present value of accumulated plan benefits (Notes 2, 7, 13)			
Vested benefits	$ 162,028	$ 159,439	**$ 137,175**
Non-vested benefits	92,379	114,056	**96,794**
Total Accumulated Financial Protection Benefits	$ 254,407	$ 273,495	**$ 233,969**

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, 2020, 2021 and 2022

(000's Omitted)

Statements of Changes in Accumulated Plan Benefits	2020	2021	2022
Defined Benefit Pension Plan			
Increase (decrease) during the year attributable to:			
Interest, as a result of the decrease in the discount period	$ 194,886	$ 154,910	**$ 175,565**
Plan changes (Note 8)	145,295	157,521	**338,803**
Benefits accumulated and actuarial experience	67,868	115,123	**107,617**
Change in interest rate assumption (Note 7)	677,689	(357,929)	**(1,627,400)**
Change in other assumptions (Note 7)	(64,226)	–	–
Benefits paid	(410,152)	(416,782)	**(430,083)**
Net Increase (Decrease)	611,360	(347,157)	**(1,435,498)**
Accumulated Plan Benefit Obligations			
Beginning of Year	7,264,779	7,876,139	**7,528,982**
End of Year	$ 7,876,139	$ 7,528,982	**$ 6,093,484**
Financial Protection Programs			
Increase (decrease) during the year attributable to:			
Interest, as a result of the decrease in the discount period	$ 7,016	$ 4,904	**$ 6,245**
Plan changes (Note 8)	396	21,999	**1,122**
Benefits accumulated and actuarial experience	1,375	26,144	**27,451**
Change in interest rate assumption (Note 7)	18,809	(10,582)	**(47,598)**
Change in other assumptions (Note 7)	(16,838)	–	–
Benefits paid	(20,939)	(23,377)	**(26,746)**
Net Increase (Decrease)	(10,181)	19,088	**(39,526)**
Accumulated Plan Benefit Obligations			
Beginning of Year	264,588	254,407	**273,495**
End of Year	$ 254,407	$ 273,495	**$ 233,969**

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, 2020, 2021 and 2022

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 employees whose employment was 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** 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 Special Dues Programs.

  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 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 Reserve for Special Dues Programs 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 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. The Term Life Plan is self-funded.

- **The Temporary Disability Plan** provides partial income to employees if they become unable to perform regular work duties because of a short-term sickness or injury. These benefits are generally available for up to 90 days from the date of the disability, after a 14-day waiting period. The Temporary Disability Plan is self-funded.

- **The Long-Term Disability Plan** provides financial protection for employees and their families in the event of a long-term disability. An employee may apply for these benefits if unable to work for more than 90 consecutive days while recovering from an illness or injury. The Long-Term Disability Plan is self-funded.

- **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, and the member's spouse and family, is continued at no charge to the member while they are receiving disability benefits under the Death and Disability Plan. The Supplemental Death and Disability Plans are self-funded.

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) benefits. 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.

- **The Dental Plan** is a group dental plan that provides coverage for preventive and many basic and major services, subject to eligibility requirements. The Dental Plan is self-funded.

- **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 Church and their families, as well as to qualified retired members 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 members with financial and housing needs, members with urgent financial needs, and pastors with various debt and 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 members, including member education.

- **The Retirement Housing Fund** provides assistance in the form of income supplements for housing for eligible retired members and surviving spouses.

- **The Benefit Supplement Fund** provides supplemental retirement income, based on need, to eligible retirees and surviving spouses and grants to active and retired members 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 combined financial 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.

US equity liquid growth assets 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 using net asset value per share or its equivalent. 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 (interest rate and index futures and foreign currency forward contracts) 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 $427,000, $289,000 and $174,000 as of December 31, 2020, 2021 and 2022, respectively.

OTHER ASSETS – Other assets include notes receivable, subsidy amounts receivable from the federal government under Medicare Part D, a right-of-use asset, property, capitalized software, equipment and prepaid expenses.

PROPERTY AND AMORTIZATION – Capitalized internal-use software, leasehold improvements, and property and equipment with a net book value of $3,493,000, $2,672,000 and $5,774,000 at December 31, 2020, 2021 and 2022, 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 useful 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 $1,008,000, $876,000 and $605,000 for the years ended December 31, 2020, 2021 and 2022, respectively, is included in administrative expenses in the combined financial statements.

The Board of Pensions held 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 that was included in other assets in the combined financial statements in 2020. The Board of Pensions received the proceeds from this note receivable in 2021 when the note matured. 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 $3,046,000, $2,937,000 and $2,659,000 as of December 31, 2020, 2021 and 2022, 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 Financial Protection Programs, 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 in Philadelphia, PA 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. This lease does not contain an option to extend. The Board of Pensions determines if an arrangement is or contains a lease, and its lease classification, at inception of the contract. The Board of Pensions accounted for its leases under ASC 840, *Leases*, through December 31, 2021. Effective January 1, 2022, under ASC 842, the Board of Pensions recognized a right-of-use ("ROU") asset for long term leases that represents the right to use the underlying assets for the lease term and the lease liabilities represent the obligation to make lease payments arising from the leases. ROU assets are recognized at commencement date based on the present value of lease payments over the lease term, adjusted for deferred rent and lease incentives received. The lease liability is initially measured as the present value of unpaid lease payments and is subsequently measured using the effective interest method. Under the Topic 842, the Board of Pensions recognized a right-of-use asset and lease liability measured at the present value of remaining rental payments, discounted using a risk-free rate as the discount rate. To determine the discount rate for the lease, the Board of Pensions, as a practical expedient, utilized the seven year U.S. treasury yield curve of 1.55% consistent with the remaining terms of the lease as the risk-free rate of interest. The Board of Pensions' ROU asset is included in *Other assets* while the lease liability is included in *Accrued expenses and other liabilities* on the Combined Statement of Net Assets Available for Benefits. Rent expense for this non-cancellable operating lease, including scheduled rent increases, is recognized on a straight-line basis over the lease term. The Board of Pensions has lease agreements with lease and non-lease components that are accounted for as a single lease component. Variable payments including real estate taxes and common area maintenance charges are not included in the measurement of the ROU asset and lease liability, and as such are expensed as incurred.

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 Pension Plan benefits as the Board of Pensions administers the Pension Plan. Pension Plan dues are billed and recorded in the period that 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, 2019 through 2022.

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 has not had and 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). ASU 2016-02, as amended, established a 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. Topic 842 can be applied using either a modified retrospective approach at the beginning of either the earliest year presented or the first year of adoption. Effective January 1, 2022, the Board of Pensions adopted ASU 2016-02, as amended, on a modified retrospective basis and did not restate comparative periods. The Board of Pensions elected the practical expedient to not separate lease and non-lease components. Additionally, the Board of Pensions elected to not recognize ROU assets and lease liabilities with a term of 12 months or less. Upon adoption, the Board of Pensions recognized $13,237,000 of lease liabilities and $9,272,000 of ROU assets, which equals the lease liabilities less remaining balance of lease incentives received and accrued lease payments of $3,965,000, on the Combined Statements of Net Assets Available for Benefits. The adoption of ASU 2016-02, as amended, did not have a material impact on the Combined Statements of Changes in Net Assets Available for Benefits (Note 11).

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. The adoption of this ASU in 2022 did not have a material impact on the combined financial statements.

The FASB issued ASU 2016-13, *Financial Instruments, Credit Losses (Topic 326).* The update applies to entities holding financial assets which include loans, debt securities, trade receivables, net investments in leases, off-balance sheet credit exposure, reinsurance receivables, and any other financial assets with a contractual right to receive cash. This update introduces a new approach to estimate credit losses on certain types of financial instruments based on expected losses. It also modifies the impairment model for available-for-sale debt securities and provides for a simplified accounting model for purchased financial assets with credit deterioration since their origination. The adoption of the amended guidance requires modified retrospective application. This ASU, and related subsequent amendments, are effective for reporting periods beginning after December 15, 2022. The adoption of this ASU will not have a material impact 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, 2020, 2021 and 2022 unless otherwise indicated. The independent actuarial firms valued the obligations of the Benefits Plan as of the same dates.

RISKS AND UNCERTAINTIES – The Board of Pensions has exposure to global events, including inflation and rising interest rates, which cause disruption to the global economy and volatility within financial markets.

Persistent high inflation negatively impacts the financial markets. The effects of a rising interest rate environment directly impact the measurement of the Defined Benefit Pension Plan and the Financial Protection Programs' obligations. These financial risks and uncertainties could have an impact on the Board of Pensions' future financial condition and results of operations.

The Board of Pensions continues to closely monitor the developments relating to these risks and assess the impact on the business.

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 2020 and 9.5% of effective salary in 2021 and 2022. Annual Medical Plan dues were 25% of effective salary in 2020, and 27% of effective salary in 2021 and 2022.

Employers have the option to offer benefits from various menu options on a stand-alone basis to eligible employees. Annual Pension, Death and Disability Plan dues were 12% of a member's effective salary in 2020, and 9.5% of effective salary in 2021 and 2022. Annual Death and Disability Plan dues for members not participating in the Pension Plan were 2.5% of effective salary in 2020, 2021 and 2022. 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.

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 2020, 2021, and 2022. Annual Medical Plan dues were 18% of effective salary in 2020, 2021, and 2022.

Employers have the option to offer benefits to employees under the Term Life Plan, and effective in 2021, the Temporary Disability and Long-Term Disability Plans subject to certain restrictions. The Board of Pension sets contribution rates and eligibility.

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.

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 $14,794,000, $13,894,000 and $14,788,000 were recorded in 2020, 2021 and 2022, 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 interest rate and index futures and foreign currency forward contracts on December 31, 2022.

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 contracts may be settled in cash or through delivery of the underlying financial instrument. The open exposure of futures contracts was $49,624,000, $94,382,000 and $124,270,000 at December 31, 2020, 2021 and 2022, respectively.

Investment 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 futures contracts was a payable of $277,000 at December 31, 2020, a receivable of $494,000 at December 31, 2021 and a payable of $825,000 at December 31, 2022. This is included in investments. The average margin balance of open futures contracts was a receivable of $1,155,000 during 2020, and a payable of $105,000 and $727,000 during 2021 and 2022, respectively.

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 $305,990,000, $327,427,000 and $221,669,000 at December 31, 2020, 2021 and 2022, respectively. The average fair value of foreign currency forward contracts receivable was $279,093,000, $335,970,000 and $311,208,000 during 2020, 2021 and 2022, respectively. Foreign currency forward contracts payable had a fair value of $315,581,000, $323,532,000 and $225,753,000 at December 31, 2020, 2021 and 2022, respectively. The average fair value of foreign currency forward contracts payable was $281,411,000, $335,664,000 and $305,735,000 during 2020, 2021 and 2022, 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	2020	2021	2022
Balanced Investment Portfolio			
Cash Equivalents and Short-term Investments	$ 366	$ 697	**$ 635**
Fixed Income			
Fixed Income Securities	2,213	2,046	**1,973**
Commingled Funds	695	953	**558**
Private Debt	164	192	**226**
Total Fixed Income	3,072	3,191	**2,757**
Equities			
Equity Securities	4,276	4,568	**3,520**
Commingled Funds	2,515	2,652	**2,156**
Private Equity	791	1,143	**1,184**
Total Equities	7,582	8,363	**6,860**
Real Estate			
Private Real Estate	106	152	**192**
Commingled Funds	69	–	**–**
Total Real Estate	175	152	**192**
Due for Securities Purchased	(256)	(198)	**(176)**
Receivable for Securities Sold	204	125	**108**
Interest and Dividends Receivable	20	22	**27**
Forward Foreign Exchange Contracts			
Receivable	306	327	**222**
Payable	(316)	(323)	**(226)**
Net Forward Foreign Exchange Contracts	(10)	4	**(4)**
Total Balanced Investment Portfolio	$ 11,153	$ 12,356	**$ 10,399**
Fixed Income Portfolio			
Cash Equivalents	$ 1	$ –	**$ 12**
Fixed Income Securities	38	38	**33**
Total Fixed Income Portfolio	$ 39	$ 38	**$ 45**
Other Investments			
Cash Equivalents	$ 44	$ 37	**$ 115**
Fixed Income Securities	75	66	**5**
Mutual Funds	1,042	1,213	**957**
Total Other Investments	$ 1,161	$ 1,316	**$ 1,077**
Total Investments	$ 12,353	$ 13,710	**$ 11,521**

Investments by Program	2020	2021	2022
Retirement Programs	$ 10,887	$ 12,078	**$ 10,134**
Financial Protection Programs	1,041	1,168	**1,009**
Health Programs	286	298	**236**
Assistance Programs	139	166	**142**
Total Investments	$ 12,353	$ 13,710	**$ 11,521**

Investment Income ($ in millions)

Investment Income (Loss) by Source	2020	2021	2022
Balanced Investment Portfolio			
Interest	$ 56	$ 53	**$ 69**
Dividends	41	23	**26**
Real Estate	(1)	–	**(2)**
Subtotal	96	76	**93**
Fixed Income Portfolio			
Interest	1	1	**1**
Subtotal	1	1	**1**
Other Investments			
Interest	1	–	**1**
Mutual Fund Dividends	28	48	**24**
Subtotal	29	48	**25**
Total Investment Income	$ 126	$ 125	**$ 119**

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

Net Gain (Loss) by Source	2020	2021	2022
Balanced Investment Portfolio			
Cash Equivalents	$ –	$ (2)	**$ (2)**
Fixed Income Securities	181	(8)	**(351)**
Equity Securities	1,100	1,472	**(1,216)**
Real Estate	2	66	**4**
Forward Foreign Exchange Contracts	(11)	13	**18**
Subtotal	1,272	1,541	**(1,547)**
Fixed Income Portfolio			
Fixed Income Securities	2	(1)	**(6)**
Subtotal	2	(1)	**(6)**
Other Investments			
Mutual Funds	167	122	**(269)**
Subtotal	167	122	**(269)**
Total Net Gain (Loss) by Source	$ 1,441	$ 1,662	**$ (1,822)**

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); however, 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, 2020, 2021 and 2022.

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**
Investment Assets	$ 6,613	$ 1,969	$ 3	**$ 8,585**
Investment Liabilities				
Due for Securities Purchased	$ (256)	$ –	$ –	**$ (256)**
Forward Foreign Exchange Contracts Payable	–	(316)	–	**(316)**
Investment Liabilities	$ (256)	$ (316)	$ –	**$ (572)**
Subtotal				**$ 8,013**
Other Investments				
Investments measured using NAV or its equivalent				**$ 4,340**
Total Investments – at fair value				**$ 12,353**

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

Investments at Fair Value by Classification

December 31, 2021 ($ in millions)

Investment Assets	Level 1	Level 2	Level 3	Total
Cash Equivalents and Short-term Investments	$ 733	$ 1	$ –	**$ 734**
Fixed Income Securities	542	1,608	–	**2,150**
Equity Securities	4,563	–	5	**4,568**
Mutual Funds	1,213	–	–	**1,213**
Receivable for Securities Sold	125	–	–	**125**
Interest and Dividends Receivable	22	–	–	**22**
Forward Foreign Exchange Contracts Receivable	–	327	–	**327**
Investment Assets	$ 7,198	$ 1,936	$ 5	**$ 9,139**
Investment Liabilities				
Due for Securities Purchased	$ (198)	$ –	$ –	**$ (198)**
Forward Foreign Exchange Contracts Payable	–	(323)	–	**(323)**
Investment Liabilities	$ (198)	$ (323)	$ –	**$ (521)**
Subtotal				**$ 8,618**
Other Investments				
Investments measured using NAV or its equivalent				**$ 5,092**
Total Investments – at fair value				**$ 13,710**

The Board of Pensions had no transfers into or out of Level 3 in 2021.

Investments at Fair Value by Classification

December 31, 2022 ($ in millions)

Investment Assets	Level 1	Level 2	Level 3	Total
Cash Equivalents and Short-term Investments	$ 735	$ 27	$ –	**$ 762**
Fixed Income Securities	428	1,573	10	**2,011**
Equity Securities	3,519	–	1	**3,520**
Mutual Funds	957	–	–	**957**
Receivable for Securities Sold	108	–	–	**108**
Interest and Dividends Receivable	27	–	–	**27**
Forward Foreign Exchange Contracts Receivable	–	222	–	**222**
Investment Assets	$ 5,774	$ 1,822	$ 11	**$ 7,607**
Investment Liabilities				
Due for Securities Purchased	$ (176)	$ –	$ –	**$ (176)**
Forward Foreign Exchange Contracts Payable	–	(226)	–	**(226)**
Investment Liabilities	$ (176)	$ (226)	$ –	**$ (402)**
Subtotal				**$ 7,205**
Other Investments				
Investments measured using NAV or its equivalent				**$ 4,316**
Total Investments – at fair value				**$ 11,521**

In 2022, the Board of Pensions transferred $13 million in fixed income securities from Level 2 into Level 3. These transfers were a result of a reassessment of observable inputs used in the pricing methodology.

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)

	2020	2021	2022	Redemption Frequency and Notice Period
Fixed Income	$ 695	$ 953	**$ 558**	Monthly/ 5-90 days
Equity	2,515	2,652	**2,156**	Monthly/ 5-90 days
Real Estate	69	–	–	Monthly/ 5-90 days
Total	$ 3,279	$ 3,605	**$ 2,714**	

Non-Marketable Investment Partnerships ($ in millions)

	2020	2021	2022	Unfunded Commitment
Private Debt	$ 164	$ 192	**$ 226**	**$ 102**
Private Equity	791	1,143	**1,184**	**632**
Private Real Estate	106	152	**192**	**240**
Total	$ 1,061	$ 1,487	**$ 1,602**	**$ 974**
Grand Total	$ 4,340	$ 5,092	**$ 4,316**	

5. CURRENT MEDICAL BENEFIT 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 experience of the Benefits Plan.

6. FUTURE MEDICAL BENEFIT OBLIGATIONS

The Medical Plan provides eligible members and their families access to post-employment and post-retirement 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 Financial Protection Programs.

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, 2020, 2021 and 2022 were:

A. Investment returns and discount rate: 2.02% in 2020, 2.40% in 2021 and 4.58% in 2022, per annum, for both the Defined Benefit Pension Plan and the Financial Protection Programs. The discount rate changes annually and reflects assumptions, at the benefit information date, regarding the cost 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 as developed from the 2020 Mortality Assumption Study.

C. Rates of mortality for pensioners and disabled members 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 2020 through 2022, 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 2.0%, 2.0% and 4.5% effective July 1, 2020, 2021 and 2022, respectively. The effect of these experience apportionments increased the Defined Benefits Pension Plan Accumulated Plan Benefit Obligations by $145,295,000, $157,521,000 and $338,803,000 as of December 31, 2020, 2021 and 2022, 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.

- Effective as of January 1, 2021, Accumulated Plan Benefits Obligation of the Death and Disability Plan increased $21,603,000 to reflect the new recognition of the Temporary Disability Plan, Long-term Disability Plan, Supplemental Death Plan, and includes the expanded coverage under the Term Life Plan.

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 $397,000, $392,000 and $408,000 to the Trust in 2020, 2021 and 2022, respectively. As of December 31, 2020, 2021 and 2022, the fair value of the Trust assets was $5,631,000, $6,687,000 and $6,102,000, respectively. The projected benefit obligation at December 31, 2020, 2021 and 2022 was $9,564,000, $10,551,000 and $8,189,000, 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 based on the Secured Overnight Financing Rate, with a commitment fee on the undrawn portion. The line of credit had no outstanding balance as of December 31, 2020, 2021 or 2022, is subject to annual renewal, and expires on September 30, 2023.

11. LEASE COMMITMENTS

The Board of Pensions has an operating lease for office space. The term of the home office lease is through September 2028. In addition, the Board of Pensions has certain short-term leases for a period of twelve months or less or that contain renewals for periods of twelve months or less. The Board of Pensions does not include short-term leases within the Combined Statements of Net Assets Available for Benefits because it has elected the practical expedient to exclude these leases from operating right-of-use asset and lease liabilities. Rental expense for short term and long term leases was $1,605,000, $1,573,000 and $1,642,000 for the years ended December 31, 2020, 2021 and 2022, respectively.

The following schedule shows total Operating Lease costs for the year ended December 31, 2022:

Total Operating Lease Costs
(000's Omitted)

Year ended December 31, 2022		Amount
Lease costs (net of incentives)	$	1,494
Uncapitalized costs*		125
Total lease costs	**$**	**1,619**

* Uncapitalized costs include payments for common area maintenance and real estate taxes.

As of December 31, 2022 future minimum lease payments were required under operating leases that have initial or remaining cancelable and non-cancelable lease terms in excess of one year, pursuant to ASC 842, are as follows:

Future Minimum Lease Payments
(000's Omitted)

Year ended December 31:		Amount
2023	$	2,012
2024		2,050
2025		2,089
2026		2,127
2027		2,165
2028		1,646
Thereafter		–
Total minimum lease payments	**$**	**12,089**
Less: amount representing interest		(620)
Present value of net minimum lease payments	**$**	**11,469**

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 $12,325,000, $13,767,000 and $11,216,000 as of December 31, 2020, 2021 and 2022, respectively.

Distributions received from these organizations are reported as other contributions in the amounts of $445,000, $420,000 and $432,000 for the years ended December 31, 2020, 2021 and 2022, 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 8, 2023 subsequent events which occurred after the balance sheet date but before financial statements are issued.

At its March 2023 meeting, the Board of Pensions granted certain benefit increases.

The Board of Pensions granted a disability benefit increase of 7.0% for those receiving such benefits on December 31, 2022. This benefit increase will become effective as of July 1, 2023 and has the effect of increasing the actuarial present value of accumulated Death and Disability Plan benefits by approximately $1,016,000.

The Board of Pensions granted an experience apportionment, in the form of a 4.2% increase in retirement and survivor pension benefits for members and survivors receiving benefits on July 1, 2023 and a 4.2% increase in the pension credits accrued as of December 31, 2022. This benefit increase has the effect of increasing the actuarial present value of accumulated Pension Plan benefits by approximately $255,927,000.

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.)

Schedule 1

Years Ended December 31, 2020, 2021 and 2022

(000's Omitted)

Supplemental Schedule of Benefits Provided	2020	2021	2022
Retirement Programs			
Defined Benefit Pension Plan			
Members' pension	$ 330,892	$ 335,542	**$ 346,135**
Survivors' pension	77,900	79,971	**82,801**
Pension dues for disabled members	1,011	784	**746**
Member education	349	485	**769**
Retirement Savings Plans	50,353	70,246	**66,528**
Total Retirement Programs	460,505	487,028	**496,979**
Financial Protection Programs			
Primary Death and Disability Benefits			
Disability benefits	4,504	4,094	**3,878**
Salary continuation	7,627	8,397	**8,796**
Death benefits	1,072	1,428	**1,822**
Medical dues for disabled members	7,481	8,902	**8,830**
Children's education benefit	192	139	**180**
Member education	45	83	**135**
Temporary disability	–	247	**408**
Term life	–	50	**95**
Long-term disability	–	23	**26**
Supplemental Death and Disability Benefits			
Supplemental death benefits	702	2,263	**2,505**
Supplemental disability benefits	18	38	**71**
Total Financial Protection Programs	21,641	25,664	**26,746**
Health Programs			
Medical Plan			
Medical claims	127,252	148,983	**146,359**
Prescription drug claims	39,909	36,324	**43,420**
Medicare Part B premiums paid	208	184	**185**
Member education	181	253	**434**
Medicare Supplement Plan			
Medical claims	11,731	13,629	**14,703**
Prescription drug claims	25,802	25,643	**31,541**
Dental Plan	4,928	5,801	**5,783**
Vision Eyewear Benefits	452	499	**521**
Total Health Programs	210,463	231,316	**242,946**
Assistance Program			
Income supplements	2,741	2,514	**2,420**
Emergency grants	432	429	**919**
Retirement housing supplements	1,403	1,177	**1,176**
Minister education debt assistance	471	585	**610**
Minister debt relief programs	3,905	1,902	**997**
Other	303	425	**989**
Total Assistance Program	9,255	7,032	**7,111**
Total Benefits Provided	$ 701,864	$ 751,040	**$ 773,782**

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

Schedule 2

Years Ended December 31, 2020, 2021 and 2022

(000's Omitted)

Supplemental Schedule of Administrative Expenses	2020	2021	2022
Personnel and Benefits			
Compensation	$ 24,080	$ 24,826	**$ 26,240**
Benefits	8,497	8,367	**8,656**
Employer taxes	1,417	1,401	**1,533**
Other	663	1,225	**1,456**
Total Personnel and Benefits	34,657	35,819	**37,885**
Contract Services			
Outsourced plan administration	6,882	7,067	**6,323**
Health promotion	2,068	2,039	**4,031**
Outsourced support services	3,203	4,665	**6,618**
Other contract services	1,110	1,190	**913**
Total Contract Services	13,263	14,961	**17,885**
Occupancy			
Rent, maintenance and utilities	1,778	1,780	**1,796**
Depreciation and amortization	1,008	876	**605**
Insurance	600	674	**740**
Total Occupancy	3,386	3,330	**3,141**
Professional Services			
Consultant	2,390	3,694	**3,216**
Actuarial	1,184	1,093	**1,358**
Legal	922	854	**907**
Independent audit	322	329	**332**
Total Professional Services	4,818	5,970	**5,813**
Travel and Meetings			
Staff and consultant	316	230	**700**
Board of directors	213	280	**564**
Benefits consultations	85	93	**106**
Total Travel and Meetings	614	603	**1,370**
General Office	1,807	1,574	**1,974**
Total Administrative Expenses	$ 58,545	$ 62,257	**$ 68,068**

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

Years Ended December 31, 2020, 2021 and 2022

(000's Omitted)

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

	Retirement Programs			Financial Protection Programs		
	2020	2021	2022	2020	2021	2022
Operating Activity						
Contributions						
Benefits plan dues	$ 58,049	$ 45,412	**$ 45,055**	$ 7,858	$ 10,296	**$ 10,389**
Retirement savings plans	52,959	69,789	**54,666**	–	–	–
Medicare Part D subsidy	–	–	–	–	–	–
Christmas Joy Offering	–	–	–	–	–	–
Other	200	412	**522**	–	–	–
Total Contributions	111,208	115,613	**100,243**	7,858	10,296	**10,389**
Expenses and Obligations						
Benefits provided	460,505	487,028	**496,979**	21,641	25,664	**26,746**
Administrative expenses	25,808	27,328	**29,896**	3,899	5,217	**5,696**
Total Expenses and Obligations	486,313	514,356	**526,875**	25,540	30,881	**32,442**
Decrease in Net Assets from Operating Activities	(375,105)	(398,743)	**(426,632)**	(17,682)	(20,585)	**(22,053)**
Investing Activity						
Investment income	112,760	115,176	**106,162**	8,819	7,104	**8,917**
Net gains (losses)	1,280,114	1,471,810	**(1,624,967)**	119,192	144,469	**(145,962)**
(Decrease) Increase in Net Assets from Investing Activities	1,392,874	1,586,986	**(1,518,805)**	128,011	151,573	**(137,045)**
Other Activity						
Change in future medical benefit obligations	–	–	–	–	–	–
Transfers to (from)						
Fund technology project reserve	(2,600)	(3,900)	–	(500)	(750)	–
Establish technology project reserve	6,000	9,000	–	–	–	–
Transfer to support the Medical Plan	–	–	–	–	–	**(4,300)**
Assistance gifts to support Medicare Supplement	–	–	–	–	–	–
(Decrease) Increase in Net Assets from Other Activities	3,400	5,100	–	(500)	(750)	**(4,300)**
(Decrease) Increase in Net Assets	1,021,169	1,193,343	**(1,945,437)**	109,829	130,238	**(163,398)**
Net Assets Available For Benefits						
Beginning of Year	9,855,045	10,876,214	**12,069,557**	929,191	1,039,020	**1,169,258**
End of Year	$ 10,876,214	$ 12,069,557	**$10,124,120**	$ 1,039,020	$ 1,169,258	**$ 1,005,860**

Schedule 3

Health Programs 2020	Health Programs 2021	Health Programs 2022	Assistance Program 2020	Assistance Program 2021	Assistance Program 2022	Combined Programs 2020	Combined Programs 2021	Combined Programs 2022
$ 222,011	$ 233,449	**$ 227,266**	$ –	$ –	**$ –**	$ 287,918	$ 289,157	**$ 282,710**
–	–	**–**	–	–	**–**	52,959	69,789	**54,666**
14,794	13,894	**14,788**	–	–	**–**	14,794	13,894	**14,788**
–	–	**–**	1,218	1,131	**1,218**	1,218	1,131	**1,218**
–	–	**–**	2,586	2,373	**3,422**	2,786	2,785	**3,944**
236,805	247,343	**242,054**	3,804	3,504	**4,640**	359,675	376,756	**357,326**
210,463	231,316	**242,946**	9,255	7,032	**7,111**	701,864	751,040	**773,782**
28,187	28,687	**31,449**	651	1,025	**1,027**	58,545	62,257	**68,068**
238,650	260,003	**274,395**	9,906	8,057	**8,138**	760,409	813,297	**841,850**
(1,845)	(12,660)	**(32,341)**	(6,102)	(4,553)	**(3,498)**	(400,734)	(436,541)	**(484,524)**
2,962	2,239	**3,171**	1,207	957	**1,190**	125,748	125,476	**119,440**
25,678	27,005	**(31,783)**	15,731	19,171	**(19,272)**	1,440,715	1,662,455	**(1,821,984)**
28,640	29,244	**(28,612)**	16,938	20,128	**(18,082)**	1,566,463	1,787,931	**(1,702,544)**
–	(2,315)	**–**	–	–	**–**	–	(2,315)	**–**
(2,800)	(4,200)	**–**	(100)	(150)	**–**	(6,000)	(9,000)	**–**
–	–	**–**	–	–	**–**	6,000	9,000	**–**
–	–	**4,300**	–	–	**–**	–	–	**–**
36	38	**41**	(36)	(38)	**(41)**	–	–	**–**
(2,764)	(6,477)	**4,341**	(136)	(188)	**(41)**	–	(2,315)	**–**
24,031	10,107	**(56,612)**	10,700	15,387	**(21,621)**	1,165,729	1,349,075	**(2,187,068)**
247,747	271,778	**281,885**	136,089	146,789	**162,176**	11,168,072	12,333,801	**13,682,876**
$ 271,778	$ 281,885	**$ 225,273**	$ 146,789	$ 162,176	**$ 140,555**	$ 12,333,801	$ 13,682,876	**$11,495,808**

2022

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

2000 Market Street
Philadelphia, PA 19103-3298
800-773-7752 (800-PRESPLAN)
pensions.org

0423