2015 Annual Report

General Board
Pension and Health Benefits

Caring For Those Who Serve Since 1908

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Caring for Those Who Serve Since 1908

Bishop Paul L. Leeland
Chairperson,
Board of Directors

Barbara A. Boigegrain
General Secretary and
Chief Executive Officer

Stewardship, sustainability and service—forefront in our thinking and the actions we take to help assure the financial futures of more than 100,000 clergy and lay workers of The United Methodist Church in the United States and around the world. We invest more than $20 billion on their behalf and that of our institutional clients.

Our Mission

We care for those who serve by providing investment and benefit services that honor the mission and principles of The United Methodist Church.

Stewardship

We set the stage for this quadrennium at General Conference 2012 when we reinforced our UMC role as that of a *steward*—one who is responsible for things that belong to someone else. The General Board is the steward for the financial resources that have helped secure the retirement futures of hundreds of thousands of clergy and lay workers of the Church since 1908—our service connections remain integral to this mission.

Sustainable Benefits

We strive to be a trusted financial steward by administering retirement and welfare benefit plans that are *sustainable*—assuring the plans meet the needs of participants and the intentions of the UMC; are affordable for conferences; and are well managed. Serving our mission helps plan participants attend to theirs—making disciples of Jesus Christ for the transformation of the world—knowing they have financial security in retirement.

Connections of Service

Our agency mission, by its very nature, is rooted in professional and interpersonal connections across the global Church—what we call our *connections of service*. Our day-to-day work brings us in contact with thousands of plan participants and scores of annual conference benefits officers; and by extension, their district superintendents, bishops, treasurers, board of pensions members and plan administrators who provide face-to-face connections and daily contacts with more than 92,000 U.S. participants and more than 10,000 participants in the central conferences. Through these connections of service, in 2015 we can now say: All eligible United Methodist clergy—wherever they serve around the world—have a retirement benefit.

Investment Approach

Our investment approach and sustainable investment strategies create another dimension of service in fulfilling our UMC-directed investment and fiduciary role. We implemented two new investment guidelines relating to climate change and human rights; these guidelines inform our engagement activities and help identify companies for exclusion from our funds due to the excessive sustainability risk they pose to our investments.

We continue to believe in and practice constructive engagement with the companies in which we invest. We continue to live into an environmental, social and governance (ESG) philosophy which addresses global issues. It is to the Church's advantage that we encourage partnerships—across the Church, in the United States and around the world—to understand global issues and their complexities. We strategically use our leverage as the largest denominational investor and pension fund administrator to make a difference. But to make that difference—and to continue to be a major player among major players—we have to be engaged … in dialogue … at the table … with a voice that can be heard in the debate.

Our foremost goal is the stewardship of the pension and benefit plans we administer. Everything we do is in service to our participants and institutional investors.

A Message from the Chairperson of the Board and the General Secretary

Financial Education

We were awarded a $50,000 planning grant by Lilly Endowment Inc. to develop a proposal for programs focused on improving financial literacy of pastoral leaders and their overall financial well-being. This is an important initiative for the denomination. We submitted our proposal and were awarded an additional $1 million grant in November 2015 to develop and enhance existing financial education programs to improve clergy/congregational financial acumen. This proposal was developed in partnership with organizations that have complementary expertise to ours: the General Board of Higher Education and Ministry and the TMF, Inc. (Texas Methodist Foundation). This will be a significant joint effort that can enhance clergy financial health, their congregations and the entire UMC by extension.

Retirement, Health and Welfare Plans and Programs

We continued administration for the Clergy Retirement Security Program (CRSP), the United Methodist Personal Investment Plan (UMPIP), the Horizon 401(k) Plan, the Retirement Plan for General Agencies (RPGA), the Collins Pension Plan for Missionaries (General Board of Global Ministries), the Missionary and Deaconess Pension Plan (United Methodist Women), the Comprehensive Protection Plan (CPP) and HealthFlex.

Our diligent focus on retirement income adequacy and participant engagement spawned multiple participant-centric developments in 2015, including:

Annual Retirement Readiness Statements—consolidated our participants' aggregate General Board-administered retirement benefits, showing expected monthly income from those benefits in retirement relative to a recommended income goal. The identified gaps in projected vs. needed income highlights the importance of our continued promotion of UMPIP as an important supplemental savings vehicle.

Roth Contributions in UMPIP and Horizon—implemented Roth contributions in UMPIP and Horizon, including a broad-scale communications campaign to plan sponsors and participants. The addition of Roth contributions to UMPIP and Horizon beginning January 1, 2016, gives participants the opportunity to receive tax-free earnings distributions in retirement if qualifying conditions are met.

LifeStage Investment Management Service Target Allocation Modeling Tool—developed an online LifeStage Investment Management target allocation modeling tool so participants could view their recommended allocation strategy before it is implemented. Overall, the LifeStage Investment Management Service provides personalized, professionally-managed, diversified investment allocation strategies for defined contribution balances for more than 70% of our retirement plan participants.

EY Financial Planning Services—continued to provide participants with objective financial counseling services in 2015—we achieved a substantial increase in participant utilization due to additional promotional efforts. We saw a 30% increase in participant utilization of EY's phone center compared to 2014. EY launched website enhancements in late-2015, which were heavily promoted and resulted in increased traffic to this valuable planning resource.

LifeStage Retirement Income—continued to promote the use of LifeStage Retirement Income, which manages participant distributions through monthly payments that are designed to last for a participant's lifetime. Payments adjust annually based on changes in inflation, a participant's age and the value of the participant's account. More than 21% of clergy retiring during the 2015 retirement season chose to use LifeStage Retirement Income.

Comprehensive Benefit Funding Plans—continued efforts to improve financial information used to plan long-term benefit funding goals. Plans were received from all annual conferences for the third year in a row.

Death and Disability Coverage

The Comprehensive Protection Plan (CPP) continued to provide long-term disability coverage to nearly 18,000 eligible active clergy and death benefit coverage to those active clergy and certain retirees and dependents.

UMLifeOptions is available to plan sponsors who desire to provide additional life insurance to eligible active clergy, as well as long-term disability and life insurance coverage for eligible lay employees and clergy. As of December 31, 2015, there were 217 UMLifeOptions plan sponsors with approximately 5,200 plan participants.

Central Conference Pensions

The Central Conference Pension (CCP) program surpassed its $25 million goal in late 2013, and has now received more than $25.7 million from donors around the world. The General Board's Wespath Investment Management division invests the donations—the earnings cover the pre-2013 central conference pension liabilities already accrued, making possible the initial payments that 2,922 retirees and surviving spouses are receiving, as of December 31, 2015.

Through year-end 2015, $6.3 million in pension payments had been disbursed since the inception of CCP, providing a financial foundation that gives the central conferences time to build their own contribution base for future retirees. In consultation with the General Board, these central conference plans require contributions from their churches and active pastors to help ensure self-sustainability.

In 2015, the third biennial education and training meeting was held in Johannesburg, South Africa for central conference benefit officers. Strengthening their administration capability supports the sustainability of their pension plans.

This significant achievement is a remarkable testament to a great Church and its generous members. Thousands of donations and pledges have been received through year-end 2015 and will continue to be accepted; to date more than 95% of all pledges have been realized.

Institutional Investments—Continued Growth for Wespath

The funds managed by Wespath experienced more than $150 million in net inflows of non-plan assets from a variety of United Methodist-affiliated institutions, including general agencies, foundations, and annual conferences, among others. This was the fifth consecutive year of growth from this client segment, which represented $2.7 billion of the $20 billion invested in the Wespath funds, as of December 31, 2015.

Center for Health

The HealthFlex plan served 29 plan sponsors covering approximately 17,000 lives in 26 annual conferences and three non-annual conference plan sponsors, as of December 31, 2015. This plan includes a broad spectrum of award-winning wellness programs in addition to medical, prescription drug, dental and vision benefits with plan designs to encourage participant accountability. HealthFlex introduced "HealthFlex Exchange" in January 2016, with eight annual conferences adopting this model that features greater participant choice among plans, a defined contribution to be paid toward health benefits, and extensive tools and resources to help participants choose among the plan options. HealthFlex also continued its Health Care Reform consultation and support services for the UMC, addressing the impact of Health Care Reform on both HealthFlex and non-HealthFlex plan sponsor populations (see Health Care Reform section).

The Virgin Pulse physical activity program is at the heart of the Center for Health's award-winning wellness programs. As of year-end 2015, this program was sponsored by 44 annual conferences, as well as UMC general agencies and other UMC organizations.

The Center for Health continued its leadership with the UMC Health Ministry Network, a collaboration with UMC Global Ministries' Global Health, launched in 2012. The Network of 1,700 members including clergy, health advocates and faith community nurses is dedicated to helping build health ministry initiatives across the UMC. Jointly with Global Ministries and Wesley Theological Seminary, the Center for Health sponsored the 2015 U.S. Health Forum, a UMC health ministry partnership for healthy clergy, healthy congregations and healthy communities with more than 160 participants. The Center for Health organized a tri-agency panel at the Forum with Discipleship Ministries and General Board of Higher Education and Ministry participating on its panel.

In 2015, the Center for Health conducted its third clergy health survey, a 100-question online survey, representing a cross-section of active UMC clergy by jurisdiction, gender, race/ethnicity, age and clergy type. Multiple dimensions of health (physical, emotional, social and spiritual) and the vocational setting were explored.

A Message from the Chairperson of the Board and the General Secretary

The Center for Health was represented and made presentations at other denominational events and initiatives in 2015 [e.g., clergy health webinar hosted by Drew Theological School for other UM seminaries; workshop for the General Commission on the Status and Role of Women (GCSRW) at the Do No Harm event; materials for GCSRW's Clergy Families website; participation in the Vital Congregations Operations Team; UM Agency Researchers Group; Sexual Ethics Task Force].

Health Care Reform

In 2015, the Supreme Court resolved the last major pending legal challenge to the national health care reform law, the Affordable Care Act (ACA). The Court's decision held that the subsidy to assist moderate income individuals obtain health coverage on the public exchanges will be available in all states, not only in states that set up their own exchanges. The decision eliminated one of the potential concerns of the three annual conferences that have terminated their group health plans. While the legal challenges on the ACA have waned, uncertainty remains about whether Congress will modify or repeal the ACA.

The number of employers subject to the employer shared responsibility provision (also called the "employer mandate") increased over 2014. Employers that had 50 or more full-time employees or full-time equivalents in 2015 are required to offer affordable health coverage to their full-time employees in 2016 or face penalties. The ACA requires that certain affiliated entities be considered as one employer for purposes of this provision, but the Church Alliance—a coalition of 37 denominational benefit boards including the General Board—succeeded in persuading Congress to include Church Plan Clarification rules in year-end tax legislation. These rules reduce the likelihood that church organizations will be grouped together for purposes of the employer mandate. The Church Alliance had been seeking passage of this clarification for a number of years, and it should provide additional flexibility to church organizations.

Our Legal department continually monitors the ongoing implementation of the law, regularly issuing guidance for the denomination. We have devoted a portion of our website **www.gbophb.org/center-for-health/health-care-reform-document-archive/** to providing information about the law. The General Board supports the denomination with educational activities about the ACA through appearances at national and regional gatherings. Moreover, the General Board closely monitors the continuing impact on the annual conferences, local churches and general agencies of the most significant reforms under the ACA, and the thinking of those organizations in response to the changes.

Sustainable Investment

The General Board is committed to investing in a sustainable and responsible manner, creating long-term value for our participants and clients. Our comprehensive approach to sustainable investment supports our role as prudent fiduciaries and our desire to have a positive impact on the environment and society.

In 2015, highlights relating to our five sustainable investment strategies include:

1. Enhancing our ***Ethical Exclusions*** strategy to avoid investment in companies whose core business activities produce and/or provide products and services not aligned with United Methodist values, e.g. alcoholic beverages, tobacco products, adult entertainment, weapons, gambling and privately-owned correctional facilities. With the help of a new external research partner, we evaluated more than 5,000 companies to ensure that we have properly identified companies that are ineligible for purchase.
2. Expanding our ***Active Ownership*** strategy to use our influence as investors to promote corporate sustainability and improve company performance related to financially material environmental, social and governance (ESG) issues. We implemented two new investment guidelines relating to climate change and human rights to inform our engagement activities and identify companies for exclusion from our funds that pose excessive sustainability risk to our investments.
3. Increasing our ***Strategic Partnerships*** with like-minded global investors allows us to pool our resources and achieve greater influence within the broader investment community. We forged new relationships with the International Corporate Governance Network (ICGN) to promote better global governance practices, and with the Thirty Percent Coalition to increase the pace of gender and ethnic diversity in corporate boardrooms.

4. Celebrating the 25th anniversary of our ***Positive Social Purpose Lending Program***. The program has cumulatively invested more than $1.9 billion in loans supporting affordable housing and community development for disadvantaged communities, while delivering risk adjusted rates of return. The program has created or preserved more than 51,000 affordable rental units for families, seniors and populations with special needs and financed health centers and clinics, charter schools, and homeless or transitional shelters.
5. Strengthening our ***Manager ESG Integration*** strategy, by evaluating and benchmarking how our external investment managers are integrating the consideration of ESG issues into their investment decisions. We provided detailed feed-back to all our public equity managers, clarifying our expectations and promoting continuous improvement.

Economic Impact on Investments

The U.S. stock market's one-half of 1% gain in 2015 extended its streak of consecutive annual gains to seven, although international stocks experienced a second straight year of negative performance when converted to U.S. dollars. Factors that influenced stock market results for the year included: decelerating growth of the world's second largest economy—China; the continued collapse in the price of oil and industrial commodities; and uncertainty regarding future Federal Reserve monetary policy.

Throughout the year, investors examined Chinese economic data for clues about the country's near-term growth. China's growth rate continues to decline amid a transformation of its economy from one led by manufacturing activity, to one driven by individual consumption. This, along with the economic impact resulting from China's central planners' resolute efforts to eliminate a culture of corruption, has eroded confidence in the "China growth story."

The price of crude oil fell 31% in 2015 and, as of the end of 2015, had fallen 65% from its recent peak in June 2014. Increased production from the United States and other oil-producing countries along with Iran's anticipated return to the oil market after the lifting of sanctions contributed to the continued decline.

In December, the U.S. Federal Reserve (Fed) increased its bank overnight lending rate for the first time in more than nine years, but later than many economists expected. The Fed deferred its decision out of concern that a more aggressive monetary policy could disrupt the efforts by its international counterparts to stimulate relatively weak economies. In addition, lack of U.S. inflationary pressure on goods and services precluded the need for Fed action. Despite the Fed's year-end action, U.S. interest rates for low-risk U.S. Treasury securities held steady during the year as risk-averse U.S. and international investors continued to seek the safety of U.S. government-issued debt.

The U.S. Equity Fund gained 0.1% for the year, below the long-term average performance for U.S. stocks. The 6.5% decline in the International Equity Fund was the third consecutive year that international stocks have significantly underperformed U.S. stocks. The Fixed Income Fund and Inflation Protection Fund declined 2.0% and 5.0%, respectively largely due to weak-ness in the value of the funds' bonds denominated in foreign currencies. The U.S. dollar strengthened 9.3% compared to a basket of foreign currencies. In addition, the Inflation Protection Fund was affected negatively by its nearly 10% exposure to contracts linked to the price of oil and other commodities.

As described later in this report, the General Board's funds underperformed their benchmarks. Nevertheless, we remain committed to our focused, disciplined, long-term investment approach ensuring that our investments provide participants and United Methodist institutions with diversified funds producing competitive returns and that promote sustainable business practices.

Cost of Operations

In accordance with *The Book of Discipline*, the General Board does not receive general Church funds to support the cost of its operations. As a result, our operations (excluding certain direct plan expenses) are funded solely from investment income and the passing through of expenses to our funds for investment management, bank custody and certain plan administration expenses. The annual cost from the three components, as a ratio to our average portfolio value, was 62.2 basis points (0.622%) in 2015.

A Message from the Chairperson of the Board and the General Secretary

Stewardship—Sustainability—Connections of Service

The combined talents of our employees in Glenview, Illinois support our *stewardship* responsibility to more than 100,000 plan participants and their families worldwide to help secure their long-term financial resources and retirement futures.

Sustainability of the plans and programs we administer helps ensure the financial resources our participants depend on will be there when they are needed and expected.

From the leadership of this agency and its staff, to our conference partners, to all of the participants around the world—together we form the *connections of service*, supporting the mission of The United Methodist Church. This agency and *its mission* reflect the strength of our global connection.

Bishop Paul L. Leeland
Chairperson, Board of Directors

Barbara A. Boigegrain
General Secretary and Chief Executive Officer

Summary of 2015 Financial Markets and Investment Results

Financial Markets

U.S. equities provided investors with positive investment performance for the seventh consecutive year, though barely. The bellwether S&P 500 Index gained 1.4% in 2015. International equities, however, posted a second consecutive year of declines. A broad index of non-U.S. international stocks fell 4.6% in 2015.

China

Perhaps the most influential economic issue affecting the performance of the world stock markets was investor uncertainty about the future growth in the world's second largest economy—China. The Chinese economy advanced rapidly during the first decade of the 21st century and into the early years of the second. Chinese central planners invested billions in roads, power plants and other infrastructure resulting in mass migration from rural areas to the newly established urban centers. China's voracious consumption of iron ore and other commodities helped stimulate growth in other emerging economies, and also fueled growth in developed economies, such as Australia and Canada, with their vast quantities of natural resources.

Economic growth in China, however, has decelerated over the past few years as its economy transitioned from one led by infrastructure development and manufacturing for export, to a consumer-oriented economy. In addition, China's central planners recently embarked on a mission of eliminating corruption at all levels of government. Both of these factors have led to a slowdown in economic growth—although most would consider the Chinese economy's current rate of expansion to be robust by U.S. standards. Skepticism about the accuracy of economic data reported by China also has contributed to investor uncertainty about China's near-term economic future.

European Union

A second important issue affecting the financial markets has been the tepid economic recovery within the European Union. Meager economic activity and the threat of deflation have vexed the continent since the Great Recession. In response, central bankers have carried out aggressive actions to stimulate economic growth by purchasing government debt (also known as "quantitative easing") and employing an unconventional means of stimulating growth—*negative* interest rates. Accordingly, investors throughout much of the European Union must now pay the government for the privilege of holding sovereign-issued debt. The central bankers' objective is to stimulate economic development by discouraging banks and companies from low-risk investment activities.

United States

The U.S. economy expanded a modest 2.4% in 2015. Although the growth rate at home has averaged slightly more than an uninspiring 2% during the six years since the end of the Great Recession—the U.S. economy continues to compare favorably to most of the world. The unemployment rate has steadily declined and ended the year at around 5%. Auto sales are robust and, despite a rebound in housing prices, home affordability remains near levels not seen in a generation, primarily attributable to the U.S. Federal Reserve's near zero interest rate policy. It was only in the last month of the year that the Fed took action to raise its overnight lending rate.

The combination of decelerating Chinese growth, aggressive monetary action by the European Central Bank, and steady U.S. economic growth resulted in continued U.S. dollar strength and significant contraction in the price of nearly all commodities. The U.S. dollar gained 9.3% compared to a basket of foreign currencies and the Bloomberg Commodities Index declined nearly 25%. Although international stocks declined 4.6% as measured in dollar terms, the broad index of non-U.S. stocks actually gained 2.9% when measured in terms of each country's local currency.

The returns for the U.S. bond market, as measured by Barclays Capital U.S. Universal Bond Index (a broad universe of fixed income instruments), produced a very modest gain of 0.1%. An index comprised of U.S. Treasury Inflation Protected Securities declined 1.7%.

Looking Ahead

The same factors driving markets in 2015 will continue to command investor attention as we head into 2016. Investors are looking for ongoing progress as China transitions its economy and for success in Europe's monetary policies. The U.S. dollar's strength has resulted in foreign goods and services becoming more competitive, which should stimulate improvements in European economic growth, led by manufacturing.

Fed Chairperson Janet Yellen continues to communicate her desire for the Fed to exercise a cautious approach for raising interest rates. Absent any inflationary pressures, it is unlikely that the Fed will aggressively raise rates unless it is convinced that the U.S. and world economies are on steady footing. The Fed fears that raising rates too soon would result in continued capital flight to the U.S. and increased dollar strength, which would frustrate the efforts of foreign monetary authorities and weaken the prospects for continued U.S. expansion.

Other events that likely will move markets include: rhetoric from the U.S. presidential candidates and the outcome of the U.S. election, Britain's June vote on whether to leave the European Union and the ongoing threat of terrorism around the world.

Investment Fund Performance

In the current economic environment previously described, only two of the General Board's funds produced positive results. The Stable Value Fund gained 4.3%[1] for the year and the U.S. Equity Fund showed a very modest gain of 0.1%, net of all fees. The International Equity Fund declined 6.5% and the Equity Social Values Plus Fund lost 1.1%. The Fixed Income Fund and Inflation Protection Fund lost 2.0% and 5.0%, respectively. The General Board's flagship and broadly diversified Multiple Asset Fund (MAF), which is comprised of pre-specified allocations to four of the General Board's funds, declined 2.6%.

In terms of benchmark-relative performance, in 2015, all but one of the General Board's funds underperformed their respective benchmarks; MAF again underperformed its benchmark by 1.7 percentage points. Much of our underperformance is attributable to our exposure to non-dollar assets, which were impaired by continued dollar appreciation, and our exposure to commodities and commodity-producing economies.

The following charts and tables recap 2014-2015 investment performance for each of the General Board's funds directly available for investment by individual and institutional investors compared with each fund's respective performance benchmark. All investment results are net of investment management and fund administration expenses.

[1] Please see our disclosure on page 10 regarding the unique circumstances contributing to the 2015 performance of the Stable Value Fund.

Fund Performance Returns

Returns for periods ended December 31, 2015, except for 2014 return information:

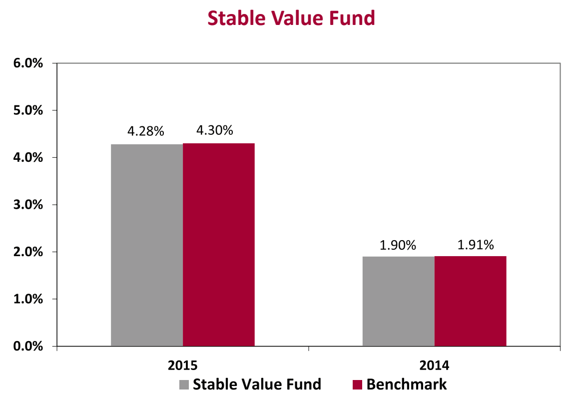
General Board Funds	2015	2014	3 Years	5 Years	10 Years	Inception
Stable Value Fund*	4.28%	1.90%	2.72%	2.72%	3.40%	3.41%
Benchmark	4.30%	1.91%	2.73%	2.70%	3.24%	3.22%
Short Term Investment Fund	0.03%	0.09%	0.11%	0.20%	1.28%	1.44%
Benchmark	0.05%	0.03%	0.05%	0.08%	1.24%	1.40%
Inflation Protection Fund	-4.99%	2.63%	-3.07%	1.28%	3.19%	3.59%
Benchmark	-1.72%	4.43%	-2.34%	2.63%	3.98%	4.26%
Extended Term Fixed Income Fund	-1.75%	N/A	N/A	N/A	N/A	-1.75%
Benchmark	-2.50%	N/A	N/A	N/A	N/A	-2.50%
Fixed Income Fund	-1.97%	4.30%	0.50%	3.37%	5.36%	5.56%
Benchmark	0.10%	5.40%	1.35%	3.67%	4.62%	5.24%
Multiple Asset Fund	-2.56%	4.10%	5.90%	5.99%	5.79%	6.69%
Benchmark	-0.90%	5.76%	6.73%	6.83%	5.74%	6.39%
U.S. Equity Index Fund	-0.16%	N/A	N/A	N/A	N/A	-0.16%
Benchmark	0.48%	N/A	N/A	N/A	N/A	0.48%
U.S. Equity Fund	0.08%	10.76%	14.18%	11.20%	7.14%	6.23%
Benchmark	0.48%	12.56%	14.74%	12.18%	7.35%	6.40%
Equity Social Values Plus Fund	-1.13%	N/A	N/A	N/A	N/A	-1.13%
Benchmark	-0.11%	N/A	N/A	N/A	N/A	-0.11%
International Equity Fund	-6.46%	-5.92%	0.84%	0.64%	3.44%	5.78%
Benchmark	-4.60%	-3.89%	2.02%	1.27%	3.24%	4.60%

The inception dates are as follows: Multiple Asset Fund, May 1, 2002; Short Term Investment Fund, April 30, 2002; Stable Value Fund, November 30, 2002; Inflation Protection Fund, January 5, 2004; Equity Social Values Plus Fund, December 31, 2014; U.S. Equity Index Fund, December 31, 2014; Extended Term Fixed Income Fund, May 29, 2015; for all others, the inception date is December 31, 1997.

All fund returns are net of investment management, fund administration and bank custodial fees. Benchmark performance data do not reflect a provision for any fees.

* Please see our disclosure on page 10 regarding the unique circumstances contributing to the 2015 performance of the Stable Value Fund.

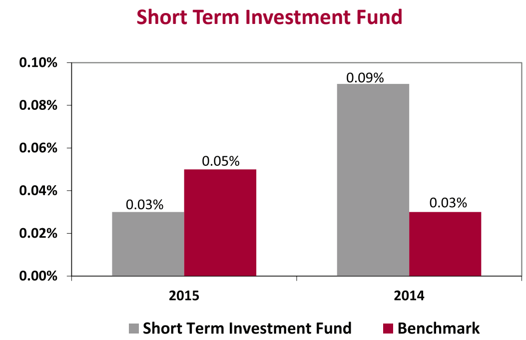
Summary of 2015 Financial Markets and Investment Results *(continued)*



For the year, the Stable Value Fund underperformed the benchmark by two basis points. Liquidity remains sufficient to support monthly rebalancing and the fund's market-value-to-book-value ratio remains strong.

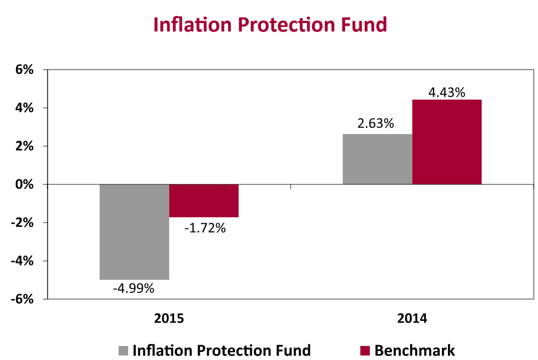
During the year, approximately **75%** of Stable Value Fund assets were re-allocated to other funds as a result of enhancements made to the LifeStage Investment Management algorithm. To accommodate the outflow, the fund assets were unwrapped on May 29, 2015, providing a special distribution of **2.74%** to unit holders. This special distribution contributed to the uncharacteristically high return for the Stable Value Fund for the YTD period and longer. The benchmark also was adjusted to reflect a one-time gain.

The benchmark for the Stable Value Fund is the Bank of America Merrill Lynch Wrapped 1-5 year Corporate/Government Index.



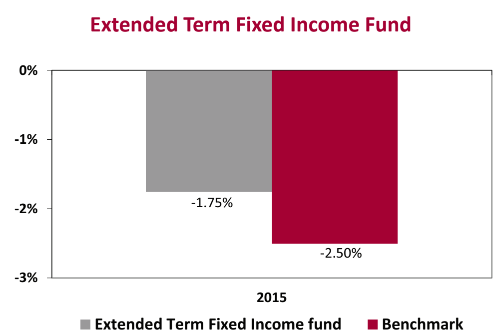
The Short Term Investment Fund balances primarily are annual conference deposit accounts and HealthFlex reserves. The unusually low returns of the fund and benchmark are due to the Federal Reserve's accommodative monetary policy of maintaining the Federal Funds rate at **0.00% – 0.25%**.

The benchmark for the Short Term Investment Fund is the Bank of America Merrill Lynch 3-Month Treasury Bill Index.



For the year, the Inflation Protection Fund declined **4.99%** and underperformed the fund benchmark by **3.27%**. The fund's diversifying strategies of commodities and inflation-linked bonds from developing countries detracted the most from the fund's performance as they declined **24.85%** and **15.10%**, respectively. Both strategies have suffered due to investor perceptions of stagnant future world economic growth, especially in China and other developing world countries. The fund's two floating rate strategies of senior-secured loans and asset-backed securities gained **2.61%** and **4.00%**, respectively, positively contributing to benchmark-relative results. The fund's allocation to currency-hedged developed country inflation-linked bonds also positively contributed to benchmark-relative performance, declining only **0.42%**.

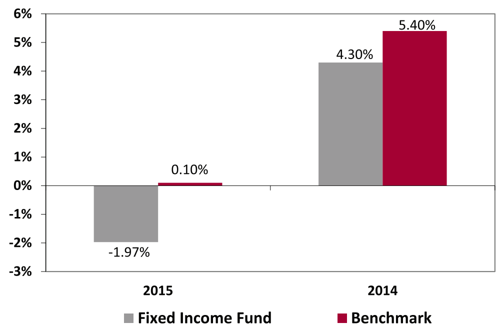
The benchmark for the Inflation Protection Fund is the Barclays Capital U.S. Government Inflation-Linked Bond Index.



For the seven months since the fund's implementation, Extended Term Fixed Income Fund declined **1.75%** and outperformed the fund benchmark by **0.75%**, benefitting from its intentional strategy of holding bonds with shorter-term maturities until long-term interest rates return to higher levels.

The benchmark for the Extended Term Fixed Income Fund is the Barclays Capital U.S. Long Government/Credit Index.

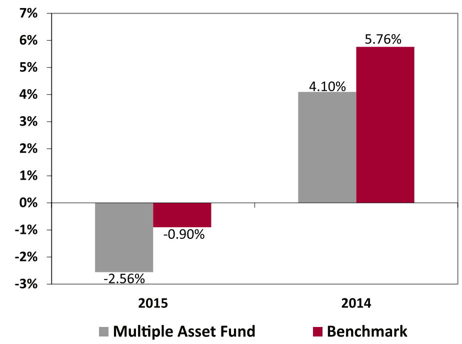
Fixed Income Fund



For the year, the Fixed Income Fund lost **1.97%** and underperformed the fund benchmark by **2.07%**. The fund's allocations to bonds denominated in currencies other than the U.S. dollar declined due to dollar strength, especially compared to the currencies of developing countries. The fund's allocation to bonds from developed countries lost **4.04%**, and the fund's allocation to bonds from developing countries lost **7.80%**. The fund's allocation to positive social purpose loans gained **5.03%** and positively contributed to benchmark-relative performance.

The benchmark for the Fixed Income Fund is the Barclays Capital U.S. Universal Index (ex mortgage-backed securities).

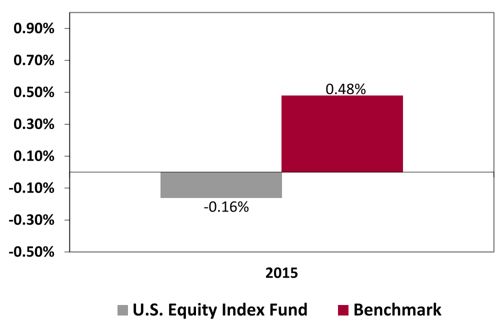
Multiple Asset Fund



For the year, the Multiple Asset Fund returned **-2.56%** and underperformed the fund benchmark by **1.66%**. All four of the fund's underlying strategies underperformed their respective benchmarks, contributing to the fund's below-benchmark performance.

The benchmark for the Multiple Asset Fund is 40% Russell 3000 Index, 25% MSCI All Country World Index (ACWI) ex U.S. Investable Market Index (IMI), 25% Barclays Capital U.S. Universal Index (ex mortgage-backed securities) and 10% Barclays Capital U.S. Government Inflation-Linked Bond Index.

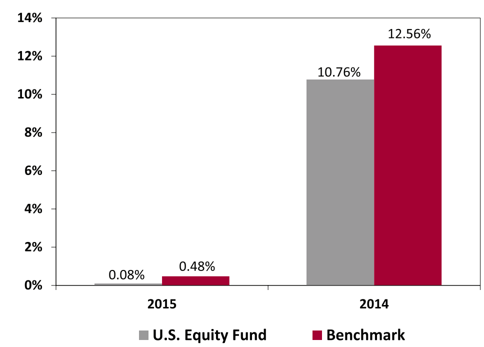
U.S. Equity Index Fund



The U.S. Equity Index Fund is a passively managed fund designed to closely match the fund benchmark, less fees and expenses. In addition to fees and expenses, the strong performance of companies excluded from investment by the fund, particularly tobacco- and alcohol-related companies, detracted from benchmark-relative performance during the year.

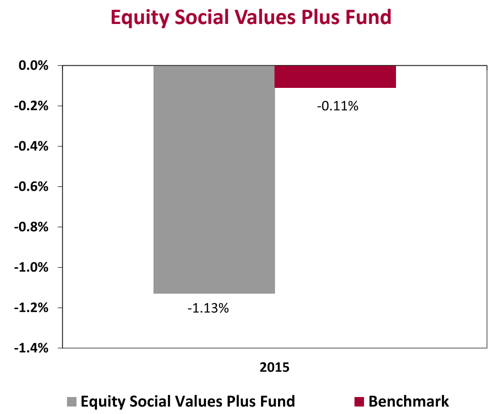
The benchmark for the U.S. Equity Index Fund is the Russell 3000 Index.

U.S. Equity Fund



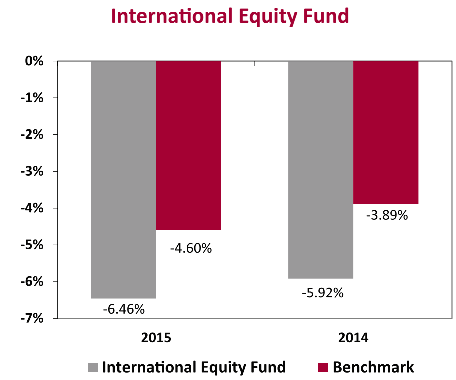
For the year, the U.S. Equity Fund gained a fractional **0.08%** and underperformed the fund benchmark by **0.40%**. The fund benefitted from its diversifying allocations to private equity and private real estate, which recognized gains of **8.22%** and **17.60%** respectively. The fund's larger-than-benchmark allocations to small- and mid-sized companies detracted from benchmark-relative performance, as the Russell 2000 Index of small companies declined **4.41%** and the S&P Midcap 400 Index declined **2.18%**, compared to the **1.38%** gain of the large company S&P 500 Index.

The benchmark for the U.S. Equity Fund is the Russell 3000 Index.



The Equity Social Values Plus Fund is a passively managed fund designed to closely match the fund benchmark, less fees and expenses. In addition to fees and expenses, the strong performance of companies excluded from investment by the fund, particularly tobacco- and alcohol-related companies, detracted from benchmark-relative performance during the year.

The benchmark for the Equity Social Values Plus Fund is the MSCI World Custom ESG Special Weighted Index.



For the year, the International Equity Fund declined **6.46%** and underperformed the fund benchmark by **1.86%**. The below-benchmark relative performance of four, active, developed market managers and two, active, developing market managers contributed most to the fund's below-benchmark performance. The fund's greater-than-benchmark allocation to small company stocks positively contributed to performance, gaining **4.41%**.

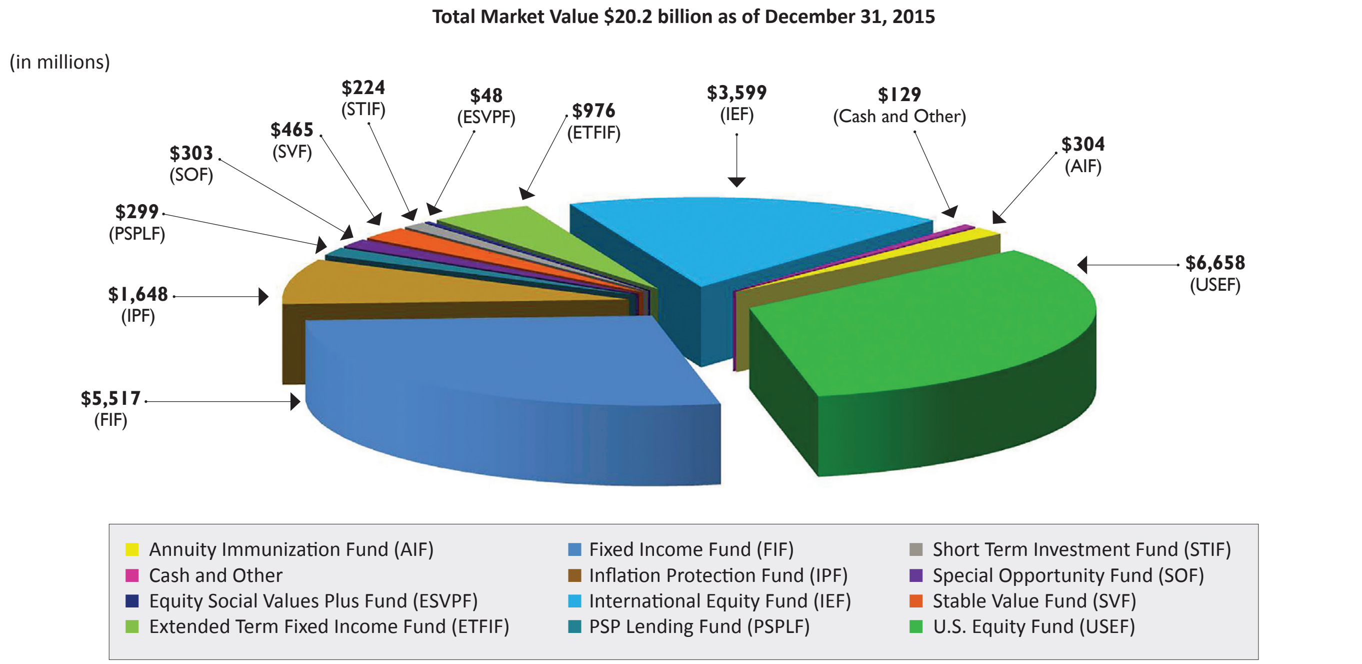
The benchmark for the International Equity Fund is the MSCI ACWI ex U.S. Investable Market Index (IMI).

Additional information regarding fund performance, including a detailed analysis of the factors that positively and negatively influenced results for the funds, is available on the General Board's website:

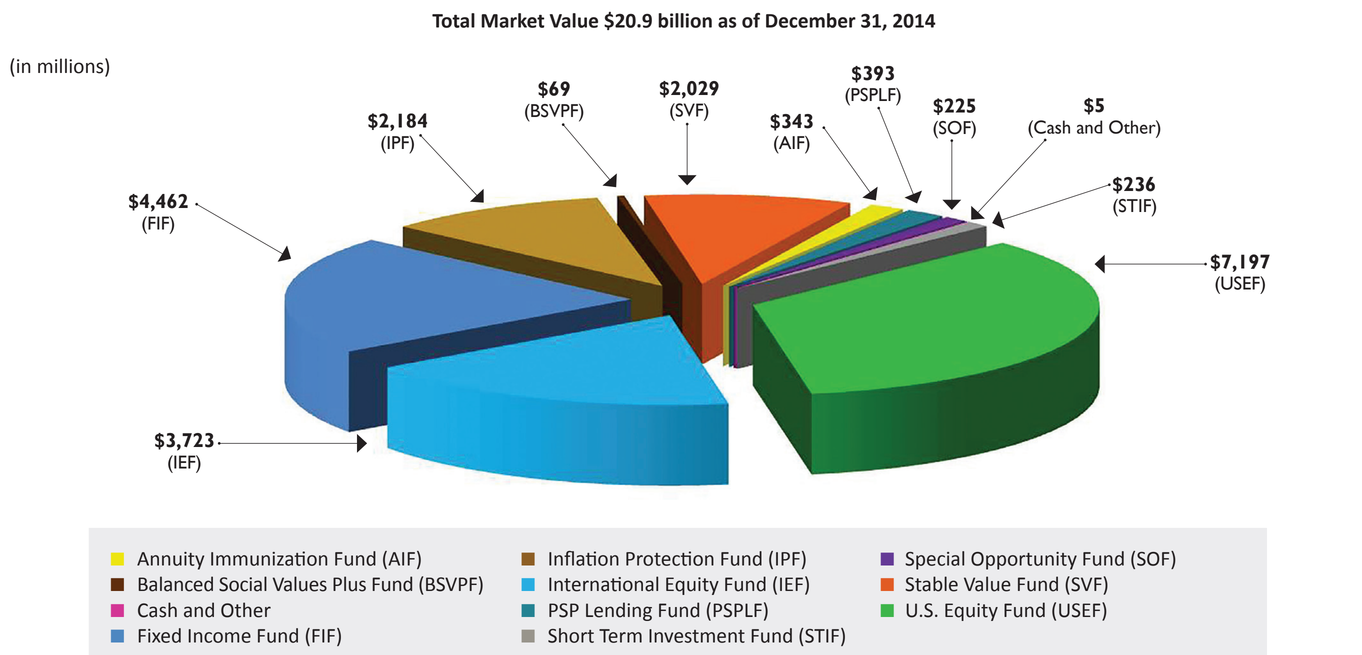
- For monthly economic commentary and discussion of investment performance results: **www.gbophb.org/investments/performance/monthly-investment-report**
- *Investment Funds Description*: **www.gbophb.org/assets/1/7/3052.pdf**

FUND ASSETS

The following charts display the value of fund assets for each of the funds managed by the General Board as of December 31, 2015, and December 31, 2014:



The Multiple Asset Fund is a composite of USEF, FIF, IEF and IPF. MAF's total as of December 31, 2015, was $5.9 billion.



The Multiple Asset Fund is a composite of USEF, FIF, IEF and IPF. MAF's total as of December 31, 2014, was $9.1 billion.

Summary of 2015 Financial Markets and Investment Results *(continued)*

Fund Expenses

Costs incurred by the General Board in managing and administering the funds are paid by the funds. Expenses include investment management fees, bank custodial fees, and certain costs incurred by the General Board to administer the plans and funds. The table below provides total expense information for each of the funds that are available to individuals and UMC-affiliated institutions.

Annual Costs as a Percentage of Fund Assets

General Board Funds	2015	2014
Stable Value Fund	0.33%	0.35%
Short Term Investment Fund	0.35%	0.35%
Inflation Protection Fund	0.56%	0.53%
Extended Term Fixed Income Fund	0.44%	N/A
Fixed Income Fund	0.55%	0.55%
Multiple Asset Fund	0.64%	0.62%
Balanced Social Values Plus Fund	N/A	0.37%
U.S. Equity Fund	0.65%	0.59%
International Equity Fund	0.76%	0.77%
U.S. Equity Index Fund	0.36%	N/A
Equity Social Values Plus Fund	0.59%	N/A

Sustainable Investment

The General Board is committed to investing in a sustainable and responsible manner, creating long-term value for our participants and clients. Our comprehensive approach to sustainable investment supports our role as prudent fiduciaries and our belief that our efforts have a positive impact on the environment and society.

We apply a comprehensive approach to sustainable investment that includes integrating environmental, social and governance (ESG) factors into investments across asset classes and our selection of external asset managers. We apply five major strategies to achieve our goals: **Ethical Exclusions**, **Active Ownership**, **Strategic Partnerships**, **Positive Impact Investments** and **Manager ESG Integration**.

Ethical Exclusions

Since 1908, we have aspired to reflect the values of The United Methodist Church in achieving our investment objectives. Our ethical exclusions policies guide us in avoiding investments in companies with core business activities related to production and/or distribution of alcoholic beverages, tobacco products, adult entertainment, weapons, gambling and privately-operated correctional facilities. During 2015, with the help of a new external research partner, we evaluated more than 5,000 companies to ensure that we have properly identified companies ineligible for purchase. While many exclusion decisions are self-evident, others are more challenging and benefit from an in-depth analysis and debate to ensure that we reach the most appropriate conclusions.

Active Ownership

Our Active Ownership strategy aspires to improve company performance relating to material ESG issues. As a global investor with more than $20 billion under management, the General Board is in a privileged position to use our voice—or "engage"—to influence changes that we believe enhance long-term corporate performance.

In 2015, we voted our proxies at the Annual General Meetings (AGMs, also called Annual Shareholder Meetings) of more than 4,500 companies around the world, and continued to engage with public policy makers and companies on a wide range of issues. In addition, we implemented and published two guidelines relating to climate change and human rights under our management of excessive sustainability risk investment policy.

Proxy Voting

In the absence of more direct engagement, proxy voting represents one of the most important tools the General Board employs to influence a company's governance and business practices. We cast our votes in accordance with guidelines that are updated and approved by our board of directors annually.[1] These guidelines reflect the financial interests of our plan participants and clients and are aligned with UMC values.

In 2015, we voted "with" management 79% of the time and "against" management 21% of the time.[2] Our votes against management predominantly related to concerns about the composition, independence and diversity of boards of directors and the structure of compensation plans, most notably the link between pay and performance. In addition, the General Board recognizes that, particularly in the United States, shareholder resolutions can effect positive change and remain consistent with our fiduciary duties. During 2015, the General Board focused on supporting shareholder resolutions requesting companies address the impact of climate change, prepare sustainability reports, provide "proxy access" (for long-term investors to nominate board directors), disclose activities relating to political spending and lobbying activities, and manage human rights-related risks.

[1] **www.gbophb.org/assets/1/7/proxy_guide.pdf**

[2] This statistic covers our voting activity in relation to proposals put forward both by management and by shareholders ("shareholder resolutions").

Engagement

Our **public policy engagement** focuses on how ESG issues affect the structure, function and governance of markets as a whole and how they affect investors' interests. Climate change was an issue that received considerable attention from global policy makers in 2015, especially during the 21st Conference of Parties (COP 21) to the United Nations Framework Convention on Climate Change (UNFCCC) in Paris, which took place in December 2015.

In advance of the December meeting, the General Board's CEO joined 120 large investors in sending a message of support to G7 Finance Ministers for a long-term global emissions reduction goal at COP 21. The General Board also collaborated with the general boards of Church and Society, Global Ministries and UM Women to author a letter supporting an international agreement to limit global warming to less than 2 degrees Celsius. The letter was delivered to the UNFCCC executive secretary in the weeks ahead of the meeting and described how climate change is a shared priority for The United Methodist Church.

COP 21 began with the largest ever single-day gathering of heads of state (150 presidents and prime ministers), and ended with an unprecedented agreement that seeks to limit long-term warming to 2 degrees Celsius. Participants developed a framework that commits all countries to put forward their best efforts and to strengthen them in the years ahead. This includes, for the first time, requirements that all parties report regularly on their emissions and implementation efforts, and undergo international review.[3] The General Board believes the agreement could have significant impact on the world's energy companies, including the development of new investment opportunities in low-carbon products and services.

The General Board's **corporate engagements** span a wide range of ESG issues that we believe impact company performance. In 2015, we conducted 222 engagements. We engage companies in one-on-one dialogues and also work through strategic partnerships (most frequently with like-minded global investors) that allow us to pool our resources and achieve greater influence within the broader investment community. During the year, we forged new relationships with the International Corporate Governance Network (ICGN) to promote better global governance practices, and with the Thirty Percent Coalition to increase the pace of gender and ethnic diversity in corporate boardrooms.

In 2015, we strengthened our human rights engagement program by evaluating the human rights policies of our 100 largest holdings for adherence to the United Nations' Guiding Principles on Business and Human Rights (UNGP). We wrote to 67 companies that lack a human rights policy, or that do not have a policy reflecting the UNGP's "protect, respect, remedy" framework. We also participated in a multi-investor field visit to Peru to deepen our understanding of how the mining sector (often on the front line in addressing human rights issues) is implementing the UN Guiding Principles and minimizing operational risk.

We saw positive results from a long-standing collaborative engagement on climate change. The General Board is a signatory to CDP's Carbon Action, an initiative that in 2015 asked 1,300 of the world's highest-emitting companies to reduce year-on-year carbon emissions, invest in energy efficiency projects that yield a positive return on investment, and publicly disclose reduction targets. In 2015, CDP announced "a 77% increase in emissions reductions, amounting to 641 million fewer tons of carbon dioxide equivalent in the atmosphere. (This is equivalent to closing down more than 168 coal-fired power plants). … a 130% increase in the number of emissions reduction projects" being managed by companies.

Furthermore, 2015 marked a new responsiveness from the oil and gas industry to investor engagement on climate change. In unprecedented moves, the boards of BP, Shell and Statoil supported shareholder resolutions (presented at their annual general meetings) requesting further disclosure relating to their strategies for operating in carbon-constrained markets. All three companies saw close to 99% of their investors—including the General Board—supporting these requests. In the United States, our engagement with ConocoPhillips focused on asking the company to conduct and disclose the results of "stress tests" on its oil and gas assets using a range of price and demand scenarios limiting an increase in global temperature to 2 degrees Celsius. The company conducted an analysis and added the information to its website—the first large U.S. oil and gas company to publicly disclose this type of information.

[3] http://newsroom.unfccc.int/unfccc-newsroom/finale-cop21/

Management of Excessive Sustainability Risk

In 2015, we implemented and published two new investment guidelines relating to human rights and to climate change under our management of excessive sustainability risk policy. This policy reflects the General Board's belief as a fiduciary that ESG issues can present excessive sustainability risk to our funds. The human rights and climate change guidelines inform our company-specific engagement priorities. They also have resulted in the exclusion of certain companies until we believe that the risk of holding securities in the affected companies has been resolved.

The **human rights** guideline applies to companies operating in "high-risk areas" where human rights violations can be widespread in relation to business activities. It recognizes that there are specific times when a company is very unlikely–or unable–to discontinue activities in "high-risk" parts of the world. When activities in high-risk countries or geographic areas represent a significant or integral part of a company's business, we determined that prudence and loyalty to our stakeholders requires we avoid investing until the company changes its business practices or until there is a change in its operating environment. Avoiding such investments supports the General Board's commitment to sustainable investing, which we believe ultimately improves the performance of our investment funds.

In 2015, we contracted with Sustainalytics (a global ESG research provider) to help identify and assess the management policies and practices of companies with significant exposure to the countries and geographic areas identified as high-risk. We identified 39 companies with significant operations in 11 high-risk countries and three specific "areas" deemed to breach international law. We sold any holdings that we had in the 39 identified companies and added the remaining names to our "ineligible list." The General Board will continue to monitor and update the list of high-risk countries and areas, as well as companies affected by the guideline, as warranted.

The **climate change** guideline has a specific focus on the carbon-intensive thermal coal sector. This reflects the General Board's concern that without additional technologies to mitigate coal's environmental impact, coal will more than likely be replaced by alternative fuel sources or taxed heavily in the near future, resulting in a significant deterioration in the value of coal and coal-related securities. During 2015, we excluded nine companies from our funds and added them to our "ineligible list." Seven companies had significant exposure to thermal coal (primarily through extraction and mining) and two companies were electric utilities deriving 75% or more of their overall fuel mix from coal. The thermal coal sector subsequently has experienced a significant decline in value. The General Board will continue to monitor and update the list of companies affected by the guideline, as warranted.

More information about our Management of Excessive Sustainability Risk policy and the Human Rights and Climate Change guidelines can be found at: www.gbophb.org/climatechange and www.gbophb.org/humanrights.

Positive Impact Investments

In 1990, the General Board began investing in loans to support affordable housing and community development in underserved communities, while also achieving a market rate of return. In 2015, we celebrated the 25th anniversary of our **Positive Social Purpose (PSP) Lending Program**. PSP loans help make safe, decent and affordable housing available to individuals and families who otherwise may not have had access to a basic human need—shelter. The PSP Lending Program achieves a market rate of return and prudently diversifies the General Board's portfolio while also promoting affordable housing and community development.

During 2015, the General Board initiated more than $150 million in new PSP purchase and forward commitment activity involving nearly 3,600 units of affordable housing across 45 transactions that will serve families, seniors and populations with special needs. In 2015, the General Board, through its PSP Lending Program, also invested $1 million in a microfinance initiative that provides assistance to low-income borrowers in sub-Saharan Africa.

ESG Manager Integration

As a signatory to the Principles for Responsible Investment (PRI), the General Board is dedicated to incorporating ESG issues into our investment analysis and decision-making processes. This includes our relationships with our external asset managers. During 2015, we evaluated and benchmarked how our external investment managers are integrating the consideration of ESG issues into their investment decisions. We provided detailed feedback to all our public equity managers, clarifying our expectations and promoting continuous improvement.

More detailed information about our Sustainable Investment Strategies can be found in the Sustainable Investment section of our website: www.gbophb.org/si/.

Management's Report on Financial Statements

We have prepared the accompanying combined financial statements of the General Board of Pension and Health Benefits of The United Methodist Church for the years ended December 31, 2015 and 2014. We are responsible for the content and integrity of the financial statements as well as the other financial information included in this annual report. The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and reflect our best estimates and judgments. The other financial information included in this annual report is consistent with the financial statements. We believe that the financial statements present fairly the General Board's financial position; results of operations and changes in net assets; changes in plan accumulations, plan sponsor deposits, endowments; and cash flows.

The General Board's financial statements have been audited by Grant Thornton LLP, independent certified public accountants, whose report appears on page 18. Grant Thornton LLP was given unrestricted access to all financial records and related information, including minutes of meetings of the Board of Directors and committees. We believe that all representations made to Grant Thornton LLP during its audit were valid, timely and appropriate.

We recognize our responsibility for fostering a strong ethical climate so that the General Board's affairs are conducted according to the highest standards of conduct. This responsibility is characterized and reflected in the General Board's Code of Conduct (Code). The Code addresses, among other things, the necessity of assuring open communication within the General Board, potential conflicts of interest, compliance with all applicable domestic and foreign laws, and the confidentiality of proprietary information. We maintain a systematic program to assess compliance with the Code, including a requirement that all employees and board members must affirm their compliance annually.

Management of the General Board has established and maintains a system of internal controls that provides reasonable assurance as to the integrity and reliability of the financial statements, the protection of assets from unauthorized use or disposition, and the prevention and detection of fraudulent financial reporting. This system of internal controls provides for appropriate division of responsibility, and is documented by written policies and procedures that are communicated to employees with significant roles in the financial reporting process and are updated as necessary. Management monitors the system of internal controls for compliance. The General Board maintains an internal auditing program that independently assesses the effectiveness of the system of internal controls and recommends possible improvements. In planning and performing its audit of the General Board's financial statements, Grant Thornton LLP considered the General Board's internal controls relevant to the General Board's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the General Board's internal control. In addition, the General Board has an Audit Committee that oversees the internal and external audit processes. (See the Audit Committee section on page 39.)

Barbara A. Boigegrain
General Secretary and Chief Executive Officer

Timothy C. Koch
Chief Financial Officer

GrantThornton

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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Audit Committee of the Board of Directors
General Board of Pension and Health Benefits of
The United Methodist Church and UMC Benefit Board, Inc.

We have audited the accompanying combined financial statements of the General Board of Pension and Health Benefits of The United Methodist Church and the UMC Benefit Board, Inc., which comprise the combined statements of assets and liabilities and net assets as of December 31, 2015 and 2014, and the related combined statements of operations and changes in net assets, changes in plan accumulations, plan sponsor deposits and endowments, and cash flows 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 entity'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 entity'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, the financial position of the General Board of Pension and Health Benefits of The United Methodist Church and UMC Benefit Board, Inc. as of December 31, 2015 and 2014, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Chicago, Illinois
June 1, 2016

Combined Statements of Assets and Liabilities and Net Assets

Assets (in thousands)	**December 31, 2015**	**December 31, 2014**
Investments (Notes 2, 3 and 5)		
Fixed income securities and contracts (Note 6)	$ 7,658,603	$ 7,709,609
Equity securities	7,221,262	7,629,427
Cash equivalents	1,048,200	1,128,991
Limited partnership investments (Note 2)	996,042	824,668
Emerging market funds (Note 2)	633,395	739,100
Securities loaned under securities lending agreements (Notes 2 and 4)	2,612,973	2,873,062
Total investments	20,170,475	20,904,857
Invested collateral from securities lending agreements (Note 4)	1,683,189	2,135,188
Other assets	176,340	162,994
Cash	23,475	50,740
Total assets	**$ 22,053,479**	**$ 23,253,779**

Liabilities and Net Assets (in thousands)	**December 31, 2015**	**December 31, 2014**
Plan accumulations, plan sponsor deposits and endowments (Note 2)		
Defined contribution plans	$ 7,981,034	$ 8,399,685
Defined benefit plans	3,814,383	4,072,586
Annuities	3,743,826	3,865,997
Disability, death and health benefit program deposits (Note 8)	1,541,090	1,604,540
Plan sponsor and other deposits	2,901,374	2,904,640
Endowments	42,302	44,549
Total plan accumulations, plan sponsor deposits and endowments	20,024,009	20,891,997
Payable under securities lending agreements (Note 4)	1,683,189	2,135,188
Other liabilities (Note 2)	281,974	166,836
Total liabilities	21,989,172	23,194,021
Net assets	64,307	59,758
Total liabilities and net assets	**$ 22,053,479**	**$ 23,253,779**

See accompanying "Notes to the Combined Financial Statements."

Combined Statements of Operations and Changes in Net Assets

Years Ended December 31 (in thousands)	**2015**	**2014**
Interest, dividend, partnership and trust investment income	$ 577,073	$ 540,085
Securities lending and other income	9,187	6,756
Investment income	586,260	546,841
Net realized gain on investments	789,705	908,174
Net unrealized loss on investments	(1,571,014)	(452,545)
Net (loss) gain on investments and investment income	(195,049)	1,002,470
Investment management and custodial fees	(72,506)	(68,087)
Net investment (loss) earnings	(267,555)	934,383
Operating expenses (Note 9)	(55,578)	(53,313)
Net (loss) earnings before allocation (Note 2)	(323,133)	881,070
Allocated net loss (earnings) (Note 7)	327,682	(874,651)
Increase in net assets	4,549	6,419
Net assets:		
Beginning of year	59,758	53,339
End of year	$ 64,307	$ 59,758

See accompanying "Notes to the Combined Financial Statements."

Combined Statements of Changes in Plan Accumulations, Plan Sponsor Deposits and Endowments

Year Ended December 31, 2015 (in thousands)	Balances Beginning of Year	Net Loss Allocated to Unitized Funds	Contributions and Deposits	Distributions and Withdrawals	Net Transfers and Other	Balances End of Year
Defined contribution plans	$ 8,399,685	$ (99,032)	$ 213,291	$ (320,604)	$ (212,306)	$ 7,981,034
Defined benefit plans	4,072,586	(94,333)	143,200	(310,115)	3,045	3,814,383
Annuities	3,865,997	(24,945)	–	(319,791)	222,565	3,743,826
Disability, death and health benefit program deposits	1,604,540	(40,400)	158,591	(178,054)	(3,587)	1,541,090
Plan sponsor and other deposits	2,904,640	(67,838)	509,536	(442,136)	(2,828)	2,901,374
Endowments	44,549	(1,134)	1,736	(2,113)	(736)	42,302
Total plan accumulations, plan sponsor deposits and endowments	$ 20,891,997	$ (327,682)	$ 1,026,354	$ (1,572,813)	$ 6,153	$ 20,024,009

Year Ended December 31, 2014 (in thousands)	Balances Beginning of Year	Net Earnings Allocated to Unitized Funds	Contributions and Deposits	Distributions and Withdrawals	Net Transfers and Other	Balances End of Year
Defined contribution plans	$ 8,386,900	$ 351,335	$ 203,794	$ (310,994)	$ (231,350)	$ 8,399,685
Defined benefit plans	4,078,011	163,469	132,356	(300,497)	(753)	4,072,586
Annuities	3,754,384	182,645	–	(309,047)	238,015	3,865,997
Disability, death and health benefit program deposits	1,575,651	56,234	171,425	(200,327)	1,557	1,604,540
Plan sponsor and other deposits	2,591,847	119,207	642,522	(467,963)	19,027	2,904,640
Endowments	44,922	1,761	76	(209)	(2,001)	44,549
Total plan accumulations, plan sponsor deposits and endowments	$ 20,431,715	$ 874,651	$ 1,150,173	$ (1,589,037)	$ 24,495	$ 20,891,997

See accompanying "Notes to the Combined Financial Statements."

Combined Statements of Cash Flows

Years Ended December 31 (in thousands)	**2015**	**2014**
Cash flows from operating activities		
Increase in net assets	$ 4,549	$ 6,419
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	2,328	2,565
Net unrealized loss on investments	1,571,014	452,545
Net realized gain on investments	(789,705)	(908,174)
Undistributed earnings – limited partnership investments	(10,034)	(12,635)
Changes in assets and liabilities:		
Decrease (increase) in invested collateral from securities lending agreements	451,999	(1,286,771)
(Increase) decrease in other assets	(15,250)	33,013
Increase (decrease) in other liabilities	115,138	(17,621)
(Decrease) increase in payable under securities lending agreements	(451,999)	1,286,771
Net (loss) earnings allocated to unitized funds	(327,682)	874,651
Contributions and deposits	1,026,354	1,150,173
Distributions and withdrawals	(1,572,813)	(1,589,037)
Net transfers and other	6,153	24,495
Net cash provided by operating activities	10,052	16,394
Cash flows from investing activities		
Purchases of investments	(34,848,214)	(24,980,483)
Sales of investments	34,811,321	24,982,586
Capital expenditures	(424)	(272)
Net cash (used in) provided by investing activities	(37,317)	1,831
Net (decrease) increase in cash	(27,265)	18,225
Cash at beginning of year	50,740	32,515
Cash at end of year	$ 23,475	$ 50,740

See accompanying "Notes to the Combined Financial Statements."

Notes to the Combined Financial Statements

Note 1: Nature of Operations

The General Board of Pension and Health Benefits of The United Methodist Church, Incorporated in Illinois (the Illinois Corporation) is a not-for-profit, administrative general agency of the religious denomination known as The United Methodist Church (UMC). It functions with a related not-for-profit corporation: the UMC Benefit Board, Inc. (the Benefit Board), which acts as the trustee and the fund manager of the assets. (The Illinois Corporation and the Benefit Board are referred to collectively as the General Board.) The General Board is responsible for the general supervision and administration of retirement, disability, death and health benefit plans, programs and funds as authorized by General Conference, the denomination's highest legislative authority. One of the functions of the Illinois Corporation is to act as plan administrator for the various retirement, disability, death and health benefit plans, programs and funds that the General Board administers for plan sponsors.

Pension and retirement plans administered by the Illinois Corporation: As of December 31, 2015, the three Internal Revenue Code (IRC) section 403(b) retirement benefit plans are the Clergy Retirement Security Program (CRSP), providing retirement benefits to eligible clergy; the Retirement Plan for General Agencies (RPGA), providing retirement benefits to eligible employees of general agencies; and the United Methodist Personal Investment Plan (UMPIP), providing retirement benefits and savings opportunities for clergy and lay employees of United Methodist churches, church-related organizations and general agencies, and for plan sponsors that so elect, the opportunity to make any of several kinds of employer contributions for their participants. The current IRC section 401(k) plan is the Horizon 401(k) Plan, a retirement savings plan for employee and employer contributions for employees of eligible United Methodist-related institutions. In addition, the Illinois Corporation administers certain former benefit plans, which no longer accrue additional service credit for plan participants or allow for the eligibility of new participants.

CRSP consists of two components: a defined benefit component, based on Denominational Average Compensation (DAC), and a defined contribution component, providing for a plan sponsor contribution based on a percentage of actual compensation. Beginning January 1, 2014, the defined contribution component was reduced to a contribution of 2% unless the clergyperson makes elective contributions to UMPIP. If the clergyperson makes elective contributions to UMPIP, 100% of the contributions will be matched by the plan sponsor—up to 1% of the clergyperson's plan compensation—and those matching funds will be credited to the clergyperson's CRSP defined contribution account upon receipt.

CRSP is an amendment and restatement of the Ministerial Pension Plan (MPP). The program consists of three parts covering three different time periods: CRSP for service beginning January 1, 2007; MPP for service from January 1, 1982, through December 31, 2006; and Supplement One to CRSP for service prior to 1982 (Pre-82 Plan).

RPGA became effective on January 1, 2010, and is an amendment and restatement of the Retirement Security Program for General Agencies (RSP), which is retained in Supplement Two to RPGA.

Disability, death, and health benefit plans and programs administered by the Illinois Corporation: The three current disability, death and health benefit programs include the Comprehensive Protection Plan (CPP), providing various welfare benefits to eligible clergy; UMLifeOptions, providing various welfare benefits to eligible clergy and lay employees of participating local churches, annual conferences, general agencies and other eligible United Methodist-related institutions; and HealthFlex (prior to 2014, legally named the Hospitalization and Medical Expense Program), providing group health coverage to employees of participating local churches, annual conferences, general agencies and other eligible United Methodist-related institutions.

Funding of benefit obligations: Plan sponsors are responsible for the funding and recording of all pension, disability, death and health benefit obligations. All sponsoring entities are responsible for funding both current and past service costs. Pension and other post-retirement obligations are the responsibility of the sponsoring entities.

The Benefit Board is the trustee of various trusts in which the assets are held. All of the assets of the trusts are invested in a prudent manner based on the investment policies of the General Board. As of December 31, 2015, the General Board administered 17 active investment funds. Eight funds are available for direct investment by UMPIP, CRSP and RPGA defined contribution participants: Multiple Asset Fund (MAF), Fixed Income Fund (FIF), Inflation Protection Fund (IPF), U.S. Equity Fund (USEF), International Equity Fund (IEF), Extended Term Fixed Income Fund (ETFIF), Equity Social Values Plus Fund (ESVPF) and Stable Value Fund (SVF). The Balanced Social Values Plus Fund (BSVPF) was discontinued on December 31, 2014. SVF is not available for investment by institutional investors or for plan reserves. Instead, these groups can invest in the Short Term Investment Fund (STIF) and the U.S. Equity Index Fund (USEIF), as well as the other seven funds listed above. The General Board also manages seven funds that provide indirect exposure to specialized investment strategies for participants, plan reserves and institutional investors: Positive Social Purpose Lending Fund (PSPLF), Domestic Private Real Estate Fund (DPRF), Domestic Private Equity Fund (DPEF), International Private Equity Fund (IPEF), International Private Real Estate Fund (IPRF), Annuity Immunization Fund (AIF) and Special Opportunity Fund (SOF).

Recent accounting pronouncements: 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 Notes 2 and 4 to the financial statements.

In April 2015, the FASB issued ASU No. 2015-07, "Disclosures 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 Accounting Standards Codification (ASC) 820, Fair Value Measurement, from categorization within the fair value hierarchy and related disclosures. This ASU requires presentation of the carrying amount of investments measured at the NAV practical expedient as a reconciling item between the total amount of investments categorized within the fair value hierarchy and total investments measured at fair value on the face of the financial statements. This ASU is effective for entities other than public business entities for fiscal years beginning after December 15, 2016. However, early adoption is permitted, and the General Board has adopted the ASU for 2015, with retrospective application. The revised disclosures are included in Note 3 to the financial statements.

In July 2015, the FASB issued ASU No. 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 II are effective for fiscal years beginning after December 15, 2015, and should be applied retrospectively, with early application permitted. The General Board has elected to adopt Part I early. Accordingly, the revised disclosures are included in Note 6 to the financial statements. Parts II and III are not applicable to the General Board.

Note 2: Summary of Significant Accounting Policies

Basis of presentation: The combined financial statements consisting of the Combined Statements of Assets and Liabilities and Net Assets (Balance Sheets); Combined Statements of Operations and Changes in Net Assets (Statements of Operations); Combined Statements of Changes in Plan Accumulations, Plan Sponsor Deposits and Endowments (Statements of Changes); and the Combined Statements of Cash Flows (known collectively as the financial statements) include the accounts of the funds within the Illinois Corporation and the Benefit Board, prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported. Actual results could differ from those estimates. All significant intercompany and interfund accounts and transactions have been eliminated in these financial statements.

Investments: All investment transactions are governed by the investment policy and guidelines of the General Board. In general, investments are stated at fair value. Changes in fair value of investments are recorded in the Statements of Operations as "Net unrealized loss on investments." Investment purchases and sales are recorded as of the trade date. Net gains and losses on the sale of investments, other than cash equivalent investments, are included in "Net realized gain on investments" in the Statements of Operations. Gains and losses on the sale of cash equivalent investments are included in interest income. Costs of investments sold are determined on an average cost basis. The fair value of the investments outlined below is measured under Level 1 or 2, except for investments classified as Level 3 detailed in Note 3 ("Fair Value Measurements").

Fixed income securities and contracts: Fixed income securities and contracts consist primarily of U.S. Treasury and agency securities, corporate bonds, mortgage-backed securities, asset-backed securities, sovereign securities denominated in U.S. dollars and foreign currencies, stated at fair value determined primarily by matrix pricing, and forward contracts and mortgage contracts or other loans that comprise investments in the General Board's Positive Social Purpose Lending Program.

The Positive Social Purpose Lending Program was established in 1990 to earn risk-adjusted market rates of return while funding a variety of projects in traditionally underserved communities. This includes, but is not limited to, the development of affordable housing for low- and moderate-income individuals and families, homeless shelters, health centers, senior living centers, microfinance and charter schools. The program invests primarily in privately placed mortgage-backed securities, mortgage loans and direct loans that meet certain criteria, such as specified minimum loan-to-value and debt coverage ratios. At December 31, 2015 and 2014, the General Board had outstanding positive social purpose investments of $715 million and $727 million, respectively. Mortgage contracts and other loans are stated on the financial statements at fair value based either on the net present value of the estimated future cash flows discounted at market equivalent rates or, for those mortgage contracts and other loans that are exchange-traded, by independent third-party pricing services.

At December 31, 2015 and 2014, the General Board had outstanding commitments to provide $199 million and $127 million, respectively, in additional funding related to the Positive Social Purpose Lending Program. These commitments are not recorded in the financial statements. Funds set aside to cover these commitments are included under the captions "Fixed income securities and contracts" and "Cash equivalents."

Also included in this category are derivative-based wrap contracts used in conjunction with the SVF portfolio. These contracts are utilized to mitigate market rate risk exposure on the underlying SVF portfolio of investments, stated at contract value as detailed in Note 6.

Equity securities: Equity securities consist primarily of common and preferred stocks, stated at fair value determined primarily by closing prices quoted on recognized U.S. and international security exchanges.

Cash equivalents: Cash equivalent investments are stated at fair value or at cost, which approximates fair value. Cash equivalents include cash, short-term securities that mature within three months or less at date of purchase, and cash collateral related to margin requirements on futures contracts, all of which are stated at cost.

Limited partnerships: Limited partnership investments consisting of real estate, private equity and real assets are carried at the General Board's share of the partnership's NAV or its equivalent based primarily on annual audited or unaudited year-end financial statements, which are used to estimate fair value at year-end. In some cases, management uses discretion in determining fair value for a particular partnership based on more current information regarding market conditions or applying a different valuation that better reflects the true underlying value of the investments.

Emerging market funds: Emerging market funds are valued using an estimated daily NAV.

The following table summarizes the fair value and unfunded commitments of limited partnerships and emerging market funds as of December 31, 2015:

Investments Valued at NAV as of December 31, 2015

(in thousands)	Fair Value	Unfunded Commitments	Redemption Notice Period
Open-end funds			
Real estate	$ 96,876	$ –	90 days
Emerging market	633,395	–	120 days
Closed-end funds			
Real estate	488,022	272,323	
Real assets	54,506	166,746	
Private equity	356,638	294,003	
Total	**$1,629,437**	**$733,072**	

The following table summarizes the fair value and unfunded commitments of limited partnerships and emerging market funds as of December 31, 2014:

Investments Valued at NAV as of December 31, 2014

(in thousands)	Fair Value	Unfunded Commitments	Redemption Notice Period
Open-end funds			
Real estate	$ 90,313	$ –	90 days
Emerging market	739,100	–	120 days
Closed-end funds			
Real estate	366,158	388,076	
Real assets	46,935	175,357	
Private equity	320,254	367,398	
Total	**$1,562,760**	**$930,831**	

Open-end real estate funds primarily invest in U.S. commercial real estate. These have an indefinite life, and investments may be redeemed on 90 days' notice. However, the fund manager has the discretion not to accept the redemption request.

Emerging market funds are open-ended commingled funds invested in underlying international equities in emerging markets. These have an indefinite life, and investments may be redeemed on up to 120 days' notice.

Closed-end real estate funds primarily invest in U.S. commercial real estate. Closed-end real assets funds primarily invest in real assets such as timber, energy, agriculture and infrastructure. Closed-end private equity funds primarily invest in privately held U.S. companies. These investments cannot be redeemed. Distributions from each fund occur as the underlying investments of the funds are liquidated. The General Board estimates that the underlying investments of the existing funds will be liquidated over the next 15 years.

International securities: International securities primarily consist of equity and fixed income securities of entities domiciled outside the United States as well as foreign currency forward contracts. Investments in international fixed income securities and contracts are included under the caption "Fixed income securities and contracts." Investments in international equity securities are included under the caption "Equity securities." Investments in emerging market funds are included under the caption "Emerging market funds." The total investment in international securities is $6,136 million and $7,023 million in 2015 and 2014, respectively.

Securities loaned under securities lending agreements: A portion of equity securities, fixed income securities and international securities has been loaned to qualified borrowers pursuant to the General Board's securities lending program, further described in Note 4.

The following table summarizes the fair value of securities on loan and the collateral held as of December 31, 2015:

(in thousands)	Market Value of Securities on Loan	Collateral Held
Fixed Income Securities	$1,044,524	$1,066,693
Domestic Equity Securities	1,328,637	1,360,200
International Equity Securities	239,812	252,634
Total	**$2,612,973**	**$2,679,527**

The following table summarizes the fair value of securities on loan and the collateral held as of December 31, 2014:

(in thousands)	Market Value of Securities on Loan	Collateral Held
Fixed Income Securities	$1,209,666	$1,240,446
Domestic Equity Securities	1,478,995	1,514,310
International Equity Securities	184,401	195,168
Total	**$2,873,062**	**$2,949,924**

Notes to the Combined Financial Statements *(continued)*

Other assets: Other assets primarily consist of fixed assets and investment receivables. Fixed assets, which include property, furniture and equipment, are assets with cost in excess of $5,000 that have a useful life greater than one year. Fixed assets are stated at cost less depreciation. Depreciation of fixed assets is provided on a straight-line basis over the assets' estimated service life, typically five to seven years for furniture, fixtures and equipment; 15 years for land improvements; and 40 years for the building. Depreciation expense totaling $2.328 million for 2015 and $2.565 million for 2014 is included in operating expenses in the Statements of Operations. Receivables due from the purchasers of investments sold of $30 million and $21 million at December 31, 2015 and 2014, respectively, are included in "Other assets."

Property and equipment, which are components of "Other assets," are comprised of the following as of December 31:

(in thousands)	2015	2014
Land	$ 15,685	$ 15,685
Land improvements	3,726	3,726
Building	29,869	29,869
Computer and office equipment	23,112	22,688
	72,392	**71,968**
Less accumulated depreciation		
Land improvements	1,315	1,068
Building	3,916	3,170
Computer and office equipment	21,457	20,122
Property and equipment – net	**$ 45,706**	**$ 47,608**

Defined contribution plans: This liability represents the accumulated fair value of contributions and earnings to the defined contribution components of the three IRC Section 403(b) and one IRC Section 401(k) pension or retirement plans as remitted by the conference/salary-paying entity to a participant's account.

Defined benefit plans: Plan sponsors fund current and future benefits for service rendered under the defined benefit plans. For financial statement purposes, the General Board reflects only amounts that plan sponsors have contributed to date, with accumulated investment earnings. These plans have funded and unfunded liabilities. Plan sponsors of the Pre-82 Plan are required to contribute the unfunded amounts, plus any changes resulting from benefit improvements, no later than the end of the year 2021. Plan sponsors of CRSP contributed $139 million and $131 million to the plans in 2015 and 2014, respectively.

Annuities: Annuities are monthly benefit payments for retired individuals that have been established under defined contribution plans. Actuarially determined benefits are funded from the individual accounts of the retiring participants upon retirement. Participants make specific elections with regard to survivor benefits, post-retirement benefit increases and other terms of the annuity.

Disability, death and health benefit program deposits: These pooled accounts represent deposits to certain employee welfare benefit plans held to provide benefits to participants in the disability, death and health benefit programs.

Plan sponsor and other deposits: These deposits represent amounts received from plan sponsors to fund pension, disability, death, health benefit and other programs, and from institutional investors. These funds are invested at the direction of the account holder.

Endowments: Included in the endowment liabilities, within the Benefit Board, are funds administered on behalf of member conferences and others. The General Board invests these funds as the trustee. Distributions of income are made in accordance with the provisions of the applicable governing documents. Many annual conferences, particularly those in the South Central and Southeastern jurisdictions, have Conference Superannuate Endowment Fund accounts. These funds, the principal of which may not be withdrawn as mandated by General Conference, represent endowment funds for the benefit of retirees of the former Methodist Episcopal Church, South. Also included in endowments, within the Illinois Corporation, are undesignated gifts, bequests and donations.

Other liabilities: Other liabilities primarily consist of payables for investment purchases of $191 million and $79 million at December 31, 2015 and 2014, respectively.

Net assets: Combined Net Assets at December 31, 2015 and 2014, represent the Illinois Corporation's unrestricted net assets. Net assets are determined based on increases or decreases in the value of assets not specifically allocated to plans or a specific investor.

Net (loss) earnings before allocation: Net (loss) earnings before allocation consist of the combination of net investment lost and operating expenses or the excess of net investment gain over operating expenses.

Reclassification: Certain prior-year amounts have been reclassified to conform to the current-year financial statement presentation.

NOTE 3:
FAIR VALUE MEASUREMENTS

The General Board uses the fair value hierarchy, which is based on the inputs used to measure fair value. Observable inputs are inputs that market participants use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants use in pricing the asset or liability based on the best information available in the circumstances. The General Board utilizes the following hierarchy to classify assets and liabilities held at fair value based on the transparency of inputs:

Level 1: Quoted prices are available in active markets for identical assets or liabilities as of the report date.

Level 2: Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. These types of securities include investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed.

Level 3: This includes securities that have little to no observable pricing inputs as of the report date. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

When available, the General Board values securities at observable market prices, observable market parameters, or broker or dealer prices (bid and ask prices). In the case of securities transacted on recognized exchanges, the observable market prices represent quotations for completed transactions from the exchange on which the securities are principally traded. For investments in illiquid or privately held securities and private real estate, real asset or private equity limited partnership investments that do not have readily determinable fair values, the determination of fair value requires the General Board to estimate the value of the securities using the best information available.

Among the factors that may be considered by the General Board in determining the fair value of illiquid or privately held securities are the cost, terms and liquidity of the investment, the financial condition and operating results of the issuer, the quoted market price of publicly traded securities with similar quality and yield, and other factors generally pertinent to the valuation of these investments. In instances where a security is subject to transfer restrictions, the value of the security is based primarily on the quoted price of a similar security without restriction, but may be reduced by an amount estimated to reflect such restrictions. In addition, even where the value of a security is derived from an independent source, certain assumptions may be required to determine the security's fair value. The actual value realized upon disposition could be different from the currently estimated fair value. All of the General Board's investments in illiquid, infrequently traded or privately held securities have been valued using Level 3 inputs.

Fixed income securities, such as domestic government or corporate bonds, are stated at fair value determined primarily by matrix pricing. In instances where sufficient market activity exists, the valuations may utilize a market-based approach through which quotes from market makers are used to determine fair value. In instances where sufficient market activity may not exist or is limited, valuations also utilize proprietary valuation models, which may consider market characteristics, such as benchmark yield curves, option-adjusted spreads, credit spreads, estimated default rates, coupon rates, anticipated timing of principal repayments, underlying collateral, and other unique security features in order to estimate the relevant cash flows, which are then discounted to calculate the fair value. Fair value estimates of guaranteed investment contracts are made according to the methodologies further detailed in Note 6. Mortgage contracts and other loans are stated at fair value based on the net present value of the estimated future cash flows discounted at market equivalent rates. Most of the General Board's fixed income securities have been valued at Level 2. The exceptions relate to certain domestic government securities that have been valued at Level 1 and to certain corporate bonds that have been valued at Level 3. All mortgage contracts and other loans have been valued at Level 2.

For private real estate limited partnership investments, fair value estimates of the underlying real estate investments are based on a combination of property appraisal reports prepared by third-party, independent appraisers and internal models developed by the underlying fund managers using a variety of market-based assumptions. The estimates of fair value are based on three conventional approaches to value, all of which require the exercise of subjective judgment. The three approaches are: 1) current cost of replacing the real estate less deterioration and functional and economic obsolescence; 2) discounting a series of expected income streams and reversion at a specific yield or by directly capitalizing a single-year income estimate by an appropriate factor; and 3) the value indicated by recent sales of comparable real estate in the market. In reconciliation of these three approaches, the independent appraiser uses one, or a combination of them, to determine an approximated fair value.

For private equity limited partnership investments, fair value estimates of the underlying private equity investments made by the respective partnerships require significant judgment and interpretation of the general partner's overall management. Underlying private equity partnership investment values are determined based on available market data, including observations of the trading multiples of public companies considered comparable to the investments being valued. Valuations also are adjusted to give consideration to the financial condition and operating results specific to the issuer, the lack of liquidity inherent in a non-public investment, the long-term nature of such investments, credit markets, and the fact that comparable public companies are not identical to the companies being valued.

For real assets limited partnership investments such as timberland, agricultural properties and private equity energy investment vehicles, fair value estimates of the underlying properties are determined by qualified third-party appraisers and internal models developed by the underlying fund managers using a variety of market-based assumptions. Estimates of fair value are based on factors, such as current supply/demand dynamics for the underlying assets, commodity prices and sales of comparable properties.

The General Board recognizes transfers between levels on the first day of the month in which the transfers occur. No significant transfers occurred in 2015 or 2014.

The following table summarizes financial assets at fair value, by levels, as of December 31, 2015:

Asset Class (in thousands)	**Level 1**	**Level 2**	**Level 3**	**Total Investments**
Investments at fair value (non NAV)				
Domestic common stock[A]	$ 5,669,011	$ –	$ –	$ 5,669,011
International common stock[B]	3,115,723	–	–	3,115,723
Preferred stock[C]	5,199	1,226	–	6,425
Domestic government fixed income[D]	1,827,446	–	–	1,827,446
International government fixed income[E]	–	1,374,067	–	1,374,067
Domestic government and other agencies[F]	–	310,098	–	310,098
Municipal fixed income[G]	–	54,658	–	54,658
Corporate fixed income[H]	–	3,239,930	263,020	3,502,950
Asset-backed securities[I]	–	669,501	14	669,515
Collateralized loan obligations[J]	–	571,304	–	571,304
Risk management instruments[K]	16,782	(798)	–	15,984
Cash equivalents[L]	10,846	1,100	–	11,946
Total investments at fair value (non NAV)	**$ 10,645,007**	**$ 6,221,086**	**$ 263,034**	**$ 17,129,127**
Investments at fair value (NAV)				
Emerging market funds[M]				633,395
Private equity and real estate partnerships[N]				941,536
Real assets partnerships[O]				54,506
Total investments at fair value				**$ 18,758,564**
Cash equivalents at cost[P]				978,671
Wrap contracts at contract value[Q]				433,240
Total investments				**$ 20,170,475**

A Domestic common stock reflects investments in common stock of companies primarily domiciled in the United States.

B International common stock reflects investments in common stock of companies domiciled outside of the United States.

C Preferred stock is comprised of straight and convertible preferred stock issues across various industry sectors.

D Domestic government fixed income represents investments in U.S. Treasury bonds, notes and U.S. Treasury inflation-adjusted securities at various interest rates and maturities.

E International government fixed income includes non-U.S. government investments, including inflation-adjusted securities, with both fixed and variable yields, and geographical concentrations in Europe, Asia and South America.

F Domestic government and other agencies include Government National Mortgage Association, Federal National Mortgage Association and Federal Home Loan Mortgage Corporation investments with both variable and fixed rates ranging from 0% to 13.391%.

G Municipal fixed income is comprised of various state and local municipality investments with coupon rates from 2.805% to 8.084%.

H Corporate fixed income represents U.S. and international investment grade and high-yield corporate securities across various industry sectors.

I Asset-backed securities are comprised of investments collateralized by a specific pool of underlying assets such as auto loans, credit card receivables, whole loans, etc. The portfolio consists of both variable and fixed rate issues with interest rates up to 10.4%.

J Collateralized loan obligations reflect the Positive Social Purpose private loan portfolio. The purpose of this portfolio is to provide funds for affordable housing development while sustaining a competitive yield.

K Risk management instruments include derivatives held primarily as hedges to mitigate financial risk exposure. Investments include foreign currency and futures contracts, forward commitments, options on futures contracts and swap contracts.

L Cash equivalents include investments in commercial paper, U.S. Treasury bills and money market funds.

M Emerging market funds represent equity ownership of comingled funds that primarily invest in international private equity securities.

N Private equity partnerships represent primary and secondary investments in limited partnerships that invest in leveraged buyout and venture capital companies. Private real estate partnerships represent primarily investments in limited partnerships that hold commercial real estate debt and equity securities.

O Real assets partnerships include investment in limited partnerships that invest in timberland and private equity energy properties.

P Cash equivalents at cost include investments in commercial paper, repurchase agreements and time deposits. These investments are carried at cost, which approximates fair value.

Q Wrap contracts at contract value represent investments that insulate the holder from changes in fair value in the underlying portfolio of the Stable Value Fund. These investments are reported at contract value (Note 6).

The following table summarizes the change in fair value associated with Level 3 financial assets for the year ended December 31, 2015:

(in thousands)	Corporate Fixed Income	Asset-Backed Securities	Total
Balance as of December 31, 2014	$ 314,919	$ 66	$ 314,985
Purchases	130,239	28	130,267
Sales	(170,032)	(18)	(170,050)
Transfers out	–	(26)	(26)
Realized losses – net	(1,114)	–	(1,114)
Unrealized losses – net	(10,992)	(36)	(11,028)
Balance as of December 31, 2015	**$ 263,020**	**$ 14**	**$ 263,034**

The following table summarizes financial assets at fair value, by levels, as of December 31, 2014:

Asset Class (in thousands)	**Level 1**	**Level 2**	**Level 3**	**Total Investments**
Investments at fair value (non NAV)				
Domestic common stock[A]	$ 6,208,262	$ –	$ –	$ 6,208,262
International common stock[B]	3,084,046	–	–	3,084,046
Preferred stock[C]	13,956	1,059	–	15,015
Domestic government fixed income [D]	1,749,615	–	–	1,749,615
International government fixed income[E]	–	1,288,575	–	1,288,575
Domestic government and other agencies[F]	–	260,161	–	260,161
Municipal fixed income[G]	–	35,782	–	35,782
Corporate fixed income[H]	116	2,238,294	314,919	2,553,329
Asset-backed securities[I]	–	548,003	66	548,069
Collateralized loan obligation[J]	–	563,175	–	563,175
Risk management instruments[K]	(9,383)	1,071	–	(8,312)
Cash equivalents[L]	9,137	2,100	–	11,237
Total investments at fair value (non NAV)	**$ 11,055,749**	**$ 4,938,220**	**$ 314,985**	**$ 16,308,954**
Investments at fair value (NAV)				
Emerging market funds[M]				739,100
Private equity and real estate partnerships[N]				777,733
Real assets partnerships[O]				46,935
Total investments at fair value				**$ 17,872,722**
Cash equivalents at cost[P]				1,092,041
Wrap contracts at contract value[Q]				1,940,094
Total investments				**$ 20,904,857**

The following table summarizes the change in fair values associated with Level 3 financial assets for the year ended December 31, 2014:

(in thousands)	**Corporate Fixed Income**	**Asset-Backed Securities**	**Total**
Balance as of December 31, 2013	$ 317,455	$ 909	$ 318,364
Purchases	232,649	34	232,683
Sales	(224,576)	(1,405)	(225,981)
Realized gains (losses) – net	664	(510)	154
Unrealized (losses) gains – net	(11,273)	1,038	(10,235)
Balance as of December 31, 2014	**$ 314,919**	**$ 66**	**$ 314,985**

For the years ended December 31, 2015 and 2014, the net change in unrealized (losses) gains associated with Level 3 financial assets held at year-end are ($14.7) million and ($10.0) million, respectively.

Note 4:
Securities Lending Agreements

The General Board enters into securities lending transactions in its fixed income and equity portfolios, for which it receives compensation. Loans of securities are collateralized by cash and securities equal to at least 102% and 105% of the carrying value of the securities on loan for domestic and international securities, respectively. The General Board typically reinvests the cash collateral in repurchase agreements. The General Board monitors the fair value of the collateral relative to the amounts due under the agreements and, when required, requests through its advisors additional collateral or reduces the loan balance in order to maintain the contractual margin protection. The amount of the collateral related to its reinvestment agreements is carried at amortized cost, which approximates fair value, and is reported on the Balance Sheets as "Invested collateral from securities lending agreements." Repurchase agreements are collateralized by securities with a fair value equal to at least 100% of the General Board's investment in the agreement.

Cash collateral is invested in repurchase agreements of a short-term nature; however, such investments are subject to risk of payment delays or default on the part of the issuer or counterparty or otherwise may not generate sufficient interest to support the costs associated with securities lending. The General Board could also experience delays in recovering its securities and possible loss of income or value if the borrower fails to return the borrowed securities, although the General Board is indemnified from this risk by contract with the securities lending agent.

The fair value of the securities loaned totaled $2,613 million and $2,873 million at December 31, 2015 and 2014, respectively. The securities loaned are recorded in the Balance Sheets as "Securities loaned under securities lending agreements." The fair value of the "Invested collateral from securities lending agreements" includes only cash collateral received and reinvested that totaled $1,683 million and $2,135 million at December 31, 2015 and 2014, respectively. These amounts are offset by a liability recorded as "Payable under securities lending agreements." At December 31, 2015 and 2014, the General Board had received non-cash collateral of $996 million and $815 million, respectively, in the form of government-backed securities not included in the Balance Sheet totals.

The following table outlines the cash collateral received on securities loaned at December 31, 2015:

Loan Type (in thousands)	**Overnight and Continuous**	**Up to 30 Days**	**30-90 Days**	**Greater than 90 Days**	**Total**
Fixed Income Securities	$ 272,725	$ –	$ –	$ –	$ 272,725
Domestic Equity Securities	1,182,762	436	–	–	1,183,198
International Equity Securities	220,783	6,483	–	–	227,266
Total	**$ 1,676,270**	**$ 6,919**	–	–	**$ 1,683,189**

The following table outlines the cash collateral received on securities loaned at December 31, 2014:

Loan Type (in thousands)	**Overnight and Continuous**	**Up to 30 Days**	**30-90 Days**	**Greater than 90 Days**	**Total**
Fixed Income Securities	$ 444,492	$ 15,618	$ –	$ 123	$ 460,233
Domestic Equity Securities	1,482,470	1,572	983	–	1,485,025
International Equity Securities	187,754	114	–	2,062	189,930
Total	**$ 2,114,716**	**$ 17,304**	**$ 983**	**$ 2,185**	**$ 2,135,188**

Note 5:
Risk Management Instruments

The General Board may, from time to time, enter into financial futures contracts, foreign-currency forward contracts, forward contracts to purchase U.S. government agency obligations for trading purposes and commodity futures contracts. Equity futures contracts are used as a means to replicate the performance of the broad stock market and to reduce transaction costs associated with rebalancing a market-based indexed portfolio when there are cash inflows or outflows. Foreign-currency forward contracts are used to manage the risk of foreign currency fluctuations and to ensure that adequate funds, denominated in the local currency, are available to settle purchases of foreign securities. Forward contracts to purchase U.S. government agency obligations are used to take advantage of market yield premiums available for delayed settlement contracts. Fixed income financial futures (both exchange-traded and over-the-counter, including forward contracts and futures contracts) are used for hedging purposes. Hedging transactions that use fixed income futures contracts are defined as transactions that are substitutes for fixed income securities that the portfolio could own, and that have the comparable economic impact of managing the risks of the portfolio. In addition, fixed income financial futures are used for obtaining efficient investment exposure to certain financial market sectors that may not be economically accessible outside of the derivatives market. Commodity futures contracts are used to gain exposure to price changes of various commodities, such as energy, agriculture, metals and livestock. The General Board does not use derivative instruments or strategies to leverage its investments.

Financial futures contracts, commodity futures contracts, foreign-currency forward contracts and forward contracts to purchase U.S. government agency obligations are stated at fair value determined by prices quoted on national security exchanges. Fluctuations in value prior to maturity are recognized as unrealized gains or losses in the period during which they arise. At maturity, realized gains or losses are recognized and settled daily with cash through a margin account. Other liabilities, including the payables related to forward contracts to purchase U.S. government agency obligations, are stated at face value.

As with all of the securities included in the General Board's investment portfolio, these instruments are exposed to both market and credit risk. The market risk associated with these instruments is that equity prices or foreign exchange rates could change, resulting in a loss in the value of the investment. These risks may be offset partially by holding positions in the underlying securities. The credit risk associated with these instruments relates to the failure of the counterparty to pay based on the contractual terms of the agreement. The General Board monitors the counterparties who are responsible for fully satisfying their obligations under the contracts. Each equity futures contract requires that the General Board place on deposit with the executing counterparty an amount equal to the margin requirement for the contract. The margin requirement is recalculated daily to reflect the change in fair value.

Fund transfers to or from the General Board depend on the change in margin requirement. Hence, the General Board's daily credit exposure is limited to the margin requirement attributable to one day's price fluctuation.

The fair value or the notional value of the net positions of risk management instruments and the location of related unrealized gains (losses) in the Balance Sheets as of December 31 are listed in the table below:

(in thousands)	2015	2014	Location on Balance Sheet
Contracts to sell foreign currency*	$ 783,699	$ 810,112	Other assets
Contracts to (buy) foreign currency*	(249,191)	(244,966)	Other liabilities
Contracts to (buy) equity futures			
S&P 500 Index**	(125,183)	(132,078)	Equity securities
Russell 2000 Index**	(15,388)	(18,971)	Equity securities
Other index futures**	(102,357)	(194,165)	Equity securities
Contracts to (buy) sell other futures			
Fixed income securities**	50,398	(35,726)	Equity securities
Cash and equivalents**	17,197	170,881	Equity securities
Commodities**	(137,647)	(183,964)	Equity securities
Other			
Net credit default swap contracts – long position*	(923)	1,718	Fixed income securities
Net credit default swap contracts – short position*	(846)	–	Other liabilities
Interest rate swap contracts*	(3,595)	(1,479)	Fixed income securities
Inflation rate swap contracts*	99	(549)	Fixed income securities
Purchased options*	3,655	1,631	Fixed income securities
Written options*	(2,852)	(2,259)	Other liabilities

* At fair value

** At notional value

Net gains (losses) from risk management instruments, included in the Statements of Operations, are listed in the table below for the years ended December 31:

Derivative Investments	**2015**		**2014**	
	Net Gains (Losses) on Investments		**Net Gains (Losses) on Investments**	
(in thousands)	**Realized**	**Unrealized**	**Realized**	**Unrealized**
Forward commitments	$ (1)	$ –	$ 714	$ 75
Foreign exchange contracts	63,609	(11,514)	34,068	21,304
Futures contracts	(87,387)	11,209	(8,377)	(21,732)
Credit default swap contracts	(3,770)	(1,555)	850	(294)
Interest rate swap contracts	(3,212)	(2,742)	464	(1,720)
Inflation rate swap contracts	(62)	648	(2)	(549)
Options contracts	(1,106)	31	617	110
Total	**$ (31,929)**	**$ (3,923)**	**$ 28,334**	**$ (2,806)**

Note 6: Stable Value Fund

Investments in fixed income securities and contracts include the investments of the Stable Value Fund. GAAP requires that fair value be based upon the standard discounted cash flow methodology for traditional and variable Guaranteed Investment Contracts (GICs). Fair value is based on fair value of underlying portfolios for fixed maturity, constant duration synthetic and insurance company account GICs.

The stable value funds consist of two types of investment contracts, which are described in detail below. All investment contracts are benefit-responsive, unless otherwise noted.

Fixed Maturity Synthetic Guaranteed Investment Contracts: Fixed maturity synthetic GICs consist of an asset or collection of assets that are owned by the fund and a benefit-responsive, book-value wrap contract purchased for the portfolio. The wrap contract provides book-value accounting for the assets and assures that benefit-responsive payments will be made at book value for participant-directed withdrawals. Generally, fixed maturity synthetic GICs are held to maturity. The initial crediting rate is established based on the market interest rates at the time the initial asset is purchased.

There were no fixed maturity synthetic GICs at December 31, 2015. The total contract value of fixed maturity synthetic GICs at December 31, 2014, was $279 million.

Constant Duration Synthetic Guaranteed Investment Contracts: Constant duration synthetic GICs consist of a portfolio of securities owned by the fund and a benefit-responsive, book-value wrap contract purchased for the portfolio. The wrap contract amortizes gains and losses of the underlying securities over the portfolio duration and assures that benefit-responsive payments will be made at book value for participant-directed withdrawals. The initial crediting rate is established based on the market interest rates at the time the underlying portfolio is funded.

The total contract value for constant duration synthetic GICs was $433 million and $1,661 million at December 31, 2015 and 2014, respectively.

Most investment contracts have book value crediting rates that are reset periodically. The crediting rates are initiated at the inception of each contract and typically are recalculated on a quarterly basis. Applicable book value wrap fees, underlying asset management fees and/or product fees are subtracted from the gross crediting rate to determine a net crediting rate for each reset period.

The primary variables impacting the future crediting rates of security-backed contracts include the current yield of the assets underlying the contract, the duration of the assets underlying the contract, and the existing difference between the fair value of the assets underlying the contract and the contract value. The security-backed contracts are designed to reset their respective crediting rates on a quarterly basis, and the interest credited cannot be less than zero percent (0%).

The crediting rate of security-backed contracts will track current market yields on a trailing basis. The rate reset allows the contract value to converge with the fair value of the underlying portfolio over time, assuming the portfolio continues to earn the current yield for a period of time equal to the current portfolio duration.

To the extent that the underlying portfolio of a security-backed contract has unrealized and/or realized losses, a positive adjustment is made to the adjustment from fair value to contract value under contract value accounting. As a result, the future crediting rate may be lower over time than the then-current market rates. Similarly, if the underlying portfolio generates unrealized and/or realized gains, a negative adjustment is made to the adjustment from fair value to contract value, and the future crediting rate may be higher than the then-current market rates.

Certain employer-initiated events (e.g., layoffs, plan terminations, mergers, early retirement incentives, employer communications designed to induce participants to transfer from the fund, competing fund transfers, violation of equity wash or equivalent rules in place, and changes of qualification status of employer or plan) are not eligible for book-value disbursements even from fully benefit-responsive contracts. These events may cause liquidation of all or a portion of a contract at a market-value adjustment.

In general, issuers may terminate the contract and settle at other-than-contract value for the following reasons: changes in the qualification status of employer or plan changes, breach of material obligations under the contract, misrepresentation by the contract holder or failure of the underlying portfolio to conform to the pre-established investment guidelines. Issuers also may make payments at a value other than book value when withdrawals are caused by certain employer-initiated events.

No events are probable of occurring that might limit the ability of the General Board to transact at contract value with the contract issuers and that also limit the ability of the General Board to transact at contract value with the participants.

NOTE 7:
ALLOCATED NET LOSS (EARNINGS)

The assets in the various General Board-administered investment funds are priced daily and recorded in units to the accounts of plan participants, plan sponsors, institutional investors and plan reserves. The accounts are allocated primarily with their portion of actual earned returns, including realized and unrealized gains and losses, net of all operating expenses. Where appropriate, certain administrative costs that are strictly related to the administration of various plans, such as HealthFlex, are charged directly to those plans through an expense allocation process.

NOTE 8:
HEALTHFLEX

HealthFlex is a self-funded church plan, contracting with certain outside firms for administrative services only. Some of the benefit programs under HealthFlex are insured by third-party providers. The General Board also has entered a purchasing coalition with other church benefit program administrators, in which a single pharmacy benefit manager with beneficial economies of scale administers prescription drug claims.

As the HealthFlex plan administrator, the General Board bills plan sponsors a premium for benefits received by the plan participants. The premium is actuarially determined to cover all plan costs, including premiums paid to insurance companies, self-funded claims and all administrative costs.

The General Board invests the assets of HealthFlex in MAF and STIF, and incurs the expense of staff support and other costs to administer HealthFlex.

Activity for the HealthFlex plan for the years ended December 31 is as follows:

(in thousands)	2015	2014
Premiums		
Medical	$ 117,123	$ 131,068
Other expenses	4,282	4,038
Total premiums	121,405	135,106
Claims		
Medical (net of rebates)	(104,636)	(108,594)
Other expenses	(4,272)	(3,963)
Total claims	(108,908)	(112,557)
Administration		
Illinois Corporation	(2,549)	(2,437)
Third-party	(11,229)	(11,925)
Total administration	(13,778)	(14,362)
Net experience	(1,281)	8,187
Investment (loss) earnings	(1,803)	2,218
Performance dividend*	–	(20,000)
Decrease in accumulated reserves	(3,084)	(9,595)
Accumulated reserves		
Beginning of year	134,301	143,896
End of year	$ 131,217	$ 134,301

The HealthFlex accumulated reserves are included in the Balance Sheets as part of "Disability, death and health benefit program deposits."

* In 2014, HealthFlex declared a performance dividend of $20 million to plan sponsors. The distribution was based on the plan sponsors' underwriting experience for the 2012 and 2013 plan years. The dividend was distributed to plan sponsors in March 2014.

Note 9:
Operating Expenses

The components of operating expenses for the years ended December 31 are as follows:

(in thousands)	2015	2014
Salaries	$ 25,678	$ 23,675
Current and retired employee benefits	8,744	7,861
Professional services	8,175	8,178
Occupancy and other office expenses	4,963	4,776
Computers and other equipment	1,910	2,027
Meetings and travel	1,447	1,383
Additional annuities funding	3,500	4,000
Other expenses	1,161	1,413
Total operating expenses	**$ 55,578**	**$ 53,313**

All operating expenses are considered to be programmatic and are allocated to the unitized fund accounts or benefit plans.

Note 10:
Tax Status and Positions

The General Board operates exclusively for religious and charitable purposes and is exempt from federal income taxes under IRC section 501(c)(3). The FASB issued guidance that requires tax effects from uncertain tax positions to be recognized in the financial statements only if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority. Management believes there are no material uncertain tax positions that require recognition in the accompanying financial statements. While exempt from income tax under IRC section 501(c)(3), the General Board is subject to tax on income unrelated to its exempt purposes, unless that income is otherwise excluded by IRC. The tax years ending 2012, 2013, 2014 and 2015 are still open to audit for both federal and state purposes. There were no interest or penalties related to income taxes that have been accrued or recognized as of and for the years ended December 31, 2015 and 2014.

Note 11:
Related Party Transaction

The General Board borrowed certain funds from the CPP welfare plan, one of the plans managed by the General Board, to fund the cost of construction of the headquarters at 1901 Chestnut Avenue, Glenview, Illinois. In exchange, CPP received a note receivable. During construction, the loan bore interest at a rate of 4% (the market rate at the time of the transaction), compounded monthly. No payments for the accrued interest were made; the amounts were added to the loan balance at the end of each month. At the time of conversion to a permanent mortgage, the General Board repaid $6.5 million in principal.

On March 1, 2011, the construction loan payable to CPP was converted to a mortgage note payable to CPP, secured by the Glenview property, in the amount of $27.9 million bearing an interest rate of 6% (the market rate at the time of the transaction). Beginning April 1, 2011, the General Board is making monthly payments of $167 thousand, which includes interest, through March 2041. The annual principal payments are as follows:

Years ending December 31 (in thousands)

2016	$ 455
2017	483
2018	513
2019	545
2020	578
Thereafter	23,497
	$ 26,071

Note 12:
Subsequent Events

In preparing these financial statements, the General Board has evaluated events and transactions for potential recognition or disclosure through June 1, 2016, the date the financial statements were available to be issued. During this period, we had the following subsequent event, the effects of which did not require adjustment to financial position or results of operations as of and for the year ended December 31, 2015.

HealthFlex Performance Dividend: In 2016, HealthFlex declared a performance dividend of $10 million to plan sponsors. The distribution was based primarily on the plan sponsors' underwriting experience for the 2014 and 2015 plan years. The dividend was distributed to plan sponsors in March 2016.

Other Information

Executive Compensation

The General Board regularly reviews and analyzes market compensation data to help ensure that we can attract, retain and help motivate superior leadership in a competitive market while maintaining our commitments to stewardship and strong investment returns. The General Board Senior Leadership Team, Personnel Committee and Board of Directors take their roles in setting executive compensation seriously—striving to balance the values of the Church in which we serve and the business environment in which we compete for talent.

The executive compensation philosophy for our top five positions developed with input from an independent compensation consulting firm is to target the 50th percentile of the comparable market data (excluding long-term incentives) from the composite talent market (+/-10%). A detailed review of total compensation for executives within comparable organizations was completed by an independent compensation consulting firm. The executive compensation program was found to be consistent with the General Board's compensation philosophy and within range of competitive compensation market practices.

In choosing the comparable organizations, several factors were considered, including the mix and complexity of the products and services offered, the clients being served and asset size. Companies with whom we compete for talent were considered, as well as data from a published survey of other church organizations. The General Board, with more than $20 billion in assets under management, is the largest participating organization in the church survey.

Total Cash Compensation (in thousands)	**2015**
Chief Executive Officer	
Financial Services*	$ 2,323.4
Composite**	1,612.8
General Board	756.9
Chief Operating Officer	
Financial Services	$ 869.3
Composite	663.1
General Board	507.1
Chief Investment Officer	
Financial Services	$ 631.7
Composite	511.8
General Board	436.6
Chief Financial Officer	
Financial Services	$ 712.1
Composite	542.6
General Board	397.9
Chief Legal Officer	
Financial Services	$ 549.7
Composite	449.5
General Board	262.6

* Median (50th percentile) of total cash compensation at comparable financial services organizations

** Median (50th percentile) of total weighted cash compensation, including financial services organizations (50%), general industry (25%) and not-for-profit organizations (25%).

Audit Committee

The General Board's Audit Committee generally is composed of five members from the Board of Directors and four non-Board committee members who have specialized accounting experience and expertise. The Board of Directors of the General Board has adopted a written charter for the Audit Committee. The Board of Directors of the General Board has determined that more than one member of the Audit Committee has accounting or related financial management expertise.

The Audit Committee selects the General Board's independent certified public accounting firm and reviews the professional services it provides. The Audit Committee reviews the scope of the audit performed by the independent certified public accounting firm, its report on the audit, the General Board's annual financial statements, any material comments contained in the auditor's communication to the Audit Committee, the General Board's internal accounting controls, and other matters relating to accounting, auditing and financial reporting as it deems appropriate. The Audit Committee has discussions at least once a year with the external auditor without management being present. The Audit Committee reviews the external auditor's scope of work and expenses to ensure we have not hired the firm for other significant amounts of work. Also, the Audit Committee monitors significant internal audit activities.

Investment Managers, Positive Social Purpose Lending Program Intermediaries, Banks, Auditors and Consultants

Investment Managers

Adams Street Partners, LLC
Chicago, Illinois
USEF – *private equity*
IEF – *private equity*

Advisory Research, Inc.
Chicago, Illinois
USEF – *domestic equity*

Allianz Global Investors/
RCM Capital Management, LLC
San Francisco, California
USEF – *domestic equity*

Baillie Gifford
Edinburgh, Scotland
IEF – *international equity*

BlackRock, Inc.
San Francisco, California
and New York, New York
IPF – *inflation-protected fixed income*
FIF – *corporate fixed income*
USEF – *domestic equity*
USEIF – *domestic equity*
IEF – *international equity*

Blackstone Group LP
New York, New York
IEF – *private real estate*
SOF – *private real estate distressed debt*

Brown Capital Management, Inc.
Baltimore, Maryland
USEF – *domestic equity*

The Bank of New York Mellon
Pittsburgh, Pennsylvania
USEF, USEIF, ESVPF, ETFIF,
IEF, FIF, IPF, SVF, STIF,
MAF – *securities lending*

Cabot Properties, Inc.
Boston, Massachusetts
USEF – *private real estate*

Capital Group
Los Angeles, California
FIF – *emerging market debt*
IEF – *developed and emerging-markets international equity*
IPF – *emerging market inflation bonds*

CBRE Global Investors
Los Angeles, California
USEF – *private real estate*

Center Square Investment Management
Plymouth Meeting, Pennsylvania
USEF – *private real estate*

Cerberus Institutional Real Estate Partners
New York, New York
USEF – *private real estate*
SOF – *private real estate distressed debt and equity*

Conservation Forestry, LLC
Exeter, New Hampshire
SOF – *timber*

Credit Suisse Asset Management, LLC
New York, New York
IPF – *senior secured loans*

Daruma Asset Management, Inc.
New York, New York
USEF – *domestic equity*

Deutsche Asset & Wealth
Management, Inc.
Chicago, Illinois
USEF – *domestic REITs*

Dodge & Cox
San Francisco, California
SVF – *stable value fixed income*
ETFIF – *fixed income*

Disciplined Growth Investors
Minneapolis, Minnesota
USEF – *domestic equity*

Epoch Investment Partners
New York, New York
USEF – *domestic equity*

Equity International Management, LLC
Chicago, Illinois
IEF – *private real estate*

Fidelity Institutional Asset Management
Smithfield, Rhode Island
USEF – *domestic equity*

Genesis Investment Management, Ltd.
London, England
IEF – *emerging-markets equity*

Gresham Investment Management, LLC
New York, New York
IPF – *commodities*

Hancock Timber Resource Group
Boston, Massachusetts
IPF – *timber*
SOF – *timber*

HarbourVest Partners
Boston, Massachusetts
IEF – *private equity*

Hotchkis and Wiley Capital Management
Los Angeles, California
USEF – *domestic equity*

Hutensky Capital Partners
Hartford, Connecticut
USEF – *private real estate*

H/2 Capital Partners
Stamford, Connecticut
SOF – *private real estate distressed debt*

JP Morgan Investment Management
New York, New York
USEF – *private equity*
IPF – *international infrastructure*
SOF – *international infrastructure*

LM Capital, Inc.
San Diego, California
FIF – *fixed income*

Lone Star Acquisitions, Ltd.
Dallas, Texas
FIF – *fixed income*
SOF – *private real estate distressed debt*

LSV Asset Management
Chicago, Illinois
USEF – *domestic equity*

Marathon Real Estate
New York, New York
SOF – *private real estate distressed debt*

Miller Howard
Woodstock, New York
USEF – *domestic equity*

Neuberger Berman Fixed Income LLC
Chicago, Illinois
FIF, SVF – *fixed income*
IPF – *inflation-protected fixed income*
ETFIF – *long duration fixed income*

Northern Trust Quantitative Advisors
Chicago, Illinois
USEF – *domestic equity*
ESVPF – *domestic and international sustainable equity*
IEF – *international equity*

Northwood Securities LLC
New York, New York
IEF – *international REITs*

Oaktree Capital Management, LLC
Los Angeles, California
FIF – *fixed income*
IEF – *emerging market international equity*

Pacific Investment Management Company (PIMCO)
Newport Beach, California
FIF – *fixed income*

Parametric Clifton
Minneapolis, Minnesota
USEF – *U.S. equity index financial futures*
IEF – *international equity index financial futures*
ESVPF – *U.S. and international equity index financial futures*
MAF – *equity and fixed income financial futures*
ETFIF – *fixed income financial futures*

Pearlmark Real Estate Partners
Chicago, Illinois
USEF – *private real estate*

Prism Capital
Chicago, Illinois
USEF – *private equity*

Prudential Investment Management
Newark, New Jersey
SVF – *stable value fixed income*
ETFIF – *fixed income*

Prudential Real Estate Investors, Inc.
Parsippany, New Jersey
USEF – *private real estate*

Putnam Investments
Boston, Massachusetts
IEF – *international equity*

Schroders Investment Management
New York, New York
FIF – *fixed income*

Sprucegrove Investment Management
Toronto, Ontario, Canada
IEF – *international equity*

Stafford Capital Partners
San Francisco, California
USEF – *private equity*

Standish Mellon Asset Management
Pittsburgh, Pennsylvania; Boston, Massachusetts; and
San Francisco, California
Sweep Account – *short term fixed income*
SVF – *stable value fixed income*

TA Associates Realty
Boston, Massachusetts
USEF – *private real estate*

Townsend Group
Cleveland, Ohio
USEF – *private real estate*

Tricon Capital Group, Inc.
Toronto, Ontario, Canada
USEF – *private real estate*

Urban American
West New York, New Jersey
USEF – *private real estate*

Waterfall Asset Management
New York, New York
IPF – *asset-backed securities*

Wellington Management Company
Boston, Massachusetts
FIF – *fixed income*
USEF – *domestic equity*

Wespath Investment Management
Glenview, Illinois
FIF, Sweep Account – *loans to support affordable housing and community development*

Zevenbergen Capital Management
Seattle, Washington
USEF – *domestic equity*

Positive Social Purpose Lending Program Intermediaries

Bellwether Enterprise Real Estate Capital, LLC
Columbia, Maryland

California Community Reinvestment Corporation
Los Angeles, California

Capital Impact Partners
Arlington, Virginia

Cinnaire Corporation
Lansing, Michigan

Community Development Trust
New York, New York

Community Investment Corporation
Chicago, Illinois

The Community Preservation Corporation
New York, New York

Community Reinvestment Fund
Minneapolis, Minnesota

Delaware Community Investment Corporation
Wilmington, Delaware

Greystone Servicing Corporation, Inc.
Atlanta, Georgia

Local Initiatives Managed Assets Corporation
New York, New York

The Low Income Investment Fund
San Francisco, California

Mercy Loan Fund
Denver, Colorado

Shared Interest
New York, New York

Custodial Bank

The Bank of New York Mellon Corporation
Pittsburgh, Pennsylvania

Commercial Bank

The Northern Trust Company
Chicago, Illinois

Independent Certified Public Accounting Firm

Grant Thornton LLP
Chicago, Illinois

Internal Auditors

Protiviti
Chicago, Illinois

PC Connection
Merrimack, New Hampshire

Actuarial Consultants

Mercer Health & Benefits LLC
Chicago, Illinois

Willis Towers Watson
(formerly Towers Watson)
New York, New York

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