



Pension Fund
of the Christian Church

2016 ANNUAL REPORT

For the Support of Ministry



MISSION STATEMENT

For the Support of Ministry

VISION STATEMENT

Stone-Campbell pastors and lay employees will enjoy a *strong, smart* and *secure* retirement.

CORE VALUES

INTEGRITY: the quality of being honest, making membership-oriented decisions

SECURITY: the state of stability, providing freedom from worry or fear

COMPASSION: the ability to help others in times of need or distress

Matthew 25:20-21: "The one given five thousand dollars showed him how he had doubled his investment. His master commended him: 'Good work! You did your job well. From now on be my partner.'"

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PRESIDENT'S MESSAGE

In my desk is a letter dated Feb. 12, 1997, from Bob Belcher. In 1920, Bob's dad, Rev. Thomas Jefferson Belcher of Barboursville, Ky., drowned, creating Claim #1 for Pension Fund. Mr. Belcher was writing to express his gratitude for the assistance provided to his mother and three brothers following the unexpected death of his father. Bob was two years old then, and received financial support from Pension Fund until he reached age 21.

As a result of these benefits from Pension Fund, Bob completed his biology degree. In 1944, he was sent to India and North Burma as a medical lab technician, and worked for the U.S. Typhus Commission. Bob's mission was to stop the spread of typhus by discovering the plant fed on by chiggers. His successful work in the field not only saved countless lives, but provided the basis for his continued research and doctorate work at the University of Michigan.

From our days as the Board of Ministerial Relief to our work today as Pension Fund of the Christian Church, our mission remains the same – *For the Support of Ministry* – for minister and lay employees of the Stone-Campbell movement and their families. On the following pages, you'll find information about how we partnered with ministries to support these clergy and lay employees in 2016.

This report includes names of donors who have made possible supplemental gifts for pastors, supporters of Excellence in Ministry 2.0 as we work with the Lilly Endowment, Inc., to teach financial planning and basic financial management skills to pastors with less than five years of service, and many others who are providing life-saving support to those who serve.

Also, you'll notice a different signature at the bottom of this letter than in 2015. In November 2015, James P. Hamlett announced his planned retirement from Pension Fund for Aug. 31, 2016. After 12 years of faithful service and leading Pension Fund through the second-greatest economic crisis in U.S. history, Jim chose to spend more time with his wife, Linda, and grandchildren. It's my honor to stand in a long line of faithful servants as the ninth Chief Executive of Pension Fund.

As we look toward the future, seeking ways to grow our membership base and our assets under management for the continued health of Pension Fund and our members' assets, know that our history continues to guide us. From Campbell's call that a fund should be created "*For the Support of Ministry*," to our legacy of standing with our members during life's transitional moments, your Pension Fund is strong, our investment philosophy continues to be smart, and your investment in Pension Fund remains secure.



With gratitude,

A handwritten signature in black ink, appearing to read "Todd Adams", with a long, sweeping horizontal line extending to the right.

Dr. Todd A. Adams
President



IN OUR MEMBER'S WORDS:

“My Benefit Accumulation Account outperforms Edward Jones every year.”

REPORT OF FINANCIAL RESULTS

Financial Overview

Pension Fund of the Christian Church (Disciples of Christ) financial results are presented on the following pages and support its mission by providing a transparent account of financial conditions as of Dec. 31, 2015, and Dec. 31, 2016. Pension Fund retirement savings programs remained in a strong financial position in 2016.

Investments

Pension Fund's investment objective is to achieve a maximum total rate of return for assets at a risk level consistent with prudent management. We take into consideration the safety of principal and income, the potential for market appreciation and liquidity needs of Pension Fund. The fundamental principles of corporate governance are rooted in legal, ethical and moral responsibilities.

As of Dec. 31, 2016, total investments were \$2,959,797,107. This is an increase of 5.8% from Dec. 31, 2015.

The investment environment in 2016 was a solid year for Pension Fund, with an aggregate return of 10.22%. All major asset classes had positive returns, with strong returns from U.S. equities and commodity-related investments. The year did not start out that way, as U.S. equities almost reached bear market territory in February and oil traded down to \$26 a barrel. As the year progressed, global markets had to digest surprise outcomes in major political events with the Brexit vote and the U.S. presidential election. Only time will tell if pro-growth policies

REPORT OF FINANCIAL RESULTS, CONT.

are implemented justifying the market's optimism. There are many challenges going forward, most notably stretched valuations which have created a challenging environment for forward-looking returns.

Pension Plan

The Pension Plan, originally placed in operation on Jan. 1, 1931, is a defined benefit plan providing lifetime benefits to members and eligible survivors. The entire cost of the benefit is funded through dues paid into the plan and from investment earnings. As of Dec. 31, 2016, for combined U.S. and Puerto Rico plans, the present value of accumulated plan benefits was \$1,810,172,827. This amount changes year-to-year based on contributions into the plan, distributions to those in retirement, and the demographic details of the plan's members, both active and inactive. It's also adjusted in years in which the Board of Directors approve a Special Apportionment. In 2016, \$59,882,086 was added to the plan's liabilities as the result of recommendations from our actuary, Korn Ferry. These recommendations included an adjustment specific to updated mortality tables, due to the fact that people are living longer.

Pension Fund accrues reserves for each of the plans. They are intended to help protect members by maintaining a sufficient surplus to offset volatile investment markets or other unforeseen events that may impact the Pension Plan. At year-end, the Pension Plan's reserve funding level was 15.78% of the Fund balance, an improvement from 14.2% as of year-end 2015.

Retirement Savings Plans

Pension Fund's retirement savings plans include the Tax-Deferred Retirement Account (TDRA), Benefit Accumulation Account (BAA), Roth IRA, Legacy IRA and Traditional IRA. Each is designed to provide a base rate of interest. Accounts may be enhanced annually with Good Experience Credits if approved by the Board of Directors. Like Special Apportionments, Good Experience Credits require reserves to be sufficient to protect against market volatility. Good Experience Credits apply to accounts that are open at Dec. 31 and are based on the average daily balance of the member's account during the calendar year. The base interest rates were 3.5% for the TDRA, Legacy IRA, Roth IRA, and Traditional IRA programs, and the BAA rate was 2.5% for the year.

Ministerial Relief and Supplemental Gift Program

The Ministerial Relief and Assistance Fund provides a variety of financial support programs for ministers and surviving spouses who are serving or who have served the Church, but are now in need. It is a separate fund supported by Endowment Fund earnings and individual donations received either directly or indirectly through the Disciples Mission Fund. In 2016, over \$1.5 million was distributed to supplement small pensions, assist with health care premiums, and offer emergency aid. As a matter of policy, Pension Fund seeks to maintain a reserve of expendable funds to meet any need that arises. The Board of Directors authorized a grant/loan to the Christian Church Health Care Benefit Trust (CCHCBT)

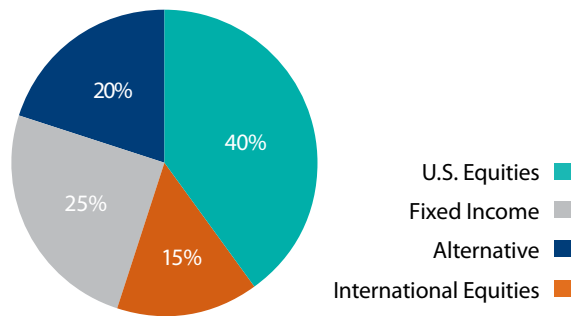
REPORT OF FINANCIAL RESULTS, CONT.

of \$2,000,000 to assist in the transition of the health care plan from supporting both active and retired members to a retiree-only plan. The transfer of funds is to be repaid only if the CCHCBT program has sufficient resources to repay the grant. Net of this grant, the Ministerial Relief and Assistance Fund has a surplus equal to more than one year of typical disbursements.

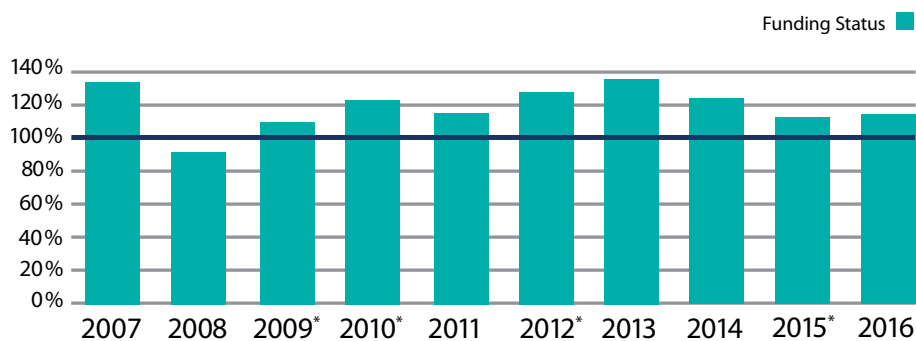
Medical Plan

Pension Fund serves as trustee of the Christian Church Health Care Benefit Trust (CCHCBT) and manages health care, prescription, dental and vision programs for clergy and lay employees. After having years of membership growth, the past several years have seen a net loss of members. The CCHCBT, effective Dec. 31, 2016, discontinued the Churchwide Healthcare active employee health plan. The Trust will continue to serve retiree participants with no change in benefits. This change was necessary given the fiscal challenges related to declining enrollment and increasing expenses. The year-end financial position of the CCHCBT includes forecasted expenses for claims incurred but not received and other related run out types of expenses related to the active membership. In support of the health care program, a \$2,000,000 grant was provided to the Trust from the Ministerial Relief Program. Including the grant, the Trust ended 2016 with total unrestricted net assets of \$597,624. Including the restricted assets relating to the Heartbeats of Faith investments, total net assets were \$1,816,706 at year-end. The operating loss for 2016, net of the grant, was \$1,326,117.

STRATEGIC ASSET ALLOCATION



HISTORICAL FUNDING ADEQUACY



* Years Without a Special Apportionment

A primary goal of the Board of Directors of Pension Fund is to maintain an adequate funding level equal to the actuarial liability and, when appropriate, to share excess returns with its members.

This illustration represents historical data and may not be indicative of future performance.

IN OUR MEMBER'S WORDS:

“Such dedication to ministry goes a long way in explaining why Pension Fund is solvent and thriving while others are not.”



2016: A YEAR IN REVIEW

President Rev. Dr. Todd Adams Joins Pension Fund Staff

At Pension Fund's November 2015 board meeting, Pension Fund's board of directors called Rev. Dr. Todd A. Adams to serve as Senior Vice-President/President-Elect, beginning March 1, 2016. Adams became Pension Fund's ninth chief executive on Sept. 1, 2016, following former President James P. Hamlett. Adams served previously as the Christian Church (Disciples of Christ) denomination's Associate General Minister and Vice President, as well as Interim President of the Disciples of Christ Historical Society.



Adams is a 1994 graduate of Chapman University. In 1997, he completed his Master of Divinity at Phillips Theological Seminary. He earned a Doctor of Ministry from Wesley Theological Seminary in 2007, and was awarded the honorary Doctor of Divinity from Bethany College in recognition of his service to the church.

Active Health Care Program Discontinued, Retiree Plans Continue

The 1971 Louisville Christian Church (Disciples of Christ) General Assembly called for the creation of a church-wide health care program, with Pension Fund of the Christian Church serving as trustee. The program was initially open to pastors in 17 regions that did not offer

2016: A YEAR IN REVIEW, CONT.

group health care, and sought to exclude pre-existing conditions for pastors moving across state lines, create equity in the cost of premiums, and provide for consistent coverage.

In 1972, on behalf of the church, Pension Fund launched the Churchwide Healthcare program. Over the next five years, other regions joined the program. In 1979, increases in health care claims threatened the financial viability of the program. By 1988, the insurer was requesting premium increases as high as 20 percent, and in 1989 the premiums were raised 30 percent as medical inflation continued to escalate. In 1993, claims were \$1.2 million in excess of premiums.

In 1996, Churchwide Healthcare became self-funded. As a self-funded health care plan, the Christian Church Health Care Benefit Trust (CCHCBT) assumed direct risk for payment of the claims for benefits. The terms of eligibility and covered benefits were set forth in a plan document, which included provisions similar to those found in a typical group health insurance policy. But again medical inflation and declining enrollment began to threaten the program. In 1999, premiums had risen by 20 percent and by 2000, claims exceeded premiums by \$1.5 million.

In 2005, Pension Fund, as trustee for Churchwide Healthcare, notified the Portland General Assembly the program was at risk and Pension Fund assets could not legally be (and had not been) used to cover the costs or loss of the program. If the Christian Church (Disciples of Christ) denomination failed to rally behind Churchwide Healthcare, Pension Fund stated its intention to resign as trustee. This would have left the denomination with \$5.4 million in debt, plus runout costs. A re-

pricing strategy was employed that included an age and area-banded rate structure to draw younger members with lower claims risk into the program. By 2007, the \$5.4 million deficit reduced to \$1.9 million and active participation increased by 24 percent. In 2009, the deficit reduced to \$123,705, but participation began declining as premiums began rising.

In 2016, faced with rapidly declining participation, back-to-back years of financial losses due to increasing medical inflation, and a projected deficit of \$3-3.5 million, the Trustees of CCHCBT voted to close the active Churchwide Healthcare plan. Pension Fund provided resources to assist with the transition of active members.

At its peak, Churchwide Healthcare had more than 11,000 members. At the plan's close, there were fewer than 1,100 members. The deficit for the plan is funded by a grant from Ministerial Relief and a loan from Church Extension (to be used as needed). The line of credit with Church Extension will not exceed the value of the Heartbeats of Faith reserves.

In closing the active plan, the trustees did vote to continue offering the Medicare supplemental plans. For 2017, Medicare rates increased 7 percent in an effort to stabilize the plan. The primary advantage of the Medicare supplement is convenience for Pension Fund members who have the premium deducted from pension payments. CCHCBT recognizes the vulnerability of the Medicare plan is exacerbated without an active health care plan serving as a pipeline for new members.



IN OUR MEMBER'S WORDS:

“I feel the decisions I made to enter into the TDRA and BAA were great. They seem to be well-managed programs and give me a sense of security for my retirement.”

MINISTERIAL RELIEF AND ASSISTANCE

Pension Fund began as the Board of Ministerial Relief in 1895. Funded solely through gifts and offerings, Ministerial Relief was created to assist ministers and their families in times of unexpected and great need, usually due to the death or disability of the minister. This work continues today as the Ministerial Relief and Assistance program and is still a vital part of Pension Fund's ministry. In 2016, Pension Fund distributed over **\$1.5 million** to ministers and their families through various Ministerial Relief and Assistance programs.

Each of these programs is made available through the generous support of countless saints of the church who have expressed their great concern for the well-being of those who have served the church faithfully and who, in retirement or through a significant life event, have great financial need. Thank you for sharing your personal resources to assist others through Ministerial Relief and Assistance.

Supplemental Gifts

The Ministerial Relief and Assistance program provides funds to retired ministers, missionaries, lay church workers and their surviving spouses as a supplement to extremely low retirement incomes. Many have low pensions because they served churches that did not participate in the Pension Plan or that paid a low salary. The amount of Supplemental Gift is based on years of service and financial need. Pension Fund awarded a total of **\$494,004** in Supplemental Gift Pensions to **114** retirees or surviving spouses.

MINISTERIAL RELIEF AND ASSISTANCE, CONT.

Ministerial Relief Grants

Monthly Ministerial Relief grants are provided to persons who have no contractual pension. In 2016, Pension Fund provided \$436,249 to 49 qualifying retired ministers or surviving spouses.

Emergency Aid Grants

Some Ministerial Relief and Assistance funds were also granted to help in emergency situations such as large, unexpected medical expenses and transition expenses. In 2016, Pension Fund provided 46 Emergency Aid grants totaling \$178,767.

Health Care Premium Assistance

Funds from individual donors are used to pay health care premiums for some retirees and surviving spouses who have great financial need. In addition, these funds assist in providing coverage for ministerial students and pastors of new congregations. In 2016, \$292,031 in health care premium assistance was provided.

Seminary Student and Reserve Military Chaplain Dues Programs

Student Gift Pension Plan Membership

This program provides protection and support of seminarians and their families during the nurture and certification process after completing their first year of studies. In 2016, we gifted Pension Plan memberships to 57 students (24 women and 33 men) representing 18 regions and 16 seminaries. This support demonstrates the church's commitment to seminarians as they prepare to fulfill their ministerial calling.

Reserve Military Chaplain Dues

Ministerial Relief funds also provide assistance with Pension Plan dues for reserve military chaplains who are called from church employment to active duty. This allows these chaplains to maintain active Pension Plan membership during military service.

13th Check

At each General Assembly, participants contribute an offering for the 13th Check. Each year between Thanksgiving and Christmas, Pension Fund sends a "13th Check" gift to individuals who receive Ministerial Relief pensions or Supplemental Gifts. We are thankful for the generosity of those who attended the Columbus General Assembly and other generous donors who enabled us to raise funds for distribution in 2015 and 2016. In 2016, 141 people received 13th Checks, totaling \$127,130.



IN OUR MEMBER'S WORDS:

“*[Good Experience Credits] has been a selling point versus other for-profit options that might have higher interest rates.***”**

2016 HIGHLIGHTS

Pension Plan	
Pensions begun	398
Age Retirement	290
Spouse	103
Dependent Parent	0
Disability	3
Full Orphan	1
Minor Child	1
Education	0
Members added	295
US Pension Plan	291
Canadian Pension Plan	2
Puerto Rico Pension Plan	2
Beneficiaries	
Retirement	4,937
Spouse	1,647
Disability	58
Dependent Parent	0
Full Orphan	1
Minor Child	11
Education	2
Total Participating Members	6,422
Total Beneficiaries	6,656
Total Members and Beneficiaries	13,078

Tax-Deferred Retirement Account	
New accounts	405
Total accounts	5,436
Total balance	\$252,123,028
Traditional IRA	
New accounts	51
Total accounts	106
Total balance	\$5,444,348
Roth IRA	
New accounts	27
Total accounts	196
Total balance	\$2,445,356
Benefit Accumulation Account	
New accounts	194
Total accounts	2,914
Total balance	\$250,888,044

BOARD OF DIRECTORS



Back row: Brenda Cline, Joshua Santana, Peggy Brittan, Jim Johnson, Bill Lee, Preston Adams, Camilla Lindsey, Janet Long, Thad Allen

Front row: Laura Reed-Gelarden*, Charlene Butz, Deborah Lewis, Tony Rodriguez*

Not pictured: Esteban Gonzalez-Doble, Kelly Nelson, Randy Clayton, Kelly Bauer

**former board members*

STAFF

Todd Adams, *President*

Shokrina Radpour Beering,
Chief Operating Officer

Alexis Branaman, *Area Director*

Andrea Bryant-Bails,
Member Relations Associate

Nancy Burton, *Defined Contribution
Specialist*

Raquel Collazo, *Area Director*

Dawn Cooper, *Assistant Vice President
for Internal Audit*

Terri Copfer, *Administrative Assistant*

Duncan Draper, *Executive Vice President*

Kyle Fauntleroy, *Area Director*

T. Eugene Fisher,
Vice President for Customer Care

Dawn Fleming, *Assistant Vice President
for Operations*

Emily Frische, *Chief Marketing Officer*

Learsy Gierbolini, *Member Relations
Coordinator*

Brett Gobeyn, *Assistant Vice President
for Investments*

Danny Gulden, *Vice President of Client
Relations*

Terry Hagan, *Defined Benefit Specialist*

Debbie Higgins, *Member Relations Associate*

Angela Hornung, *Assistant Controller*

Andrew Howard, *Technology
Solutions Director*

Kate Hurst, *Project Manager*

Connie English, *Assistant Vice President of
Client Relations*

Michael Johnson, *Area Director*

Elaine Littleton, *Treasury Associate*

Dee Long, *Area Director*

Rick Mahoney, *Assistant Vice President
of Technology*

Sara Martin, *Member Relations Associate*

Kerry McCullough, *Receptionist*

Radhika Mereddy, *Business Analyst/
Project Manager*

Jeff Miller, *Project Manager*

Meagan Miller, *Marketing Director*

Charlene Payne, *Member Relations Associate*

Carrie Pitman, *Controller*

Nicole Porter, *Benefits and Payroll Specialist*

TaShana Robinson, *Assistant Director of
Member Relations*

Matthew Rosine, *Director of Programs*

Jefa Sheehan, *Director of Member Relations*

Aaron Smith, *Area Director*

Kim Spencer, *Member Relations Associate*

David Stone, *Senior Vice President and CIO*

Ruth Wallace, *Vice President for Development*

Ida Watkins, *Member Relations Associate*

Ted Weaver, *Program Manager*

Rod Witte, *Assistant Vice President of
Client Relations*



IN OUR MEMBER'S WORDS:

“What a joy to be able to make a healthy contribution to Ministerial Relief and Assistance every month.”

PENSION FUND GIFTS HONOR ROLL

Individuals

N. Dwain and Virginia Acker
Alaina Adams
Richmond Adams
Todd and Kimberly Adams
Darlene Adkins
Robbie and Jack Adkisson
Tommy and Vickie Akers
Charles and Janette Akin
Kathryn Albers
Anna Alexander
Don and Judy Alexander
John and Frances Alford
Albert Allen
Thaddaeus and Jennifer Allen
Patricia Allred
Luisa Alvarado
Bruce Dame and Carol
Anderson
Elizabeth Anderson
Ellen and Thomas Anderson
Susan and William Anderson
John and VarDeen Andrae
Nancy Andress
Sara Andrews-Brooks
Enrico and Estela Angiolani
Maurice and Thelma Ankrom
Enid Olivieri-Ramos and
Ceferino Aponte
Jose and Eva Araya
Janet Nelson and Salomon
Arazi
Elva Arnett
Donald Arterburn
Shirley Arther

Wayne and Cynthia Ashlock
Anne Atkins
Marilynn Aushman
Karen Austin
Walter and Carol Austin
Margie Avery
Lela Mae and Roger Aydelott
Davis and Ruby Babcock
Richard and Barbara Bable
Laura Bacerra
C. William and Laura Bailey
James and Beverly Bailiff
Mona Baird
William and Shirley Baird
David and Priscilla Adamson
Baker
Deanna Baker
Jennie and Robert Baker
Mary Bancroft
Nicanor and Elsa Bandujo
Vernon T. Banks
Mary Barber
E. Patricia Barbier
Charles and Barbara Bare
Betty Barker
Jack and Thelma Barker
Edith Barley
Ladonna Barnett
Catherine Barone
Betty Bartley
Frances Barton
Bertram Allen and Jeannie
Basinger

Ina Bates
Patricia Bates
Robert and Margaret Bates
Kelly and Jennifer Bauer
Wendy and Charles Bayer
Jean Beam
Alfred and Edwina Beaver
Albert Beck
Audrey Beck
Cheryl Beck
Curtis Becker
Dorothea and Curtis Becker
Randall and Linda Beeman
Lynn Beinke
Wayne and Virginia Bell
Charles and Martha Benezé
Thomas and Beverly
Benjamin
Ann Bennett
John Bennett
Joseph and Magda Bennett
Roy and Amy Bentley
Catherine Bergel
Claire and Charlotte Berry
Howard Bever
Judy Bever
Michael and Rena Bever
Ethel Bingham
William and Margaret
Bingham
Arthur and Nadine Bishop
Betty Blakemore
David and Julia Blondell
Helen Bloss

India and José Mario Bobadilla
 Trent and Norma Bobbitt
 James and Anna Bogan
 Joan Bohn
 Ben Bohren
 Elaine Boling
 Alan and Joan Bone
 Patricia Bonner
 Jerry and Sheri Book
 William and Lucille Booth
 Eugene and Karen Boring
 James and Dorothy Bosch
 Victor and Megan Boschini
 Myrtle Boston
 Martha and Bill Boswell
 Sherry Bouchard
 A. Houston Bowers
 Robert and Barbara Boyte
 Sonya Brabston
 Robert and Ruth Bradley
 Trudy Scott and Danny Bradley
 Jesse and Geraldine Bradshaw
 James and Elizabeth Bragg
 John and Jean Diane Branam
 John and Helen Bray
 Donald Brewer
 Donald and Barbara Brezavar
 Eugene and Elizabeth Brice
 Edward Bridwell
 John Bridwell
 William and Virginia Brigman
 Janie Briley
 William and Janet Elaine Briley
 Rowena Britt
 Peggy Brittan
 Elsie Britton
 Myra Britton

June Bro
 Loren Broadus
 John Brodmann
 Jewell Brooks
 Carrie and Calvin Brown
 Evelyn Brown
 Gerald and Susan Brown
 Katherine Brown
 Leo Brown and Katherine Tipps Brown
 Lloyd and Katherine Brown
 Margaret Brown
 Ralph Brown
 Robert and Doris Brown
 Stanley and Eloise Brown
 Doris Brownie
 John and Janice Browning
 Judith and John Browning
 Roy and Geraldine Browning
 Warren and Virginia Brubaker
 David Bruce
 Jacquelin Brummel
 Joseph Bryan
 Cleveland and Linda Bryant
 Andrea Bryant-Bails
 Bonnie Brynteson
 Evelyn Buchanan
 Richard Bucher
 Arthur and Greek Buell
 Roy and Anna Lombardo Bullock
 Ann Burch
 Carol Burkhalter
 Carl and Lois Burkhardt
 James and Ann Burton
 Nancy Burton
 Richard and Virginia Basic
 Hilda Bussell
 Maureece Butler
 Charlene Butz

John and Dorothy Cachiaras
 Ralph Calcote
 Philip and Julie Calef
 Gail Campbell
 Joan Campbell
 Angel Candelario-Sanchez
 Gloria Canedy
 Rosemary Canuteson
 N Gene and Janet Carlson
 James Carpenter
 John Carter
 Evelyn Cartmill
 David Cartwright
 Mary and Brent Cary
 Juliet Cate
 James Caton
 Tillie Cattrell
 Mary Caudle-Kidd
 Frederick and Mary Cawthorne
 Machell Chalfant
 Young and Bonnie Ha Chang
 Paul and Ruth Channels
 Carlos Chavez
 Ignacio and Felipa Chavez
 Linda Cheverton
 Stephen Chun
 James and Bonnie Churchwell
 Karen and Gregory Clapp
 Lorna Clark
 Patricia Clark
 Robert Clark
 Robert and Ida-Anne Clarke
 Wilma Clary
 Marlene Clayton
 Ellen Cleveland
 James and Janice Clifford
 Larry Clifton
 Ramona Clifton

Brenda Cline
M. June Cline
Thelma Cloud
Kim and Susan Clowe
Robert and Joyce Coalson
Jeanne Cobb
Beverly and James Coburn
Mary Coe
William and Judy Coe
Richard and Lynn Cohee
Margaret and Robert Colerick
Jack and Patsy Collins
Sandra Collins
Argelia Colon Whitacre
Shirley Compton
Harriett Conner
Bobby and Nancy Cook
Connie and Kenneth
Cookson
Rita Cooley
Lynn and Marlene Cooper
Teresa Copfer
Judith Copley
Victor and Rhonda Coriano
Carroll and Ellen Cotten
Kelby and Marilyn Cotton
Verla Jean Covey
Marjorie Cowperthwaite
Arlene Cox
Duane and Susan Cox
Fredda Cox
Kenneth Coy
Stephen and Myrna Jones
Cranford
Melba Crank
Mary Jean Crews
John and Mary Crist
Janet Ann Crouch
William and Patricia Crowl
Allison and Philip Cuba

Catherine Cullumber
Joann Cummins
Betty Cunningham
Richard and Carol
Cunningham
Betty Curtis
V. Jean Daetwiler
Brian and Laura Daly
Jack and Sharon Daniel
Richard D'Antonio
Laura Dargitz
LaDonna Darmer
David Dean and Bonnie
Darnall
Daniel Darnell
Dwayne and Vivian
Davenport
Roger and Barbara Davidson
William Davidson
Dauna and William Davis
Dorothy Davis
Gilbert Davis
Carolyn Day
Donald and Ruthann
De Baets
Kenneth Dean
David and Barbara Decker
Robert and Debra Degges
Joan Dennehy
Scott and Kathleen Dennis
Leslie L Hildreth and Thomas
Mark Denton
William Denton
James and Wanda Dickerson
Christopher and Merita Diebel
Emily Diehm
David Dodson
James and Jane Donahoo
Betty Doss
Orris and Jean Doty
Carol Dow

Cynthia Dowell
Dorothy Drane
Duncan and Tina Draper
Richard and S. Sue
Duckworth
George and Judith Dudley
Carol and Ben Duerfeldt
W. Joel and Karon Duffield
Rolianne Dulcio
Rhaelea Duncan
Barbara Dunn
David and Helen Dunning
Beverly Duval
Kathryn and James Dyson
Chester Earls
Sanders East
Sondra Eddings
Dolores Edwards
Ester Edwards
Curtis Ehrmantraut
Robert and Coletta
Eichenberger
Rudolph Eichenberger
Jennifer Eis
Ronald and Dixie Eldridge
James Ellerbrook
Robert and Harriette Elliott
Robert Elliott
Jean Elmore
Charles and Frances Nadine
Elswick
Kenneth and Susan
Endersbe
Patsy English
Barbara Enochs
Daniel and Barbara Entwistle
Fred Erickson
Jose and Maria Escamilla
Douglas Evans
Elberta Evans

J. Kenneth and Margaret Evans
 David and Florilda Everton
 Jane Ewalt
 Philip Ewoldsen
 John and Deborah Faircloth
 O. David Farrar
 Cleista Farriester
 Janet Farrior
 Ted and Barbara Faulconer
 George and Carol Faulk
 Ronald and Toni Faust
 Martha and Howard Fawbush
 Faye Feltner
 Maurice and Sara Fetty
 Ricky and Margaret Fielder
 Sharon Fields
 James Finch
 Morris and Sandrya Finch
 Russell and Vicki Fincham
 Margaret Fines
 T. Eugene and Angela McDonald Fisher
 Martha and Gregory Fitch
 Dawn Fleming
 Terry and Frieda Foland
 Donna Forbes
 Doris Forcum
 F. Clark and Mattie Ford
 Kenneth Forshee
 John and Marilyn Foulkes
 Joan Fowler
 Kirk and Joan Fowler
 James and Carolyn Meiks Fraley
 Virginia Fraley
 Diane Francis
 Bernice Franke
 Robert and Karen Frank-Plumlee
 Elizabeth and Edward Frazier

Ralph French
 Arthur and Donna Freund
 Deborah Owen and Kevin Frings
 Ivan and Carolyn Fuller
 Joe Ann Fuller
 Russell Fuller
 Elaine Fulp
 Margery Galbraith
 Barbara and Raymond Galloway
 Allen and Catherine Garner
 Jack Garrett
 Mary Garrison
 Joseph Garshaw
 Joyce Gartrell
 Larrie and Linda Gaylord
 Jill Gearhart
 Laura Reed Gelarden
 Barbara Gibbs
 James and Patricia Gideon
 Frank Hoss and Elaine Giermak
 Walter Giffin
 Daniel and Linda Gilbert
 Effie Giles
 Herbert and Sharon Gillen
 Mark Gillett
 Phil Gilliland
 A. Stephen Ginn
 John Glosser
 Robert and Linda Glover
 Brett and Elena Gobeyn
 Frances Godard
 Alice Goeringer
 David and Lois Goin
 Donald Golden
 Gerould and Bonnie Goldner
 Hector Jose and Ana Gonzalez
 Don and Larene Good

James and Linda Goode
 Howard and Darlene Goodrich
 George and Suzanne Gordon
 Joseph and Glenis Gornik
 David and Norma Goss
 Howard and Valera Grant
 Mildred Gray
 Gertrude and Ralph Greco
 E. and Cathy Greenway
 Timothy and Donna Griffin
 Larry and Carol Grimes
 Margaret Gritton
 Roda Grubb
 Dolores Guenin
 Richard and Emily Guentert
 Jorge and Jalma Guevara
 Elena Guillen
 James Guthrie
 Helen Guy
 William and Delores Gwaltney
 Teresa and Benny Hagan
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Churches

Bethany Christian Church, Houston, TX	First Christian Church, Madisonville, KY
Central Christian Church, Hermitage, PA	First Christian Church, Manhattan, KS
Central Christian Church, Walla Walla, WA	First Christian Church, Mesquite, TX
Christian Church in Ohio	First Christian Church, Metropolis, IL
Christian Church in Southwest	First Christian Church, Morgantown, WV
Clintonville Christian Church, Paris, KY	First Christian Church, Princeton, IL
Federated Church of W. Lafayette	First Christian Church, Republic, MO
First Christian Church of the Beaches, Neptune Beach, FL	First Christian Church, Texas City, TX
First Christian Church, Arlington, TX	First Christian Church, Worthington, OH
First Christian Church, Bolivar, MO	Hope Church, Bound Brook, NJ
First Christian Church, Bryan, TX	Lansdowne Christian Church, Baltimore, MD
First Christian Church, Charleroi, PA	Mountair Christian Church, Lakewood, CO
First Christian Church, Clearwater, KS	North Christian Church, Fort Wayne, IN
First Christian Church, Donna, TX	Ridglea Christian Church, Fort Worth, TX
First Christian Church, Edwardsville, IL	The Woodlands Christian Church,
First Christian Church, El Paso, TX	The Woodlands, TX
First Christian Church, Hopkinsville, KY	Trinity Christian Church, Mechanicsville, VA
First Christian Church, Idaho Falls, ID	United Christian Church, Yakima, WA
First Christian Church, Kingsville, TX	Utica Christian Church, Utica, MS
First Christian Church, Louisburg, KS	Washington Avenue Christian Church, Elyria, OH
	Zion Christian Church, Mauertown, VA

OTHER VITAL GIFTS

Honor is also due to those who have made substantial gifts for the initial funding of the Pension Plan. Their early gifts, while not a part of the Endowment Fund, are greatly appreciated for their inclusion in the basic reserves of the Pension Plan. Included are: William H. Dulaney, Frank Hughes, J. R. McWane & R. H. Stockton.

Income for current Ministerial Relief and Assistance is received on a regular basis from outside held trusts and foundations established by Leslie O. & Ethelda Best, Dewitt & Othel Fiers Brown, George J. & Elizabeth Brown, Wm. S. Canfield, Alice M. Davis, Will S. & Clara Hicks, William & Mary Hudspeth, John Charles Leber, Harley C. & Mary Hoover Price, Wanda A. Remick, Mary Isabel Sandin, John & Lucy Schafer, Oreon E. Scott, Otto & Martha Werner, Mamie L. Young, Dallas, TX – Greenville Avenue Christian Church, Graham, TX – First Christian Church & Sacramento, CA - Freeport Boulevard Christian Church.

Other gifts made in honor of ministers or other church workers are used in current Ministerial Relief and Assistance and are recognized in the Pension Fund Gift Bulletin as are those memorials now more frequently sent here by friends of deceased ministers in lieu of funeral flowers.

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Ice Miller, *Legal Counsel*

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Health Care Advisor

Rev. Dr. Sharon Watkins, *Liason,*
General Minister and President,
Christian Church (Disciples of Christ)

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Combined Financial Statements and Report of
Independent Certified Public Accountants

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

December 31, 2016 and 2015

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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Members of the Financial Affairs Committee of the
Pension Fund of the Christian Church
(Disciples of Christ), Inc.

Report on the financial statements

We have audited the accompanying combined financial statements of the Pension Fund of the Christian Church (Disciples of Christ), Inc.; the Health Care Benefit Trust and the Pension Fund Canada Trust, all of which are under common management (collectively referred to as the Pension Fund), which comprise the combined statements of net assets available for benefits as of December 31, 2016 and 2015, and the related combined statements of changes in net assets available for benefits for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these combined financial statements based on our 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Pension Fund's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pension Fund's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, information regarding the Pension Fund of the Christian Church (Disciples of Christ), Inc.; the Health Care Benefit Trust and the Pension Fund Canada Trust's net assets available for benefits as of December 31, 2016 and 2015, and changes therein for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining information on page 7 is presented for purposes of additional analysis, rather than to present the changes in net assets of the individual funds or entities, and is not a required part of the combined financial statements. Such supplementary information is the responsibility of the Pension Fund's management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining information and supplemental schedules are fairly stated, in all material respects, in relation to the combined financial statements as a whole.



Chicago, Illinois

April 7, 2017

Pension Fund of the Christian Church
(Disciples of Christ), Inc.
COMBINED STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
December 31,

ASSETS	2016	2015
CASH	\$ 24,081,428	\$ 35,928,900
COLLATERAL UNDER SECURITIES LENDING AGREEMENT	57,459,436	66,143,702
INVESTMENTS		
Short term	208,309,030	161,437,238
Fixed income		
Fixed income securities	855,389,684	789,743,378
Mutual funds	<u>55,182,122</u>	<u>51,902,156</u>
	910,571,806	841,645,534
Equities		
Mutual funds and comingled funds	555,768,358	418,501,773
Common stock and preferred stock	<u>927,748,389</u>	<u>1,017,561,405</u>
	1,483,516,747	1,436,063,178
Other		
Private equity		
Emerging market	1,034,718	1,546,318
Fund of funds	45,997,209	61,694,150
Venture capital	223,444,425	196,232,046
Real estate	85,957,660	98,971,023
Joint investment trusts	<u>965,512</u>	<u>920,802</u>
	<u>357,399,524</u>	<u>359,364,339</u>
Total investments	2,959,797,107	2,798,510,289
OTHER ASSETS		
Interest and dividends receivable on investments	1,472,019	8,138,036
Amounts receivable on securities transactions	50,110,352	3,342,586
Foreign exchange contracts	852,968	-
Pension Fund Canada Trust	8,648,424	8,342,440
Other	<u>2,742,288</u>	<u>2,409,954</u>
Total other assets	<u>63,826,051</u>	<u>22,233,016</u>
TOTAL ASSETS	<u>\$3,105,164,022</u>	<u>\$2,922,815,907</u>

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

COMBINED STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS - CONTINUED
December 31,

LIABILITIES AND NET ASSETS AVAILABLE FOR BENEFITS		2016	2015
LIABILITIES			
Amounts due on securities transactions	\$	45,224,933	\$ 21,739,080
Liability to return collateral held under securities lending agreement		57,459,436	66,143,702
Securities sold under agreement to repurchase		53,088,939	29,465,832
Foreign exchange contracts		-	462,592
Health care claims payable		2,013,814	2,060,287
Unearned health care premiums		3,618	109,297
Escrow funds and other liabilities		<u>3,309,126</u>	<u>3,757,555</u>
Total liabilities		\$161,099,866	123,738,345
NET ASSETS AVAILABLE FOR BENEFITS			
Pension plan fund		2,140,371,539	2,041,416,646
Additional benefits fund		604,957,713	565,331,985
Annuity fund		4,856,303	5,015,208
Endowment fund		43,419,229	39,706,170
General fund		137,019,812	133,108,833
Ministerial relief and assistance fund		2,689,020	4,769,647
Pension Fund Canada Trust		8,933,834	8,586,249
Health care benefit trust		<u>1,816,706</u>	<u>1,142,824</u>
Total net assets available for benefits		<u>\$2,944,064,156</u>	<u>\$2,799,077,562</u>

The accompanying notes are an integral part of these statements.

Pension Fund of the Christian Church

(Disciples of Christ), Inc.

COMBINED STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

Years ended December 31, with combining information for the year ended December 31, 2015

	Pension Plan fund	Additional Benefits fund	Annuity Fund	Endowment Fund
Additions				
Pension plan dues	\$ 19,572,243	\$ -	\$ -	\$ -
Additional benefits deposits	-	38,148,856	-	-
Annuity agreements issued	-	-	-	-
Gift receipts				
Disciples Mission Fund	-	-	-	-
Other gifts and offerings	-	-	-	-
Bequests and gifts	-	-	-	230,178
Health care premiums	-	-	-	-
MR&A grant from Endowment	-	-	-	-
Net investment gain	214,913,148	55,165,344	523,490	4,298,142
Program administration fees	-	-	-	-
Interest credited to funds	<u>84,129,024</u>	<u>15,647,493</u>	<u>191,990</u>	<u>-</u>
Total additions	318,614,415	108,961,693	715,480	4,528,320
Deductions				
Pension plan benefits	122,928,149	-	-	-
Annuity payments	-	-	652,254	-
Additional benefits withdrawals	-	50,325,975	-	-
Pension plan membership payouts	77,903	-	-	-
Supplemental gift benefits	-	-	-	-
Other ministerial relief and assistance	-	-	-	-
Health care claims	-	-	-	-
Endowment grant	-	-	-	566,900
Program administration fees	6,251,380	1,765,060	14,831	123,921
Interest expense	84,129,024	15,646,262	191,990	-
Fund to fund transfer	59,882,086	-	-	-
Investment fees	6,273,066	1,598,668	15,310	124,440
Management and general expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deductions	<u>279,541,608</u>	<u>69,335,965</u>	<u>874,385</u>	<u>815,261</u>
NET INCREASE (DECREASE)	39,072,807	39,625,728	(158,905)	3,713,059
Fund to fund transfer - special apportionment and good experience credits	59,882,086	-	-	-
Net assets available for benefits, beginning of year	<u>2,041,416,646</u>	<u>565,331,985</u>	<u>5,015,208</u>	<u>39,706,170</u>
Net assets available for benefits, end of year	<u>\$2,140,371,539</u>	<u>\$604,957,713</u>	<u>\$4,856,303</u>	<u>\$43,419,229</u>

The accompanying notes are an integral part of these statements.

Combining information

General Fund	Ministerial Relief Assistance Fund	Pension Fund totals	Pension Fund Canada Trust	Health care Benefit Trust	2016 Total	2015 Total
\$ -	\$ -	\$ 19,572,243	\$77,822	\$ -	\$ 19,650,065	\$ 19,444,944
-	-	38,148,856	-	-	38,148,856	34,934,211
-	-	-	-	-	-	372,093
-	195,279	195,279	-	-	195,279	205,374
-	813,532	813,532	1,489	1,567	816,588	2,051,934
-	-	230,178	-	-	230,178	739,723
-	-	-	-	20,247,004	20,247,004	21,151,493
-	566,900	566,900	-	2,000,000	2,566,900	1,140,150
4,180,315	-	279,080,439	789,723	93,219	279,963,381	(83,700,153)
8,155,192	-	8,155,192	-	-	8,155,192	7,801,289
-	-	99,968,507	-	-	99,968,507	97,815,009
12,335,507	1,575,711	446,731,126	869,034	22,341,790	469,941,950	101,956,067
-	-	122,928,149	435,057	-	123,363,206	121,460,940
-	-	652,254	-	-	652,254	657,206
-	-	50,325,975	-	-	50,325,975	45,055,978
-	-	77,903	-	-	77,903	304,280
-	494,004	494,004	2,233	-	496,237	524,425
-	3,155,796	3,155,796	-	-	3,155,796	1,044,782
-	-	-	-	21,024,878	21,024,878	21,328,307
-	-	566,900	-	-	566,900	1,152,905
-	-	8,155,192	-	-	8,155,192	7,801,289
-	-	99,967,276	-	-	99,967,276	97,815,250
-	-	59,882,086	-	-	59,882,086	77,169,006
315,880	-	8,327,364	-	-	8,327,364	9,893,238
8,108,648	6,538	8,115,186	84,159	643,030	8,842,375	8,146,545
8,424,528	3,656,338	362,648,085	521,449	21,667,908	384,837,442	392,354,151
3,910,979	(2,080,627)	84,083,041	347,585	673,882	85,104,508	(290,398,084)
-	-	59,882,086	-	-	59,882,086	77,169,006
133,108,833	4,769,647	2,789,348,489	8,586,249	1,142,824	2,799,077,562	3,012,306,640
\$137,019,812	\$ 2,689,020	\$2,933,313,616	\$8,933,834	\$ 1,816,706	\$2,944,064,156	\$2,799,077,562

NOTE A - NATURE OF OPERATIONS

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

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

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

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

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

- a. US Pension Plan Fund - Reserves required to meet the Defined Benefit Pension Plan (the Plan) member retirement, death and disability benefit obligations. Contributions are made to the US Pension Plan Fund by its members and participating churches or organizations based upon a specified percentage of members' compensation and are credited to the members' individual accounts. The dues are converted into pension credits by taking the total compensation base upon which dues are paid to the Plan during a member's career, and multiplying it by 0.14966 for the portion that was full dues, and 0.00426 for the portion that was partial dues. The Plan provides for retirement benefits generally at age 65 based upon such accrued pension credits and includes provisions for early retirement, disability and death benefits. Certain members of the Plan are fully vested immediately, while others vest after two years of participation. The Plan provides for special apportionments awarded to all active and retired members of the Plan, if the fund is over the required funding level and as approved by the Board of Directors.
- b. Puerto Rico Pension Plan Fund - Reserves required to meet the Defined Benefit Pension Plan (the Puerto Rico Plan) member retirement, death and disability benefit obligations. Contributions are made to the Puerto Rico Pension Plan Fund by its members and participating churches or organizations based upon a specified percentage of members' compensation and are credited to the members' individual accounts. The dues are converted into pension credits by taking the total compensation base upon which dues were paid to the Puerto Rico Plan during a member's career, and multiplying it by 0.14966 for the portion that was full dues, and 0.00426 for the portion that was partial dues. The Puerto Rico Plan provides for retirement benefits generally at age 65 based upon such accrued pension credits and includes provisions for early retirement, disability and death benefits. Certain members of the Puerto Rico Plan are fully vested immediately, while others vest after two years of participation. The Puerto Rico Plan provides for special apportionments awarded to all active and retired members of the Puerto Rico Plan, if the fund is over the required funding level, and as approved by the Board of Directors.

The US Pension Plan Fund and Puerto Rico Pension Plan Fund (collectively, the Pension Plan Fund) are presented throughout the statements of net assets available for benefits and the statements of changes in net assets available for benefits in a combined format.

- c. Additional Benefits Fund - This is a combination of several programs, including the Tax Deferred Retirement, Benefit Accumulation, Roth IRA, Traditional IRA, and Annuity programs all offered with the intent of providing members the opportunity to enhance their retirement. Funds in such accounts earn stipulated rates of interest, and may be subject to withdrawal and deposit rules and regulations adopted by the Board of Directors. From January 1, 2011 to July 1, 2015, the Benefit Accumulation program was not available to new members. Effective July 1, 2015, the Benefit Accumulation program is available to new members.
- d. Annuity Fund - Funds received from donors and members to purchase annuities and make periodic annuity payments as specified.
- e. Endowment Fund - Gift funds, including those received through estates, bequests or memorials, which are restricted and are to be retained for designated purposes. The Endowment Fund is comprised of gifts and donations plus accumulated investment returns. Earnings from this fund primarily help support ministerial relief programs according to the spending policy that is designed for long-term sustainability of the endowment.
- f. General Fund - This unencumbered fund accumulates the administrative fees charged to each program fund. These funds are expendable for current operating and capital purposes. These funds can be used to support special apportionments and good experience credits at the approval of the Board of Directors.
- g. Ministerial Relief and Assistance Fund - Gifts and gift allocations of the church for the express purpose of meeting members' needs, such as supplemental gift pensions, ministerial relief, emergency aid, health care assistance and other services. The Board of Directors authorized a grant to the Healthcare Benefit Trust (HCBT) of \$2,000,000 to assist in the transition of the Healthcare plan from supporting both active and retiree members to a retiree member only plan. The transfer of funds is to be repaid only if the HCBT program has sufficient resources to repay the grant. Net of this grant, the Ministerial Relief and Assistance Fund has a surplus equal to more than one year of typical disbursements.
- h. Pension Fund Canada Trust - The Pension Fund Canada Trust executes the operations of the Pension Plan Fund as it pertains to members and beneficiaries in the fund who are employed in Canada. The Pension Fund Canada Trust maintains separate reserves to meet the benefit obligations of the Pension Plan Fund in Canada. Canadian members and beneficiaries are entitled to substantially the same benefits as U.S. members and beneficiaries based upon the same contribution percentage.
- i. Health Care Benefit Trust - The HCBT administers the operations of the former Health Care Fund and Health Care Claims Reserve Fund. The HCBT, effective December 31, 2016, discontinued support for the active Plan members. The Trust will continue to serve the retiree Plan participants with no change in benefits. This change was necessary given the fiscal challenges related to declining enrollment and increasing expenses. The year-end financial position of the HCBT includes accrued expenses related to claims incurred but not received and other related run out types of expenses related to the active Plan membership. Management will continue to monitor the health care industry trends as it relates to the retiree membership.

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying combined financial statements are prepared under the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Concentration of Credit Risk

Pension Fund has certain financial instruments that subject it to potential credit risk. Those financial instruments consist primarily of cash. Pension Fund maintains its cash balance with financial institutions. At times, these balances may exceed the Federal Deposit Insurance Corporation insured limits. Pension Fund has not experienced any loss on these accounts and believes there is no significant exposure of credit risk on cash.

Investment Valuation, Income Recognition and Presentation

Investments are reported at fair value. The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. If available, quoted market prices are used to value investments. See note C for a description of valuation techniques.

Purchases and sales of investments are recorded on a trade-date basis. Realized gains and losses on investments, recorded as the difference between proceeds received and carrying value, and net unrealized gains and losses on investments for the year are reflected in the combined statements of changes in net assets available for benefits as net investment gain or loss. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Investments with original maturities of one year or less are reported as short-term investments.

Valuation of Investments (Securities with No Quoted Market Prices)

Certain investments held by Pension Fund do not have quoted market prices available. Such investments are valued at estimated fair value. Fair values for such investments are based on market value information provided by the investment brokers or managers of the investment funds. See note C for additional information.

Derivative Financial Instruments

Pension Fund's assets and liabilities include certain derivative financial instruments, including treasury and other interest rate futures contracts, options and forward currency exchange contracts. These financial instruments with off-balance-sheet market risk are used to enhance the overall yield of investments and are entered into as alternatives to investments in actual U.S. treasury securities or other investments. These financial instruments are also used on a daily basis to maintain Pension Fund's long-term asset class target allocations of the investment portfolio. Credit loss exposure exists in the event of nonperformance by the other parties,

principally large brokerage firms, to such instruments. The gross and net credit risk associated with the related counterparties on open futures and option positions is insignificant. The market risk for these open futures and option positions is directly linked with exchange rates or market interest rates as the underlying securities bear a fixed rate of interest.

Health Care Claims Payable

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

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and changes therein, disclosure of contingent assets and liabilities, and the actuarial present value of accumulated plan benefits, and changes therein, at the date of the financial statements. Actual results could differ from those estimates.

Payment of Benefits

Benefit payments to participants are recorded upon distribution.

Risks and Uncertainties

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

The actuarial present value of the accumulated plan benefits is reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimation and assumption process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the combined financial statements.

Recently Adopted Pronouncements

Effective for the year ended December 31, 2015, the pronouncements noted below were adopted. No additional pronouncements were adopted in 2016.

In June 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-11, *Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures*. ASU No. 2014-11 makes limited changes to the accounting for repurchase agreements, clarifies when repurchase agreements and securities lending transactions should be accounted for as secured borrowings, and requires additional disclosures regarding these types of transactions. The effective date of this ASU is for fiscal years beginning on or after December 15, 2014. The revised disclosures are included in note D.

In May 2015, the FASB issued ASU 2015-07, *Fair Value Measurement (Topic 820): Disclosure for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)*, which exempts investments measured using the net asset value (NAV) practical expedient in ASC 820, *Fair Value Measurement*, from categorization within the

fair value hierarchy. The guidance requires retrospective application and is effective for public business entities for fiscal years, and interim periods within those years, beginning after December 15, 2015. For all other entities, the guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016. Early adoption is permitted. Management elected to early adopt the provisions of this new accounting standard. Accordingly, the amendment applied and the revised disclosures are included in note C.

In July 2015, the FASB issued ASU 2015-12, *Plan Accounting: Defined Benefit Pension Plans (Topic 960), Defined Contribution Pension Plans (Topic 962), and Health and Welfare Benefit Plans (Topic 965): Part (I) Fully Benefit-Responsive Investment Contracts, Part (II) Plan Investment Disclosures, Part (III) Measurement Date Practical Expedient*. This three-part standard simplifies employee benefit plan reporting with respect to fully benefit-responsive investment contracts and plan investment disclosures, and provides for a measurement-date practical expedient. Parts I and III are not applicable to this Pension Fund. Part II is effective for fiscal years beginning after December 15, 2015, and should be applied, with early adoption permitted.

Management has elected to adopt Part II early. Accordingly, the amendment eliminated the requirement to disclose individual investments that represent five percent or more of net assets available for benefits and the net appreciation or depreciation of fair value of investments by general type. Part II also simplifies the level of disaggregation of investments that are measured using fair value. Plans will continue to disaggregate investments that are measured using fair value by general type; however, plans are no longer required to also disaggregate investments by nature, characteristics and risks. Further, the disclosure of information about fair value measurements shall be provided by general type of investments. This amendment applied and the revised disclosures are included in note C.

NOTE C - INVESTMENTS

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

	2016	2015
Interest and dividend income	\$ 52,499,423	\$ 57,676,888
Securities lending fees	767,835	801,390
Net realized and unrealized losses on investments	<u>226,696,124</u>	<u>(142,178,431)</u>
Net investment gain (loss)	<u>\$279,963,382</u>	<u>\$ (83,700,153)</u>

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December 31, 2016 and 2015

Included in the Statements of Net Assets Available for Benefits and the Statements of Changes in Net Assets Available for Benefits are the fair value of derivative contracts and related realized and unrealized gains and losses, as summarized below as of and for the year ended December 31, 2016:

	Derivative assets	Derivative liabilities	Realized gain (loss)	Unrealized gain (loss)
Interest rate				
Interest rate swaps	\$ 654,076	\$ 570,912	\$(1,984,274)	\$1,047,171
Inflation rate swaps	<u>775,172</u>	<u>437,171</u>	<u>15,364</u>	<u>801,691</u>
	1,429,248	1,008,083	(1,968,910)	1,848,862
Foreign currency exchange rate				
Forward contract	1,312,183	459,215	2,641,832	1,299,197
Equity price				
Futures contracts	3,564,541	9,515,087	26,036,179	3,551,627
Options	<u>655,486</u>	<u>483,264</u>	<u>98,639</u>	<u>89,556</u>
	4,220,027	9,998,351	26,134,818	3,641,183
Credit				
Credit default swaps	<u>15,445</u>	<u>219,829</u>	<u>(15,292)</u>	<u>89,410</u>
Total	<u>\$6,976,903</u>	<u>\$11,685,478</u>	<u>\$26,792,448</u>	<u>\$6,878,652</u>

Included in fixed income are written futures and option contracts. Open forward and written option positions as of December 31, 2016 and 2015, are summarized below:

	Fair value liability	
	2016	2015
Written options		
SWAP - fixed income securities (2016 and 2015 notional value of \$559,522 and \$260,160, respectively)	\$(464,851)	\$(136,399)
U.S. equities (2016 and 2015 notional value of \$121,768 and \$39,168, respectively)	(16,520)	(5,102)
Futures (2016 and 2015 proceeds of \$11,485 and \$12,900, respectively)	(1,893)	(29,952)

Included in short-term investments are futures contracts. The fair value of the liabilities of open futures positions was \$(5,044,386) as of December 31, 2015. Pension Fund maintains a margin deposit of approximately 10% of the notional value.

Also included in fixed income investments are credit default, interest rate and total return swap contracts. The net market value of open futures positions was \$(1,780,720) as of December 31, 2015. The notional values of these swaps were \$(35,097,771) and \$(77,475,775) as of December 31, 2016 and 2015, respectively.

Pension Fund's investments include alternative investments that do not have quoted market prices available. In the absence of readily ascertainable market values, the amounts used by Pension Fund were supplied by management of the funds. The market value of these types of investments that do not have quoted market prices available was \$803,829,480 and \$676,084,613 as of December 31, 2016 and 2015, respectively, which represent approximately 26% and 24% of total assets as of December 31, 2016 and 2015, respectively. However, because of the inherent uncertainty of valuation, those estimated market values may differ significantly from the values that would have been used had a ready market for the securities existed.

Fair Value Measurements and Disclosures

In accordance with GAAP, Pension Fund classifies its investments into Level 1, Level 2 and Level 3, which are described below.

Basis of Fair Value Measurement

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 - Quoted prices in active markets that are not considered to be active of financial instruments for which all significant inputs are observable, either directly or indirectly.

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

Assets or liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Short-term investments, typically cash and cash equivalents or futures contracts, are stated at amortized cost, which approximates fair value.

Common stocks and U.S. government securities are valued at the closing price reported in the active market in which the individual security is traded.

Certain corporate bonds are valued at the closing price reported in the active market in which the bond is traded. Other corporate bonds are valued based on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, the bond is valued under a discounted cash flow approach that maximizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks.

Foreign government securities, interest rate swaps, futures and credit default swaps are stated according to institutional bid evaluation, which represents the price a dealer would pay for a security.

Pension Fund's investments in private equity funds are recorded at estimated fair value based on their proportionate share of the funds' fair value as recorded in the funds' audited financial statements. These funds invest primarily in readily marketable securities and allocate gains, losses and expenses to the partners based on the ownership percentage as described in the partnership agreements.

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December 31, 2016 and 2015

The availability of valuation techniques and observable inputs can vary from security to security and is affected by a wide variety of factors, including the type of security, whether the security is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgement. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values might be materially higher or lower than the values that would have been used had a ready market for the securities existed. Accordingly, the degree of judgement exercised by Pension Fund in determining fair value is greatest for securities categorized in Level 3.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, Pension Fund's own assumptions are set to reflect those that market participants would use in pricing the asset or liability as the measurement date. Pension Fund uses prices and inputs that are current as of the measurement date, including during periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many securities. This condition could cause a security to be reclassified to a lower level within the fair value hierarchy. Total Pension Fund investment assets at fair value classified within Level 3 were \$965,512 and \$920,802 as of December 31, 2016 and 2015, respectively, which consists of certain fixed income securities and a joint investment trust.

	Assets at fair value as of December 31, 2016				
	Level 1	Level 2	Level 3	Recorded at NAV	Total
Short-term investments	\$ 195,475,368	\$ 12,833,662	\$ -	\$ -	\$208,309,030
Fixed income investments	363,902,260	546,669,546	-	-	910,571,806
Institutional mutual funds	108,372,890	-	-	-	108,372,890
Comingled funds	-	-	-	447,395,468	447,395,468
Common and preferred stocks	924,025,001	3,723,388	-	-	927,748,389
Private equity funds	-	-	-	356,434,012	356,434,012
Joint investment trusts	-	-	<u>965,512</u>	-	<u>965,512</u>
Total investments at fair value	1,591,775,519	563,226,596	965,512	803,829,480	2,959,797,107
Collateral under securities lending agreement	57,459,436	-	-	-	57,459,436
Pension Fund Canada Trust	-	<u>8,933,834</u>	-	-	<u>8,933,834</u>
Total assets at fair value	<u>\$1,649,234,955</u>	<u>\$572,160,430</u>	<u>\$965,512</u>	<u>\$803,829,480</u>	<u>\$3,026,190,377</u>

Pension Fund of the Christian Church
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NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
December 31, 2016 and 2015

Assets at fair value as of December 31, 2015					
	Level 1	Level 2	Level 3	Recorded at NAV	Total
Short-term investments	\$ 153,666,378	\$ 7,770,860	\$ -	\$ -	\$ 161,437,238
Fixed income investments	317,808,703	523,836,831	-	-	841,645,534
Institutional mutual funds	100,860,697	-	-	-	100,860,697
Comingled funds	-	-	-	317,641,076	317,641,076
Common and preferred stocks	1,013,772,259	3,789,146	-	-	1,017,561,405
Private equity funds	-	-	-	358,443,537	358,443,537
Joint investment trusts	-	-	<u>920,802</u>	-	<u>920,802</u>
Total investments at fair value	1,586,108,037	535,396,837	920,802	676,084,613	2,798,510,289
Collateral under securities lending agreement	66,143,702	-	-	-	66,143,702
Pension Fund Canada Trust	-	<u>8,342,440</u>	-	-	<u>8,342,440</u>
Total assets at fair value	<u>\$1,652,251,739</u>	<u>\$543,739,277</u>	<u>\$920,802</u>	<u>\$676,084,613</u>	<u>\$2,872,996,431</u>
Liabilities at fair value as of December 31, 2016					
	Level 1	Level 2	Level 3	Total	
Securities sold under agreement to repurchase	\$ -	\$53,088,939	\$ -	\$53,088,939	
Liabilities at fair value as of December 31, 2015					
	Level 1	Level 2	Level 3	Total	
Securities sold under agreement to repurchase	\$ -	\$29,465,832	\$ -	\$29,465,832	
Foreign exchange contracts	-	<u>462,592</u>	-	<u>462,592</u>	
	<u>\$ -</u>	<u>\$29,928,424</u>	<u>\$ -</u>	<u>\$29,928,424</u>	

Pension Fund's policy is to recognize significant transfers between levels at the end of the reporting period. For the years ended December 31, 2016 and 2015, there were no significant transfers in or out of Levels 1, 2, or 3.

Level 3 Investments

The tables below set forth a summary of changes in the fair value of Pension Fund's Level 3 investment assets for the years ended December 31, 2016 and 2015. As reflected in the tables below, the change in net unrealized

Pension Fund of the Christian Church
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(losses) gains on Level 3 investment assets and investment liabilities held at year-end were \$44,710 and \$(98,731) for the years ended December 31, 2016 and 2015, respectively.

	Joint investment trusts	Total
Balance, beginning of year	\$920,802	\$920,802
Realized losses	-	-
Unrealized gain	44,710	44,710
Purchases	-	-
Sales	-	-
Balance, end of year	<u>\$965,512</u>	<u>\$965,512</u>

	Year ended December 31, 2015		
	Joint investment trusts	Other domestic fixed income securities	Total
Balance, beginning of year	\$390,249	\$ 5,681,509	\$ 6,071,758
Realized losses	-	(170,942)	(170,942)
Unrealized losses	(98,731)	-	(98,731)
Purchases	629,284	-	629,284
Sales	-	(5,510,567)	(5,510,567)
Balance, end of year	<u>\$920,802</u>	<u>\$ -</u>	<u>\$ 920,802</u>

NOTE D - SECURED BORROWINGS

Pension Fund participates in a securities lending program through its master custodian bank, Bank of New York Mellon, in which Pension Fund lends securities to brokers who collateralize the loans with either cash, U.S. securities or foreign securities that must be collateralized equal to 102% of the fair market value of the U.S. security and/or 105% of the non-U.S. loaned security (including accrued interest, if any). Fees earned from participation in the program are recorded as investment income. In accordance with GAAP, Pension Fund continues to carry the loaned securities as investments. At December 31, 2016 and 2015, the fair value of securities loaned was \$128,823,038 and \$146,239,989, respectively. At December 31, 2016 and 2015, the cash collateral held was \$57,459,436 and \$66,143,702, respectively, and noncash collateral (consisting of securities issued or guaranteed by the United States government or its agencies or instrumentalities) held was \$74,400,417 and \$83,810,230, respectively. Pension Fund has recorded an asset and offsetting liability to reflect the cash collateral held and the related liability under the securities lending agreement.

Pension Fund also participates in transactions involving sales of securities under agreements to repurchase the securities before maturity at a fixed price. These repurchase agreements are accounted for as collateralized

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financings and collateral is valued daily. At December 31, 2016 and 2015, open repurchase agreements including accrued interest was \$53,088,939 and \$29,465,832, respectively.

Pension Fund recently adopted guidance requiring entities to present gross obligations for secured borrowings by the type of collateral pledged and remaining time to maturity. The tables below outlines the nature of these obligations at December 31, 2016 and 2015, and the contractual maturities for the collateral.

Year ended December 31, 2016					
	Overnight and continuous	Up to 30 days	30-90 days	Greater than 90 days	Total
Securities lending					
Fixed income	\$ 5,596,475	\$ -	\$ -	\$ -	\$ 5,596,475
Equity	<u>51,862,961</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,862,961</u>
Total securities lending	57,459,436	-	-	-	57,459,436
Repurchase agreements					
US T-Notes	<u>-</u>	<u>24,224,064</u>	<u>9,941,125</u>	<u>18,923,750</u>	<u>53,088,939</u>
Total secured borrowings	<u>\$57,459,436</u>	<u>\$24,224,064</u>	<u>\$9,941,125</u>	<u>\$18,923,750</u>	<u>\$110,548,375</u>
Year ended December 31, 2015					
	Overnight and continuous	Up to 30 days	30-90 days	Greater than 90 days	Total
Securities lending					
Fixed income	\$ 8,930,937	\$ -	\$ -	\$ -	\$ 8,930,937
Equity	<u>57,212,765</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>57,212,765</u>
Total securities lending	66,143,702	-	-	-	66,143,702
Repurchase agreements					
US T-Notes	<u>-</u>	<u>28,328,082</u>	<u>1,057,750</u>	<u>80,000</u>	<u>29,465,832</u>
Total secured borrowings	<u>\$66,143,702</u>	<u>\$28,328,082</u>	<u>\$1,057,750</u>	<u>\$80,000</u>	<u>\$95,609,534</u>

NOTE E - ACTUARIAL VALUATION OF PENSION FUND

The actuarial present value of accumulated plan benefits is determined by an independent actuary to determine the adequacy of reserves of the Pension Plan Fund to cover the present value of accumulated benefits as of such date, which is that amount that results from applying actuarial assumptions to adjust the accumulated benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal or retirement) between the valuation date and the expected date of payment. Accumulated plan benefits include benefits expected to be paid to (1) retired or

terminated participants or their beneficiaries, and (2) active participants and their beneficiaries. Benefits payable as a result of retirement, death, disability or termination of employment are included, to the extent they are deemed attributable to participant service rendered to the valuation date. It is at least reasonably possible that the actuarial present value of accumulated benefits will change in the near term and the effect of such change could be significant.

The more significant assumptions underlying the actuarial computations used in the valuation as of and for the years ended December 31, 2016 and 2015, were as follows:

Assumed rate of return on investments	5% per annum, compounded annually
Investment and administrative expense loading	0.5% of net assets per annum, compounded annually
Mortality basis (ministers)	2015 - Annuity 2000 Mortality Table with ages set forward one year for males and with no age adjustment for females and using scale G for males and one-half scale G for females; 2016 - adopted Annuity 2012 Mortality Table with no age adjustments for males or females and using scale G2 for males and females
Mortality basis (lay people)	2015 - RP2000 Annuity Mortality Table with no age adjustment for either males or females and using scale AA for males and females; 2016 – adopted RP-2014 Annuity Mortality Table with no age adjustment for either males or females and using scale MP-2015 for males and females
Retirement of present and future disability pensioners and inactive members	Latest of age 65, immediately or date disability pension benefits are scheduled to terminate
Salary increase	3% per annum, compounded annually

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

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The actuarial benefit information used in the actuarial valuations is as of December 31 of the Pension Plan Fund year. The actuarial present value of accumulated plan benefits and changes in accumulated plan benefits as of December 31, 2016 and 2015, for the US Pension Plan were as follows:

	2016	2015
Actuarial present value of accumulated plan benefits		
Participants and/or beneficiaries currently receiving payments	\$1,267,135,198	\$1,243,400,581
Other participants	<u>533,680,648</u>	<u>534,010,033</u>
Total vested benefits	1,800,815,846	1,777,410,614
Non-vested benefits	<u>7,306,470</u>	<u>7,143,452</u>
Total actuarial present value of accumulated plan benefits	<u>\$1,808,122,316</u>	<u>\$1,784,554,066</u>
Actuarial present value of accumulated plan benefits		
Beginning of year	\$1,784,554,066	\$1,766,707,213
Increase (decrease) during the year attributable to		
Benefits accumulated and experience gains or losses	19,220,113	19,025,262
Other non-investment experience gains or losses	(12,827,161)	(19,081,810)
Increase in interest due to the decrease in discount period	80,304,933	79,501,825
Plan amendment related to disability benefits	-	30,651
Actuarial assumption changes	59,732,108	-
Benefits paid	(122,861,743)	(120,988,991)
Special apportionment: 0% 2016; 3.5% 2015	<u>-</u>	<u>59,359,916</u>
End of year	<u>\$1,808,122,316</u>	<u>\$1,784,554,066</u>

The effect of the Pension Plan Fund amendments on accumulated plan benefits is recognized during the year in which such amendments are adopted. During the years ended December 31, 2016 and 2015, there were no amendments adopted.

During 2016, the following actuarial assumption changes were adopted: updated mortality tables, new retirement rates, new withdrawal rates and updates to family composition assumptions.

The Puerto Rico Plan was separated from the US Pension Plan on January 1, 2013. On December 31, 2014, the accumulated benefit obligations associated with the participants of the newly formed Puerto Rico Plan were transferred from the US Pension Plan to the Puerto Rico Plan. The actuarial present value of the accumulated plan benefits of the Puerto Rico Plan was \$2,050,511 and \$2,385,704 as of December 31, 2016 and 2015, respectively.

NOTE F - POSTRETIREMENT PLAN

Pension Fund provides postretirement health care coverage to certain eligible administrative staff retirees through its participation in the church-wide defined-benefit health plan, which it administers. It continues to

fund benefit costs on a pay-as-you-go basis and, for each of the years ended December 31, 2016 and 2015, Pension Fund made benefit payments to the church-wide health plan of \$35,046 and \$37,407 respectively.

As of December 31, 2016 and 2015, the related accumulated postretirement benefit obligation was \$361,860 and \$404,028, respectively. This liability was calculated using premium costs rather than claims experience, based on the nature of the church-wide plan.

The weighted-average discount rate used in determining the accumulated postretirement benefit obligation was 7%. For measurement purposes, a 10% annual rate of increase in the per capita cost of covered health care benefits was assumed for the year ended December 31, 2016. The rate was assumed to decrease gradually to 5% by the year 2020 and remain level thereafter.

NOTE G - SUBSEQUENT EVENTS

Management has evaluated subsequent events and transactions through April 7, 2017, the date of issuance of the combined financial statements, for possible adjustments or disclosures in the combined financial statements. Through this date, Pension Fund did not identify any matters that would require adjustment or disclosure in the combined financial statements.

NOTE H - INCOME TAXES

GAAP requires Pension Fund management to evaluate tax positions taken by Pension Fund and recognize a tax liability (or asset) if Pension Fund has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Pension Fund has analyzed the tax positions taken by Pension Fund and has concluded that, as of December 31, 2016 and 2015, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the combined financial statements. Pension Fund is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Pension Fund believes it is no longer subject to income tax examinations for years prior to 2013.

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NOTE I - NET ASSET VALUE (NAV) PER SHARE

Below is a summary of Pension Fund's investments at December 31, 2016 and 2015, where fair value is estimated based on the NAV.

Investment	2016			
	Fair value*	Unfunded commitment	Redemption frequency	Redemption notice period
Comingled Funds	\$447,395,468	\$ -	Daily and monthly	One day
Real Estate Private Equity Partnerships	85,957,660	44,596,239	N/A	N/A
Venture Capital Partnerships	28,320,141	12,631,738	N/A	N/A
Buyout Private Equity Partnership	25,620,429	28,997,041	N/A	N/A
Special Situation Private Equity Partnerships	109,259,811	29,281,517	N/A	N/A
Natural Resources Partnerships	81,387,376	77,167,165	N/A	N/A
Commodities Partnership	<u>25,888,595</u>	<u>-</u>	N/A	N/A
Total	<u>\$803,829,480</u>	<u>\$192,673,700</u>		

* The fair values of the investments have been estimated using the NAV of the investment.

Investment	2015			
	Fair value*	Unfunded commitment	Redemption frequency	Redemption notice period
Comingled Funds	\$317,641,076	\$ -	Daily and monthly	One day
Real Estate Private Equity Partnerships	98,971,023	53,012,000	N/A	N/A
Venture Capital Partnerships	31,092,734	13,801,000	N/A	N/A
Buyout Private Equity Partnership	30,381,813	15,748,000	N/A	N/A
Special Situation Private Equity Partnerships	111,296,721	30,282,000	N/A	N/A
Natural Resources Partnerships	59,683,549	95,040,000	N/A	N/A
Commodities Partnership	<u>27,017,697</u>	<u>-</u>	N/A	N/A
Total	<u>\$676,084,613</u>	<u>\$207,883,000</u>		

*The fair values of the investments have been estimated using the NAV of the investment.

Private equity - Comprised of various limited partnerships and like investments that most commonly invest in strategies such as venture capital, leveraged buyouts, growth capital, distressed investments and mezzanine capital. These investments are generally considered illiquid and cannot be redeemed prior to distributions based on the liquidation of the underlying assets. The fund manager expects the underlying assets of the fund will be fully liquidated over the life of the partnership, typically 10 to 12 years.

Real estate - Comprised of various limited partnerships investments that most commonly invest in strategies involved in real estate ownership, development and financing. These investments are generally considered illiquid and cannot be redeemed prior to distributions based on the liquidation of the underlying assets. The fund manager expects the underlying assets of the fund will be fully liquidated over the life of the partnership, typically 10 to 12 years.

Natural resources - Comprised of limited partnerships investments that most commonly invest in strategies such as oil and gas energy, forest and timber, mining, and sustainable energy. These investments are generally considered illiquid and cannot be redeemed prior to distributions based on the liquidation of the underlying assets. The fund manager expects the underlying assets of the fund will be fully liquidated over the life of the partnership, typically 10 to 12 years.

Commingled funds/collective trusts - Comprised of pooled investment vehicles which invest in a diversified portfolio of securities with specified geographic focus and/or market strategies. Liquidity and fair market value determination varies based on the characteristics of the specific investment vehicle.

Commodities funds - Comprised of commodity investments which offer diverse exposure to a wide range of global commodities markets and value-added strategies. This may involve exposure to commodity-linked derivative instruments that provide exposure to the investment returns of commodities without directly investing in physical commodities.

NOTE J - UNITIZATION

On January 1, 2014, Pension Fund instituted Unitization. Unitization is an accounting process whereby each program fund retains a restricted reserve for the sole benefit of the members of that program.

The individual funds' activity presented within the combined statements of changes in net assets available for benefits are now combined to reflect the fund balance, as well as the reserves. The following represent the individual line items in the combined statements of changes in net assets available for benefits that present the activity in the program reserves:

Net investment gain - All investment income is deposited into the reserves.

Program administration fees - All programs are charged an administration fee by the General Fund.

Interest expense - The interest is paid from the reserves into the fund balance of each program.

Fund to Fund transfer - The special apportionment and good experience credits are paid from the reserves into the fund balance.

Investment fees - All investment fees are charged to the reserves of each program. They are not included in the administration fee.

NOTE K - FINANCING ACTIVITIES

Line of Credit

The HCBT executed a line of credit agreement with Board of Church Extension of Disciples of Christ, Inc. for \$5,000,000 during 2016. There were no borrowings against the line at December 31, 2016. The line bears interest at Church Extension's rate effective at the time of advance of funds, but not less than 3.25%, nor more

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than 5.25%. The line is payable in full 3 years from the initial advancement date and is secured by a Guaranty Agreement. PFCC is the guarantor of the note for any remaining liability that exists at the time of the note coming due.



Pension Fund
of the Christian Church
strong. smart. secure.

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strong.

It is our objective and custom to maintain excess reserves for all Pension Fund programs. Pension Fund is fully funded, which means we have more assets than benefit obligations. This strong reserve position provides the cushion to weather market downturns.

smart.

Pension Fund has prudently managed assets for more than 120 years and has responded to changing needs of our members. Most recently, in spring 2015, we introduced a Traditional IRA to supplement members' existing retirement and pension savings.

secure.

We measure our success by protecting and adding value for your retirement. In the history of Pension Fund, no participant has experienced a reduction in pension or pension credits, nor suffered any loss in value of his or her retirement account.

